

RENT SUBSIDY RESERVE POLICY

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Purpose of Rent Subsidy Reserve (RSR)

This policy provides guidance regarding the RSR account and the distribution of funds from the account. The RSR account holds funds for providing existing resident rental subsidy payments.

Contributions to the RSR

When required the Mortgagor shall establish an RSR account with the Authority at or prior to initial closing in an amount equal to two years of rent subsidy amounts. The reserve must be funded in cash and held and controlled by the Authority. Interest earned on the funds, if any, accumulate in the RSR account and are treated in the same manner as other RSR funds.

Eligible Expenses

RSR funds may be used to pay tenant rental subsidies. Tenants must have resided in the development units at the time of the Initial Closing date to be eligible to receive rental subsidies from this account. Account funds may not be used to pay rent subsidies for new residents.

Requests for RSR Disbursement

The management agent\owner may submit a request on the Rent Subsidy Draw (MSHDA Mgmt. 510A) form at most once per quarter. Draw requests must include the following data regarding tenants eligible to receive rental subsidies:

- Tenant names.

- Unit numbers.
- Bedroom size.
- Move-in date.
- Move-out date.
- Rent amount.
- Rent subsidy amount.
- Total rent subsidy requested for each tenant.

The ***Initial RSR disbursement request*** must include a rent roll of all tenants residing in the development on the Initial Closing date. Subsequent draws must include the current rent roll as confirmation of the eligible tenants remaining at the development for the quarterly release of subsidies. The Initial Closing rent roll may also be requested in subsequent draws to assist in the confirmation process.

Release of RSR Funds

Following the designated (typically the third or fifth) year of operation after the Mortgage Cut-Off Date, the Mortgagor may request a full or partial release of any funds remaining in the RSR to be deposited in the Operating Reserve Cash account. The amount of the release will be determined based on the need to fund tenants rent subsidies for the life of the subsidy protection parameters designated in the governing documents and the individual(s) tenancy at the development.

Mortgage Loan Payment

Upon payment in full of a development's mortgage loans, the release of funds in the RSR account may be applied to fund any escrows or current obligations owed to the Authority. The remaining disbursements are governed by the legal documents and applicable laws.

Forms and Attachments

510A – Rent Subsidy Reserve Draw Request Form