

## Overview of RAD CHAP Amendments and Contract Rent Flexibilities

**Purpose:** This document provides an overview of the CHAP amendment process, a comprehensive listing of reasons CHAPs might be amended, and the information required in order for the amendment to be processed. HUD's intent in producing this document is to ensure that PHAs are fully aware of the options available to them and to reduce the overall number of instances in which a CHAP may need to be amended.

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### **Part 1: Introduction & Submission Protocol**

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This document seeks to educate PHAs on all of the ways in which CHAP rents, utility allowances and units may be adjusted after CHAP issuance but before financing plan submission. The original RAD CHAP award is issued based on the information submitted by the PHA during the RAD application process. HUD provides PHAs the opportunity to amend the RAD CHAP award to account for changes to units, rents, and utility allowances that occur as the PHA finalizes conversion plans in advance of Financing Plan submission. Note that CHAP amendment requests after Financing Plan approval (issuance of the RAD Conversion Commitment) can result in significant delays and potentially the need to resubmit a Financing Plan so it is critical that PHAs thoroughly review this document and their existing CHAP award to ensure it accurately reflects the conversion.

HUD anticipates issuing the CHAP amendment within 30 days of receipt of a complete amendment request. To avoid delays in the PHA's timely submission of the Financing Plan, all CHAP amendments must be submitted to the RAD Transaction Manager 60 days prior to the submission of the RAD Financing Plan. Transaction Managers will not review a Financing Plan submission if it includes data that is not reflected in the CHAP. HUD strongly encourages PHAs to review this overview in its entirety and, if any amendments are warranted, to submit a single CHAP amendment request incorporating all desired changes. Upon receipt of a CHAP amendment request, the RAD Transaction Manager will review and work with internal and external parties to address any concerns or questions.

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There is no required format for the CHAP amendment request but it must include all of the required information noted in Part 3 of this guide and it must be submitted by the PHA to the assigned Transaction Manager. Additional narratives and/or charts can be helpful as appropriate for more complex requests (such as splitting and/or combining existing CHAPs, especially if it involves units from more than one PIC Development Number).

### Part 2: CHAP Amendment Issuance and PHA Updates/Responsibilities

Once the amendment has been processed, HUD will provide an electronic copy (PDF) of the executed CHAP amendment via email from [resourcedesk@radresource.net](mailto:resourcedesk@radresource.net). A copy of your original RAD CHAP and all subsequent CHAP amendments are also available on the [RAD Resource Desk](#) under the **CHAP and Related Documents** section on the main property milestone page. **View CHAP** contains the original RAD CHAP award and then the amended CHAPs are listed in order of newest to oldest. Click **Review File** to download the latest CHAP amendment.

CHAP and Related Documents*		Enter CHAP and Related Documents
<a href="#">View CHAP</a>		
Amended CHAP	<a href="#">Review File</a>	01/24/2017
Amended CHAP	<a href="#">Review File</a>	07/25/2016
Amended CHAP	<a href="#">Review File</a>	06/30/2016
Amended CHAP	<a href="#">Review File</a>	01/20/2016

Note that any CHAP amendments that impact the PHA's existing draft PIC removal applications (such as splitting or combining CHAPs) will require the PHA to make updates to the removal application(s) in PIC accordingly and log the revised DDA number(s) on the RAD Resource Desk. This step cannot be completed until you are in receipt of your executed amended CHAP(s). The SAC will return your draft PIC removal application to "draft" status so that the PHA can make the appropriate changes. Please contact [SACTA@hud.gov](mailto:SACTA@hud.gov) and the local Public Housing Field Office if you have any questions about this step. Please note that each RAD CHAP must have a corresponding and unique draft PIC removal application. Once you have completed the changes to your draft PIC removal application, you must log the new DDA number on the RAD Resource Desk **PIC Removal Control No.** field and click **Save**.

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PHA Libraries - Housing Authority of the City		( <a href="#">Link to PHA Summary</a> )
Property Name:		<a href="#">Readiness TM Checklist</a>
PIC Number:		<a href="#">PHA Summary Page</a>
CHAP Issuance Date:		
Readiness TM:		
Financing TM:		
Closing Coordinator:		
<a href="#">Property Details</a>		
Estimated RCC Issuance Date:		<a href="#">PIH Summary Page</a> <a href="#">FHEO Summary Page</a>
PIC Removal Control No.:	<input type="text" value="DDA0007071"/>	
	<input type="button" value="Save"/>	

Some CHAP amendments may also impact other internal reviews, such as the Upfront Civil Rights reviews and/or Accessibility and Relocation Checklist. It is the PHA’s responsibility to ensure that all Financing Plan submission documents are updated on the RAD Resource Desk to reflect any changes made to the conversion via a CHAP amendment.

### Part 3: Overview of CHAP Amendments

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#### A. Splitting or Combining CHAPs

CHAPs are issued based on the information contained in the PHA’s RAD application submission. However, HUD recognizes that transactions evolve over time and various financing and asset management issues may necessitate combining or splitting CHAPs. In general, the CHAP structure should align with the proposed financing and thus there should be one CHAP per financing plan submission. For CHAPs that cover more than one building, it is important to keep in mind that a single CHAP may result in multiple HAP contracts and Use Agreements depending on the location(s) of the various sites and conversion type. For example, the PBV program has specific rules regarding what compilation of buildings can be under a single HAP contract - see the [PBV Quick Reference Guide](#) for further information. For PBRA, please consult with your local Multifamily HUD office.

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Amendment	Description	Submission Requirements
<b>Combining existing CHAPs into a single CHAP</b>	If projects covered by several different CHAPs are being combined under one financing structure, the CHAPs should be combined into a single RAD transaction (meaning the projects will have one financing plan submission).	<ul style="list-style-type: none"> <li>✓ Provide the names/project numbers of the existing CHAPs that you are combining (these should be the names/PIC Development Tracking numbers found on your existing CHAP Exhibit A's).</li> <li>✓ If you wish to refer to the project by a new name, include the desired project name in your request</li> <li>✓ You should use this opportunity to review/update the utility allowances</li> <li>✓ Note: If combining units from multiple PIC development numbers (“many to one”), the contract rents will be weighted.</li> </ul>
<b>Splitting an existing CHAP into multiple CHAPs</b>	If a CHAP contains several cleanly severable projects, PHAs are permitted to split a single CHAP into two or more standalone CHAPs that will be processed individually (meaning each project will have its own financing plan submission).	<ul style="list-style-type: none"> <li>✓ Provide the proposed names and unit configurations (bedroom types) for each resulting CHAP.</li> <li>✓ Use this as an opportunity to ensure the utility allowances are accurate for each resulting CHAP.</li> <li>✓ If you are splitting an existing CHAP that contained units from multiple PIC development numbers (“many to one”) into CHAPs that reflect units only from each PIC development number, the contract rents will no longer reflect the weighted average. (You are permitted to rent bundle among the CHAPs should you wish.) In this case, you will need to provide the unit configuration by AMP for each resulting CHAP. It is important to note which AMPs the units are coming from for each resulting CHAP.</li> </ul>
<b>Splitting an existing CHAP into a multiphase award</b>	If for financial or redevelopment purposes, the PHA wishes to redevelop the units contained in the CHAP in multiple phases over time, the PHA may request that the original CHAP be reduced to reflect only the units in the first phase and the PHA may “reserve” the remaining units covered in the original CHAP for future conversion via a multiphase award. Note that each phase must be cleanly severable from the other units within the AMP.	<ul style="list-style-type: none"> <li>✓ Provide the unit configuration for the first phase by bedroom type.</li> <li>✓ Use this as an opportunity to ensure the utility allowances are accurate.</li> <li>✓ If you wish to rename the first phase, provide the desired project name</li> <li>✓ Complete the <a href="#">multiphase request worksheet</a>. Note that RAD applications will need to be submitted for all future phases by July 1, 2018 or the units will be made available to other PHAs.</li> </ul>

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<b>Retroactive Portfolio Award</b>	If a PHA received two or more CHAPs at the same time and wishes to stagger the conversions (typically due to capacity issues), a PHA may request a retroactive portfolio award in which up to 50% of the active CHAPs are withdrawn and those units are reserved. The units are reserved for one year from the date of the original RAD CHAP award. The PHA must submit a RAD application for all reserved units within that timeframe or the units will be made available to other PHAs.	<ul style="list-style-type: none"><li>✓ Complete the <a href="#">portfolio worksheet</a>.</li><li>✓ Provide a letter/email stating which existing RAD CHAP awards are being withdrawn (&amp; being incorporated into the portfolio award).</li></ul>
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### B. Contract Rents

PHAs are permitted to supplement existing RAD contract rents in the ways described below. All PBV and PBRA RAD rent caps outlined in the RAD Notice apply and cannot be exceeded.

Amendment	Description	Submission Requirements
<b>Supplementing RAD contract rents with RHF/DDTF funds</b>	PHAs with future RHF/DDTF awards are permitted to forgo future grants and instead use those funds to supplement RAD contract rents. At HUD's sole discretion, PHAs may also utilize awarded but not yet unobligated RHF/DDTF funds to supplement contract rents.	<p>For future RHF/DDTF Funds:</p> <ul style="list-style-type: none"> <li>✓ Email your RAD TM to notify them that you wish to supplement your RAD contract rents with future RHF/DDTF Funds. An estimate of projected funds is available on the RAD Resource Desk &gt; Document Library. Your RAD TM will then request an updated RHF/DDTF forecast from HUD's Capital Fund office to confirm that amount of funds available.</li> <li>✓ Upon receipt of the updated forecast from your RAD TM, complete the RHF-DDTF Rent Boost &amp; Cancellation Certification for anticipated/future funds, which can be found on the RAD Resource Desk &gt; Document Library. The rents are subject to applicable RAD rent caps.</li> </ul> <p>For existing (awarded but unobligated) RHF/DDTF funds:</p> <ul style="list-style-type: none"> <li>✓ Email your RAD TM to notify them that you wish to supplement your RAD contract rents with existing RHF/DDTF Funds. Your RAD TM will then request the maximum amount available for this purpose from HUD's Capital Fund office.</li> <li>✓ Upon receipt of the amount from your RAD TM, complete the RHF-DDTF Rent Boost &amp; Cancellation Certification for awarded but unobligated funds, which can be found in the Document Library of the RAD Resource Desk. The rents are subject to applicable RAD rent caps.</li> </ul>
<b>Supplementing RAD contract rents with MTW funds</b>	MTW PHAs are permitted to supplement their RAD contract rents with MTW funds. The revised rents will be subject to a Subsidy Layering Review when the Financing Plan is submitted	<ul style="list-style-type: none"> <li>✓ Include the desired MTW amount to add to the existing contract rents. Note that the rents are subject to applicable RAD rent caps, which for PBV may be modified through the MTW Plan.</li> <li>✓ Use this as an opportunity to ensure the utility allowances are accurate.</li> </ul>

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<p><b>Supplementing RAD contract rents with an excess utility surcharge</b></p>	<p>Unlike in Public Housing, following conversion to PBV or PBRA, Owners are not permitted to charge tenants for excess utilities. If a converting project currently has surcharges for excess consumption of PHA-supplied utilities, the PHA may adjust the contract rents by the collected surcharges.</p>	<ul style="list-style-type: none"> <li>✓ Attach the following forms for the Fiscal Year in which the RAD contract rents were calculated (2014 or 2012):</li> <li>✓ HUD Form HUD-52722 (Calculation of Utility Expense Level) showing Row 19 (“Surcharges for excess consumption of PHA-supplied utilities”) of HUD Form 52722 divided by the number of units converting.</li> <li>✓ HUD Form HUD-52723 (Operating Fund Calculation of Operating Fund Subsidy) showing Total Unit Months (Section 2, Column A, Line 15)</li> <li>✓ The rents will be increased by the per unit per month amount that results when dividing the utility surcharges divided by the Total Unit Months.</li> <li>✓ Use this as an opportunity to ensure the utility allowances are accurate.</li> </ul>
<p><b>Rent bundling among two or more active CHAPs</b></p>	<p>PHAs are permitted to bundle rents among two or more active CHAPs as long as all applicable rent caps are not exceeded.</p>	<ul style="list-style-type: none"> <li>✓ Submit the <a href="#">Rent Bundling Worksheet</a>.</li> <li>✓ Use this as an opportunity to ensure the utility allowances are accurate for each CHAP.</li> <li>✓ When considering rent bundling, it is important to keep in mind that projects that are donating subsidy (converting at lower rents) must close before or in conjunction with the project(s) that are receiving subsidy (converting at higher rents).</li> <li>✓ Use this as an opportunity to ensure the utility allowances for all involved projects are accurate.</li> </ul>
<p><b>A reduction of units so that certain units can be used for special purposes uses.</b></p>	<p>Where certain ACC units at the property will be used for resident services, resident organization offices, and related activities, such as self-sufficiency and anti-crime initiatives, the project can retain the subsidy attributable to those units and the contract rents for the dwelling units will increase by a share of the foregone subsidy (i.e., the Operating Fund and Capital Fund portion of the weighted Contract Rent)</p>	<ul style="list-style-type: none"> <li>✓ Provide the revised number of units converting by bedroom type</li> <li>✓ Provide a description of the units as well as the following calculation:</li> </ul> $  \begin{array}{l}  \text{PUM Operating} + \text{PUM Capital Fund portion of published RAD rent for the} \\  \text{PIC Development \#} \\  \times \\  \text{Special Use units} \\  \div \\  \text{Units in Proposed CHAP} \\  = \\  \text{PUM CHAP rent Increase}  \end{array}  $

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<p><b>A reduction in units because units are being reconfigured through rehab to improve marketability (e.g. combining efficiencies).</b></p>	<p>Where a PHA wants to eliminate efficiencies (or otherwise reconfigure units) because the units are hard-to-market, and does so by combining units, the RAD rents for the project can be adjusted so that the project can retain the subsidy attributable to those units and the contract rents for the dwelling units will increase by a share of the foregone subsidy (i.e., the Operating Fund and Capital Fund portion of the weighted Contract Rent).</p>	<ul style="list-style-type: none"> <li>✓ Provide the revised number of units converting by bedroom type</li> <li>✓ Provide description of the units below as well as the following calculation: <ul style="list-style-type: none"> <li>PUM Operating + PUM Capital Fund portion of published RAD rent for the PIC Development #</li> <li>X</li> <li>Units that will be eliminated through reconfiguration</li> <li>÷</li> <li>Units in Proposed CHAP</li> <li>=</li> </ul> </li> <li>✓ PUM CHAP rent Increase</li> </ul>
<p><b>Tenant Paid Utility Savings</b></p>	<p>When conversion will result in the reduction of energy costs of one or more utility components (e.g. gas, water, sewer, electric) used to establish the site-based Utility Allowance, HUD will permit the RAD contract rent to be increased by a portion of the utility savings. See Attachment 1C of the RAD Notice for additional detail.</p>	<ul style="list-style-type: none"> <li>✓ Submit utility allowance projections performed by a professional engineer, based on the project’s plans and specifications that, at a minimum, take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location. Show the differential between the current utility allowances and the projected utility allowances.</li> <li>✓ <b>For PBV conversions</b>, to utilize this provision a PHA must first secure a waiver from PIH to use a site-based utility allowance at a PBV site as a result of a large differential between the projected site-based utility allowance and the voucher-wide utility allowance schedule. The request must demonstrate good cause that the utility allowance schedule used in its voucher program would either create an undue cost on families because the utility allowance provided under the voucher program is too low, or discourage conservation and efficient use of HAP funds because the utility allowance provided under the voucher program would be excessive if applied to the Covered Project. Such a waiver must be secured before HUD can consider revising the CHAP rents. The waiver request should be sent to the HUD PIH Field Office. The approved waiver must be attached to the CHAP amendment request.</li> </ul>

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<p><b>EPC Resident Paid Utility Incentive</b></p>	<p>For projects with an existing EPC using the Resident Paid Utility (RPU) Incentive, HUD will allow an amendment to the posted RAD rent to add the Per Unit Month (PUM) EPC Resident Paid Utility Incentive.</p>	<ul style="list-style-type: none"> <li>✓ The PHA should provide to the PIH field office current data demonstrating the adjustment to Formula Income in the HUD 52723 using the format described in FMD guidance at <a href="http://portal.hud.gov/hudportal/documents/huddoc?id=capture-resident.pdf">http://portal.hud.gov/hudportal/documents/huddoc?id=capture-resident.pdf</a> and <a href="http://portal.hud.gov/hudportal/documents/huddoc?id=epc_rpu_wksht.pdf">http://portal.hud.gov/hudportal/documents/huddoc?id=epc_rpu_wksht.pdf</a></li> <li>✓ Attach the PIH Field Office’s approval and amount to your CHAP amendment request</li> <li>✓ Use this as an opportunity to ensure the utility allowances are accurate for each CHAP.</li> </ul>
<p><b>Spreading subsidy among CHAP units as the result of a rent cap constraint on a specific bedroom type</b></p>	<p>A PHA may increase the rent of one bedroom-type and decrease the rent of another bedroom type in a cost neutral way when a RAD contract rent for a specific bedroom size would be capped by an applicable rent cap. The PHA may retain the remaining subsidy attributed to that unit by spreading it among the remaining CHAP units as long as no rent caps are exceeded.</p> <p>Example: If the 1BR RAD Contract Rent is \$500 but the reasonable rent is \$450 resulting in a RAD contract rent of \$450, the PHA may spread the difference (\$50) among its remaining CHAP unit contract rents as long as no rent caps are exceeded.</p>	<ul style="list-style-type: none"> <li>✓ Provide the desired rent spread among the remaining CHAP units, including evidence that the total subsidy amount has not been exceeded</li> <li>✓ Provide the applicable rent caps for each bedroom type</li> <li>✓ Note: If this issue is encountered during Recap’s annual CHAP OCAF adjustment process, Recap will proactively spread the excess subsidy evenly among the remaining CHAP units as long as no rent caps are exceeded.</li> </ul>

### C. Utility Allowances

The RAD CHAP award is populated with the utility allowances provided by the PHA in the RAD application. Frequently, those utility allowances have since changed or were input as weighted averages for each bedroom type. Prior to financing plan submission, it is critical to review the utility allowances in the CHAP to ensure that they are amended to reflect the current amounts and configurations.

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Amendment	Description	Submission Requirements
<p><b>Modifying the Utility Allowance in the CHAP to reflect the actual utility allowance that currently applies (pre-conversion) to the property</b></p>	<p>Whenever residents will continuously live at the property following the conversion, the CHAP, RCC, and HAP contract must reflect the utility allowance <u>currently in effect</u> at the property prior to conversion.</p> <p>After closing, the utility allowances will be adjusted according to existing PBV and PBRA guidance. (Generally, updates to utility allowances will not impact contract rents, but changing the responsibility of utilities from the project to tenants or from tenants to the project will impact contract rents.)</p>	<p>✓ A certification from the PHA or evidence of the actual utility allowances applicable to the site.</p>
<p><b>Adding in distinct utility allowance for the same unit size.</b></p>	<p>The CHAP, RCC, and HAP contract should reflect any unique difference in utility allowances that may exist for the same unit size. For example, if some one-bedroom units have a \$40 UA and some have an \$80 UA, those units should be listed separately in the rent schedule. This is also true for CHAPs that cover multiple buildings in which some buildings may have a tenant utility allowance and others may be owner-paid; the CHAP allows for different utility allowances for the same bedroom type.</p>	<p>✓ A certification from the PHA or evidence of the actual utility allowances applicable to the site.</p>

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<p><b>Modifying the Utility Allowance in the CHAP to reflect a change in responsibility for utilities that has occurred pre-conversion while the property is still under the public housing program (rare)</b></p>	<p>When the responsibility for certain utilities changes <i>pre-conversion</i> from owner-paid to tenant-paid or from tenant-paid to owner-paid, the utility allowance should be adjusted to reflect the new configuration and the contract rent should be adjusted inversely. For example, if since the time of the CHAP, but prior to conversion, the PHA has shifted responsibility for paying utilities to the residents and as a result the UA increased by \$20, the contract rent will be adjusted downward by \$20.</p>	<p>✓ A certification from the PHA or evidence of the actual utility allowances applicable to the site before and after the change in responsibility for utilities.</p>
<p><b>Changing the utility allowance to reflect the utility allowance that will apply following conversion.</b></p>	<p>When residents will not be living in the converted Section 8 property until the construction/ rehabilitation is complete (as will typically occur with new construction or transfer of assistance), the UA in the CHAP, RCC, and HAP contract can reflect the future utility allowance.</p>	<p>✓ Provide the project utility allowances as determined according to existing PBV (the voucher-wide UA schedule) and PBRA (Housing Notice 2015-04) guidance.</p>

### D. Adding, Reducing or Reconfiguring Units

Amendment	Description	Submission Requirements
<p><b>Adding units to a RAD CHAP Award</b></p>	<p>If the PHA neglected to include an eligible RAD unit or units in its original RAD application, the PHA may be permitted to add the unit(s) to the existing RAD CHAP award.</p>	<p>✓ The PHA must provide evidence of the unit(s) eligibility, typically via a screenshot of the unit in PIC along with concurrence by the PIH Field Office.                      ✓ Provide the bedroom type and corresponding utility allowance information for the additional unit(s).</p>

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<b>Reducing Units in a CHAP</b>	<p>When a PHA is planning to have fewer dwelling units under the HAP contract through a de minimis reduction or because the PHA has opted to do a partial conversion in which the remaining units will remain as Public Housing.</p>	<ul style="list-style-type: none"> <li>✓ The PHA must demonstrate that the resulting units are within RAD's de minimis exception standards or, if opting to reconfigure into a partial conversion, that the proposed RAD units are cleanly severable</li> <li>✓ Provide the revised unit/bedroom configuration of the converting units.</li> </ul>
<b>Reconfiguring Bedroom Types</b>	<p>RAD permits changes to unit bedroom distributions (subject to FHEO review), typically due to a transfer of assistance, demolition/new construction and/or substantial rehab.</p>	<ul style="list-style-type: none"> <li>✓ Provide the revised unit configuration by bedroom type, including applicable utility allowances.</li> <li>✓ The contract rents will be set based on the contract rents associated with the bedroom sizes prior to the change in bedroom distribution. For example, if the property had 40 2-BR units with a RAD contract rent of \$500 and 60 3-BR units with a RAD contract rent of \$600 and the PHA plans to change the unit distribution to 100 3-BR units, the units will all be funded at \$600. Similarly, if the new project included all 2-BR units, the rents for the 2-BR units would be \$500.</li> </ul>
<b>Reclassifying Units</b>	<p>If a PHA can demonstrate that the current units are not competitive because of size or other factors, the PHA may be permitted to re-classify the units as a smaller bedroom size. For example, a PHA has 10 5-BR units but they are extremely small by market standards and the PHA has difficulty leasing them to families otherwise eligible for a 5-BR unit. With supporting documentation, HUD may permit the PHA to treat these units as 4-BR units.</p>	<ul style="list-style-type: none"> <li>✓ Provide supporting documentation of the need to re-classify the bedroom size.</li> <li>✓ Provide the desired bedroom classification and corresponding utility allowances, if applicable</li> <li>✓ HUD will retain the contract rents of the larger unit size and apply them to the new bedroom classification.</li> </ul>

### E. Operating Cost Adjustment Factor (OCAF Adjustments)

All active CHAP awards will have their contract rents increased by the OCAF at the start of each new calendar year. The OCAFs are published annually in the Federal Register, typically at the start of the new fiscal year. PHAs do not need to request an amended RAD

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CHAP award in order to receive an OCAF adjustment- it is automatically applied at the start of the new calendar year for any conversions with a HAP effective date of January 1 or later and uploaded to the RAD Resource Desk. It takes HUD approximately 2-3 months to complete the OCAF updates at the beginning of each new calendar year. Should your transaction require an expedited OCAF update (for example, your transaction is in closing and has not received the OCAF), please email [resourcedesk@radresource.net](mailto:resourcedesk@radresource.net) with a copy to your RAD Transaction Manager and/or RAD Closing Coordinator (if known) requesting that the OCAF be added to your existing CHAP award.