COMPLIANCE MANUAL

LIHTC & HOME

IOWA FINANCE AUTHORITY

Project Information:

Project Name:

LIHTC

LIHTC Project #:

Minimum Set-aside:

HOME

HOME #:

Fixed or floating HOME (circle one)

My property is:

Check which applies:

See the Chapter 1 header *LIHTC and HOME together* under *Program Backgrounds* for further information on the use of this chart.

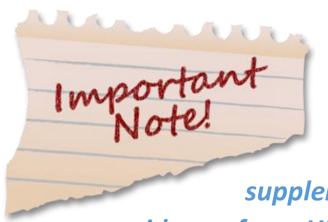
Developed by the Iowa Finance Authority with the assistance of ZEFFERT & ASSOCIATES

Table of Contents

Chapter 1 - Introduction & Program Fundamentals

Introduction

The Iowa Finance Authority (IFA) was established in 1975 to undertake programs to assist in the production of housing for low- and moderate-income residents in the state of Iowa. This manual addresses the requirements for two of those programs, the Low Income Housing Tax Credit (LIHTC) and HOME programs. It is designed to answer questions regarding procedures, rules and regulations that govern housing properties in Iowa. This manual should be a useful resource for owners, developers, management agents and on-site management personnel. Particular attention is paid to the needs of those doing the work at a site level. Since they actually carry out much of the owner's work, these vital personnel are referred to throughout this manual as owner/managers.



While setting out IFA's requirements under these programs, nothing in this manual should be construed as legal or accounting advice. This manual is to be used only as a supplement to compliance with the laws, regulations and other guidance from HUD and the IRS. This manual should also not be considered a complete guide to compliance for the programs covered. The responsibility for compliance with these federal programs lies with the owner of the building for which the funding applies. Because of the complexity of federal programs and the need to consider how they apply to specific circumstances, owners are strongly encouraged to seek competent professional legal and accounting advice regarding compliance issues. IFA's obligation to monitor for program compliance with the requirements of a program does not make IFA or its subcontractors liable for an owner's noncompliance.

Program Backgrounds

LIHTC

The Low Income Housing Tax Credit program was created by Congress as part of the Tax Reform Act of 1986. It is often referred to in abbreviated form as the LIHTC or "tax credit" program. Through the LIHTC program, owners receive a reduction in tax liability in exchange for providing affordable housing. This tax credit is based on how much is invested in the property. The tax credit program is governed by Section 42 of the Internal Revenue Code (§42). The Internal Revenue Service (IRS) administers the program nationwide in conjunction with state housing finance agencies.

The IRS does not directly allocate tax credits to owners or routinely monitor compliance with the LIHTC program. Those tasks are handled on the IRS' behalf by the state housing agencies. The Iowa Finance Authority (IFA) is recognized as the housing finance agency authorized to monitor compliance for various affordable housing programs, including the LIHTC in the state of Iowa.

Section 42 requires that designated state tax credit agencies provide a procedure for monitoring adherence to compliance with the requirements of the LIHTC program. Guidelines and rules outlined in this manual reflect these requirements.

Tax credits can be involved in new construction of a property, rehabilitation of a property and acquisition of an existing property if it also will undergo rehabilitation after acquisition.

In order to retain the tax credits awarded, a development must do the following: rent to qualified households and prove that they qualify through supporting documentation, keep rents affordable and maintain the property in good repair (often referred to as "decent, safe and sanitary").

HOME

HOME Investment Partnership Program funds are provided by the Housing and Urban Development (HUD) agency under the HOME Investment Partnership Act, which is found in Title II of the Cranston-Gonzalez National Affordable Housing Act of 1990.

The HOME program is designed to provide affordable housing to lower-income households, expand the capacity of nonprofit housing providers, and strengthen the ability of state and local governments to develop and implement affordable housing strategies to meet local needs.

A primary use of HOME funds is for the acquisition, construction and rehabilitation of rental housing. All rental housing units funded using HOME must meet affordability and income-targeting requirements as outlined in the HOME Final Rule (24 CFR Part 92). The HOME program designates specific units that are HOME units based on the amount of HOME funding proportionate to the total cost of the project.

Properties that have been developed with HOME funds are required to adhere to specific rules designed to ensure affordability for low and very-low income households throughout a required affordability period.

Each project will have a specific number of units that will have HOME requirements. Non-HOME units are not affected by HOME rules.

> EXAMPLE
>
> **Number of HOME units at a property**
>
> A project has 50 units. If half of a project's costs are paid for with HOME funds, at least 25 of the units will be designated HOME units.

Similar to the IRS with tax credits, HUD does not directly commit HOME funds to a property. These funds are committed and monitored by Participating Jurisdictions (PJs). PJs may be local or state agencies. States often have several local PJs working in the state in addition to a state PJ. IFA is the Iowa state PJ for HOME program monitoring and compliance enforcement.

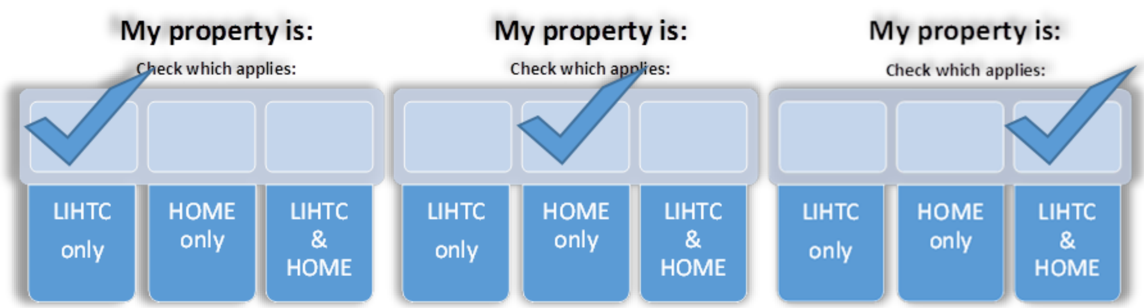
Important: Prior to IFA, state HOME funds were committed and monitored by the *Iowa Department of Economic Development (IDED)*. IFA now monitors their past portfolio and commits new HOME funds for the state of Iowa.

HOME guidance found in this manual only applies to projects monitored by IFA. An owner/manager will need to look for guidance from the applicable city PJ for HOME funds not committed by IFA or IDED.

LIHTC and HOME Together

Many of the rules are the same for the LIHTC and HOME programs. When that is the case, it is easy to apply the rules if you have both programs. However, when there are differences between the programs, we at times have to apply a different approach to properties with LIHTC or HOME alone as compared to those with both programs. In order to assist the reader in determining which approach applies, you can complete the checklist on the inside front cover. Check the boxes appropriate to your property. If you have more than one project, you may want to create a checklist for each and add it to your manual.

When key issues arise relating to LIHTC/HOME units in this manual, we will address them with call-outs. The box you checked for your property will help you to identify which approach to take.



For LIHTC-only properties:	For HOME-only properties:	For LIHTC/HOME units:

MEMORY AID:

Can you remember the basic compliance requirements for affordable housing?

If you can remember **"IRS"**, you can!

To comply with affordable housing programs we must:	This involves:
1. Rent to qualified households 2. Keep rents affordable 3. Keep the property decent safe and sanitary	1. Income Limits 2. Rent Limits 3. Safe & Sanitary

Regulatory Agreements

A regulatory agreement is a contract between an owner of multifamily real estate and a LIHTC or HOME agency. The owner agrees to "give up" some of their land use rights in exchange for participating in a federal program. The restrictions are documented in this contract and recorded in the public record. In the event that the property is sold during the term of the agreement, generally the restrictions continue with the land and apply to the new owner.

The purpose of a regulatory agreement is to require that the property provide affordable housing to low income households by limiting the maximum rent that can be charged for a unit and by requiring that some or all of the units are made available only to households with incomes below designated income limits. Physical condition standards are imposed as well as other covenants with IFA.

LIHTC Agreements

In the state of Iowa the LIHTC Regulatory Agreement is called the *Land Use Restriction Agreement* (LURA). IFA prepares the LURA prior to the issuance of IRS form 8609 which signals the official allocation of credits. The LURA must be recorded before the end of the year in which tax credits are claimed.

In order to successfully manage a tax credit property, the LURA should be used as reference for important compliance information.

HOME Agreements

Similar to the LIHTC LURA, the HOME Regulatory Agreement in Iowa is titled *IFA HOME Investment Partnerships (HOME) Program Contract.* This manual will abbreviate this as *HOME Contract*. New HOME projects committed funds by IFA will have covenants and restrictions recorded. These covenants are also part of the *HOME Contact*.

Items to Highlight on an IFA Regulatory Agreement

Note: Current for 2015. Some variation may occur for older or future agreements

LIHTC LURA

LIHTC Compliance Item	LURA Section
Non-profit organization status Topic discussed in this Manual Chapter 4	Introduction
Minimum set-aside Chapters 1 & 2	Section 5(a)
State agency covenant income and rent limits Chapters 1, 2 & 4	Section 5(b)
Minimum required applicable fractions Chapter 1	Exhibit B
Deep Rent Skewing Election Chapters 1 & 4	Section 5(a)
Length of extended use period Chapter 1	Section 3(b)
Amenities and/or resident services promised	Exhibit C

HOME Contract

HOME Compliance Item	HOME Contract Exhibit A Section
Length of the Affordability Period Topic discussed in this Manual Chapter 1	Header to the Exhibit
Number of HOME units required Chapter 1	"Unit Characteristics"
Required High- and Low-HOME unit mix Chapters 1, 2 & 4	"HOME Unit Mix" charts: "Initial" & "Throughout the Affordability Period"
The property's fixed or floating HOME designation Chapters 1 & 4	"Unit Characteristics"
Population targeting requirements (when applicable)	"Customer Characteristics"

Supplemental Information: Tax Credit Calculations

Most tax credit managers never actually calculate the amount if tax credits claimed for their property, so we will not spend a great deal of time in this manual discussing that topic. In case you are curious, however, we will provide an overview.

The Tax Credit Formula:
Eligible Basis x Applicable Fraction = Qualified Basis
Qualified Basis x Applicable Credit Percentage = Annual Tax Credit

Credits are claimed for each building based on how much money is spent on the building. The term used by the tax credit program to describe this amount of money is the ***eligible basis***.

The allowable expenses that went into building a building at Shady Oaks Apartments is $1,000,000

Now that we know how much was spent on the building, we need to determine how much of this money went to provide housing for low income households. This is done by calculating the percentage of the units in the building that are tax credit qualified units. The term used to describe this percentage is the ***applicable fraction***. If the units are differing sizes, the percentage of units will be calculated based on the number of units and the square footage of those units. The lower resulting percentage will be used when claiming tax credits.

The building has 10 units of differing sizes with a total of 8,000 square feet. 6 of the units are LIHTC and represent 4,000 square feet. The 4 non-LIHTC units thus also represent 4,000. Calculations: the unit fraction is 6/10 (60%). The square footage fraction is 4,000/8,000 (50%).The lower 50% is the applicable fraction.

Now that we know how much was spent on the building and how much of the building is housing low income households, we can calculate how much money is represented by the low income units. This is the ***qualified basis***.

Calculation: $1,000,000 X 50% = $500,000 qualified basis

Finally, the qualified basis is multiplied by a rate that the project locks into during development. This rate is called the ***applicable credit percentage***. The two categories of credit percentage are 4% or 9%, and the actual rates used will be close to or at 4 or 9%. Multiplying the amount of money spent on low income units (the qualified basis) by the applicable credit percentage results in the maximum amount of annual tax credits that can be claimed for the building for a ten year Credit Period.

Calculation: $500,000 X 9% = $45,000 annual tax credits
X 10 years = $450,000 credits claimed total

Note: The applicable fraction calculation will be different for the first year of the Credit Period and will be based on a prorated monthly average fraction. An owner/manager should work closely with investors to meet financial expectations and to maximize first year credits.

What does the tax credit calculation mean for non-accountants?

The most important factor in the credit calculation relating to a site manager's daily routine is the *applicable fraction*. Keeping units in the applicable fraction is accomplished by keeping them in compliance with LIHTC rules. This includes renting to qualified households, keeping rents affordable and maintaining the property in a decent safe and sanitary manner. These are major parts of the job of site staff and those who support them. The *eligible basis* is also important. Parts of the building included in eligible basis are subject to rules prohibiting the charging of fees beyond rent (see the Chapter 2 section on *Fees).* Also, removing features included in eligible basis in effect lowers the value of the property and has a negative impact on the tax credit calculation. This should be avoided.

Employee Units

LIHTC

Properties with a unit occupied by a full-time employee who is not income qualified may treat the unit as having the same status as a "common area" if the property requires the manager to live on-site. In order for the unit to meet the requirements of being designated a common area, the unit must benefit all rental units in the property and the employee occupying the unit must be full-time at the property. In addition to full-time managers, this can also apply to full-time maintenance and security staff. Charging rent to an employee does not disqualify a unit as an employee unit.

> **Example**
>
> **Employee units and the applicable fraction**
>
> In a building consisting of 100 units, 99 units are occupied by low income tenants and one unit is occupied by a full-time staff member. The applicable fraction would be:
>
> **99/99 or 100%**
>
> **(Not 99/100 or 99%)**

Please note that, for this rule, the term "full-time" is not necessarily related to the number of hours worked. For instance, an employee does not have to work 40 hours per week to be considered full-time. Full-time is defined as a substantial amount of time and will be based on the specific needs of the property. Factors to consider include the number of units managed and the duties the full-time employee performs—such as being on call during non-business hours and weekends for emergencies.

> **IFA Suggests**
>
> Create a job description for the employees in employee units that delineates their responsibilities and the number of hours expected to be worked. Clarify if they are a program-qualified household or not and the rents they pay. This will help demonstrate a need for the employee unit at the project.

In most cases, an employee unit designation will occur when a property is established. In situations where an employee unit was not designated initially, the owner/manager must contact their IFA Compliance Officer in order to ensure that implementation of an employee unit will not create compliance conflicts. If there is a need to change the currently assigned employee unit to another unit, the owner/manager must contact their IFA Compliance Officer to ensure that compliance is maintained.

To prevent the loss of credits, the employee unit is excluded from the applicable fraction.

HOME

HOME units are not employee units, unless they are housing HOME-eligible site employees and the rents charged are HOME appropriate.

Per the 2013 HOME regulation, for 100% HOME projects one HOME unit may be subsequently converted to an on-site manager's unit after project completion if the PJ determines that the conversion will contribute to the stability or effectiveness of the housing. The costs of the unit, however, will not be eligible for HOME funding. IFA must be consulted before implementing any employee unit at existing HOME properties.

Model Units

Model units are generally utilized during a project's lease-up period to show prospective tenants the amenities of the project's units. A fixed model unit must be included in the eligible basis and included in the denominator of the building's applicable fraction; however, it cannot be included in the numerator of the applicable fraction unless rented to a low income household.

Property Milestones

LIHTC Placed In Service

When a building is ready for its intended purpose, the IRS considers it to be placed in service, and leasing can begin. For new construction this generally happens when certificates of occupancy are issued that allow an owner to legally rent units. For credits based on the acquisition of a building that already is inhabitable, the placed in service date is the date that the building is purchased. Rehabilitation credits are placed in service when enough money is spent to get the eligible basis on which the credits will be claimed. In many cases, tax credits can be claimed for units occupied by LIHTC-qualified households starting the first full month after the building is placed in service (see Chapter 5 for further details an acquisition/rehab credits).

LIHTC Credit Deferral

Once a building is placed in service, the owner may choose to start claiming credits that year, or they may choose to claim credits the next year. Claiming the later year is called *deferring* credits. The decision to defer credits is generally made when a building is not LIHTC-occupied to the level needed to support the planned tax credits by the end of the year a building is placed in service.

When credits are deferred, households that moved in and were LIHTC qualified and are in place at the start of the Credit Period can be used to claim credits. However, if they moved in more than 120 days prior to the start of credits and the project has non-LIHTC units (*mixed-use),* then a test must be run to determine if the Available Unit Rule is triggered because any of the households have since had increases of income to over the 140% level (see Chapter 4 for further details on the AUR). The "test" consists of confirming with the household that sources and amounts of anticipated income included on the *Tenant Income Certification* (TIC) form are still current. The TIC is a <u>required</u> IFA form. If additional sources or amounts of income are identified, a copy of the TIC will be updated based on documentation the household supplies, such as paystubs. In this situation it is not necessary to complete third party verifications. If the household is over-income based on current income limits, the Available Unit Rule is applied to the next available unit. As with all households that were qualified at move-in but have future increases in income, their housing is not in jeopardy. The income test does not establish a new recertification cycle. Future recertifications will continue to be based on the initial qualification date for the household.

Example

When an owner may choose to defer

A building has a target goal of 100% LIHTC units. It is placed in service on October 2nd, 2016. By the end of the year, 53 of the 100 units (all the same size) have been qualified. The owner must choose either to claim credits in 2016 (settling for 53%) or deferring to 2017, hoping to get to the 100% by the end of that year. Whatever the case, by the end of the second year, credits will have to begin.

When an owner is not likely to defer

A 75 unit building has a target goal of 100% LIHTC units. The building is placed in service on April 5, 2016. By December 31st, 2016, all 75 units have been qualified. Since the target has been met by the end of the first year that the building was placed in service there is no need to defer credits to the following year; all credits would most likely be claimed in 2016.

Example

When income testing is required

A LIHTC building with non-LIHTC units is placed in service on **03/13/2016**.

Credits are deferred to start on **01/01/2017**. The following facts apply to the LIHTC move-ins.

Unit 101 MI date	**03/15/2016**
Unit 102 MI date	**08/01/2016**
Unit 103 MI date	**10/10/2016**
Unit 104 MI date	**11/01/2016**
Unit 105 MI date	**12/08/2016**

In December 2016, an income test needs to be conducted for households in units with certifications older than 120 days.

Units 101 and 102 will need to be tested. Units 103, 104 and 105 moved in within 120 days of the start of credits and will not need to be tested. If the tested units exceed 140% of the income limit, the next non-LIHTC unit to be available after 01/01/2017 will need to be rented to LIHTC household until the AUR is satisfied. All units will be fully recertified by the anniversaries of their move-in.

Owner/managers of projects that are 100% LIHTC always intend to rent the next available unit to LIHTC households and so income testing is not required for these projects, unless they are also Deep Rent Skewed.

CAUTION!

120 days is not 4 months!

The 120 day timeframe applies to several LIHTC rules. Be sure to count the days, as 120 days is rarely 4 months.

120 day timeframes apply to:

- Income testing when credits are deferred (see Chapter 1).
- The lifespan of verifications (Chapter 3).
- Timeframe to certify in-place households at an LIHTC acquisition/rehab (Chapter 6).

LIHTC Periods

Once the lease-up of a building is complete and credits are claimed, three LIHTC time periods begin concurrently. These three periods are called the:

1. Credit Period
2. Compliance Period
3. Extended Use Period

Credit Period

The LIHTC provides a tax credit that is generally claimed for 10 years. The Credit Period is the period credits are claimed. It starts the first taxable year that credits are claimed and continues nine additional years for a total of 10 years.

Compliance Period

The Compliance Period continues an additional five years after the end of the Credit Period. Therefore, it also starts with the first year of the Credit Period, but it goes to the end of the fourteenth year after that, for a total of 15 years. During this time, the IRS monitors the property through the 8823 forms submitted by IFA and expects compliance with all federal LIHTC requirements (see Chapter 6 of this manual for more information on compliance monitoring).

Extended Use Period

For properties allocated credits after 01/01/90, after the Compliance Period there must be AT LEAST an additional 15 year commitment to housing low income persons with affordable rents. The total 30 (or more) years is called the Extended Use Period. As with the other periods, the Extended Use Period begins with the first year credits are claimed. It then continues at least 29 additional years. After the Compliance Period, the IRS will no longer monitor for compliance. Credits will also not be recaptured for noncompliance that occurs after the Compliance Period. IFA, however, will ensure that the compliance criteria agreed to by the owner in the LURA are met during the entire Extended Use Period and will impose penalties as necessary.

The LURA, as mentioned earlier in this chapter, is a deed that reflects the Extended Use Agreement with the state.

Example

Determining the end of LIHTC periods

First year of the Credit Period	**2016**	
End of the Credit Period	**2025**	**(2016 + 9 years for a total of 10 years)**
End of Compliance Period	**2030**	**(2016 + 14 years for a total of 15 years)**
End of Extended Use Period (min.)	**2045**	**(2016 + 29 years for a minimum total of 30 years)**

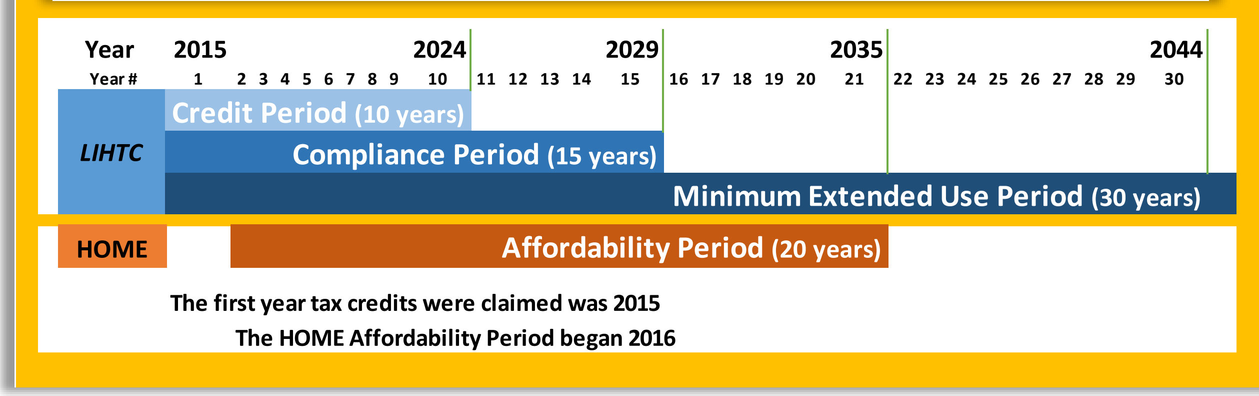
HOME Affordability Period

The Affordability Period is the length of time that a HOME-assisted project has to meet the requirements of the HOME program. The affordability period is similar to the LIHTC Compliance Period in which the owner must comply with HOME requirements including rent limits, tenant income limits, tenant lease protections, affirmative marketing, and property standards. Depending on the type of HOME project and the amount of the HOME investment, the affordability period can be different lengths of time. Most IFA projects have a 20-year HOME Affordability Period. The HOME Contract or your IFA Compliance Officer can clarify the Affordability Period commitment for a specific HOME project.

Note: For LIHTC projects with HOME funds, the first year of the Affordability Period may not be the same as the first year of the Credit Period (see example below).

Example

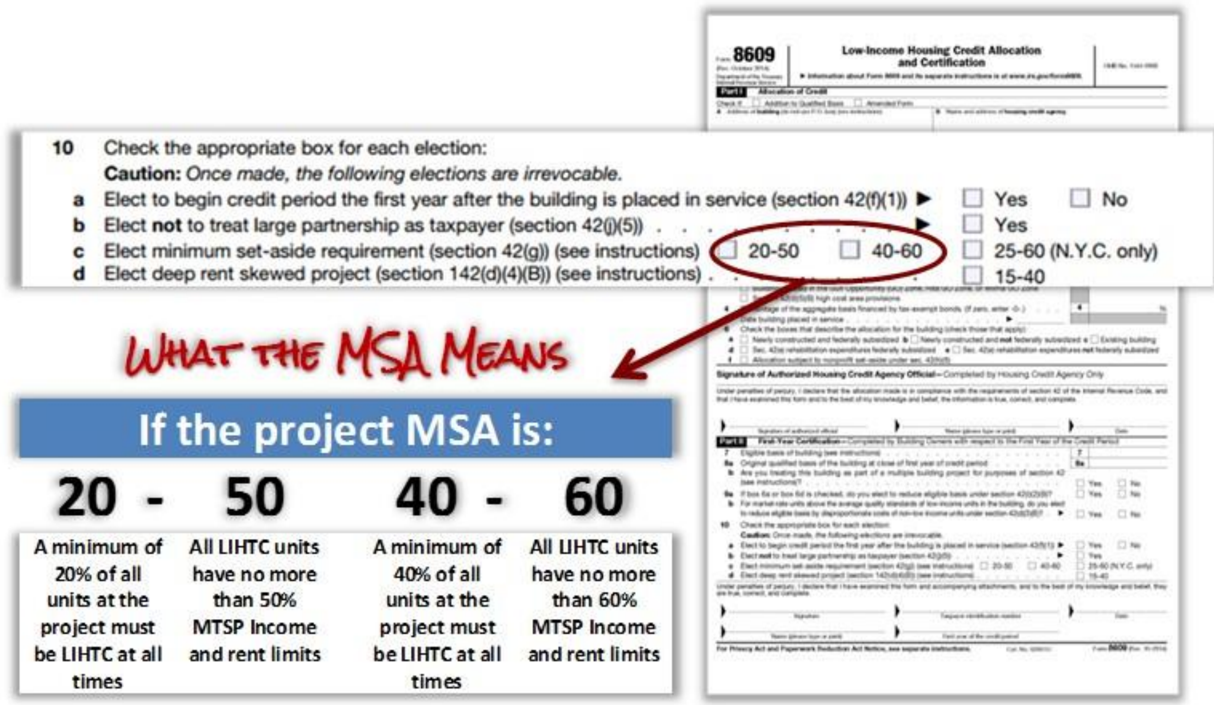
Overlapping time periods at an LIHTC/HOME project



LIHTC Minimum Set-Aside

Every LIHTC property has a minimum set-aside (MSA). There are two options in Iowa: 20-50 and 40-60. The minimum set-aside that must be met is elected by the owner on the IRS form 8609, line 10(c). The

8609 is a key compliance form issued by IFA and then completed by the owners and submitted to the IRS when credits start to be claimed.

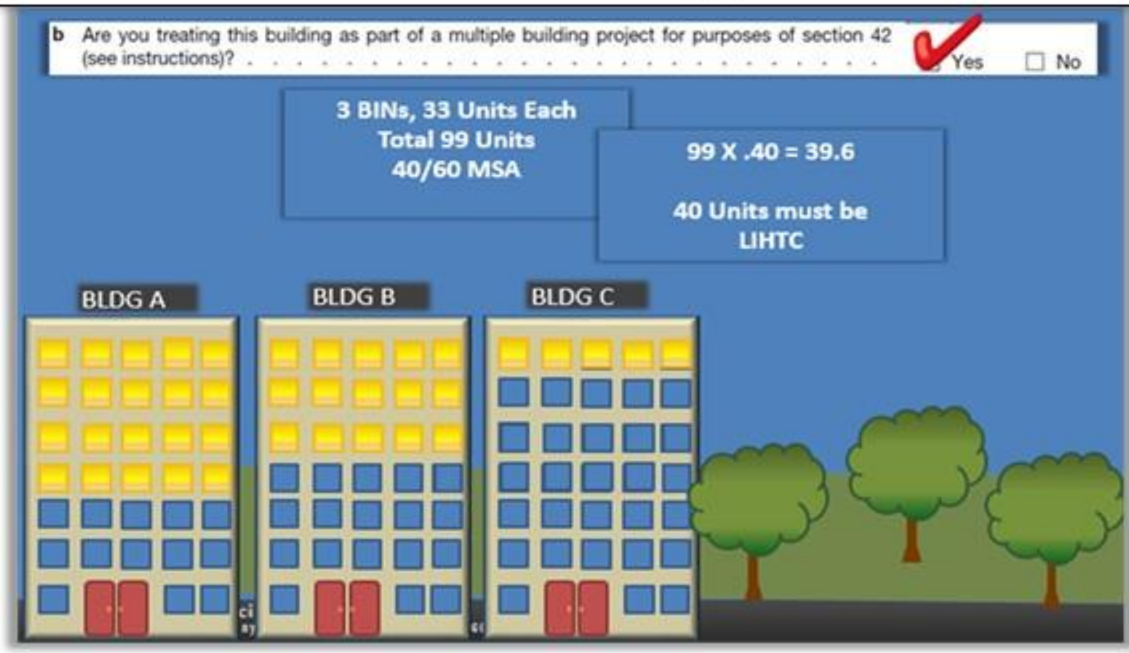


Once the minimum set-aside is chosen, it cannot be changed. Please note that, as the name indicates, the MSA requirements are *minimums* only. Most projects have more than the minimum LIHTC units and may have more restrictive income limits on some units. The LURA for the property may require that you meet additional income limits and/or additional number of low income units.

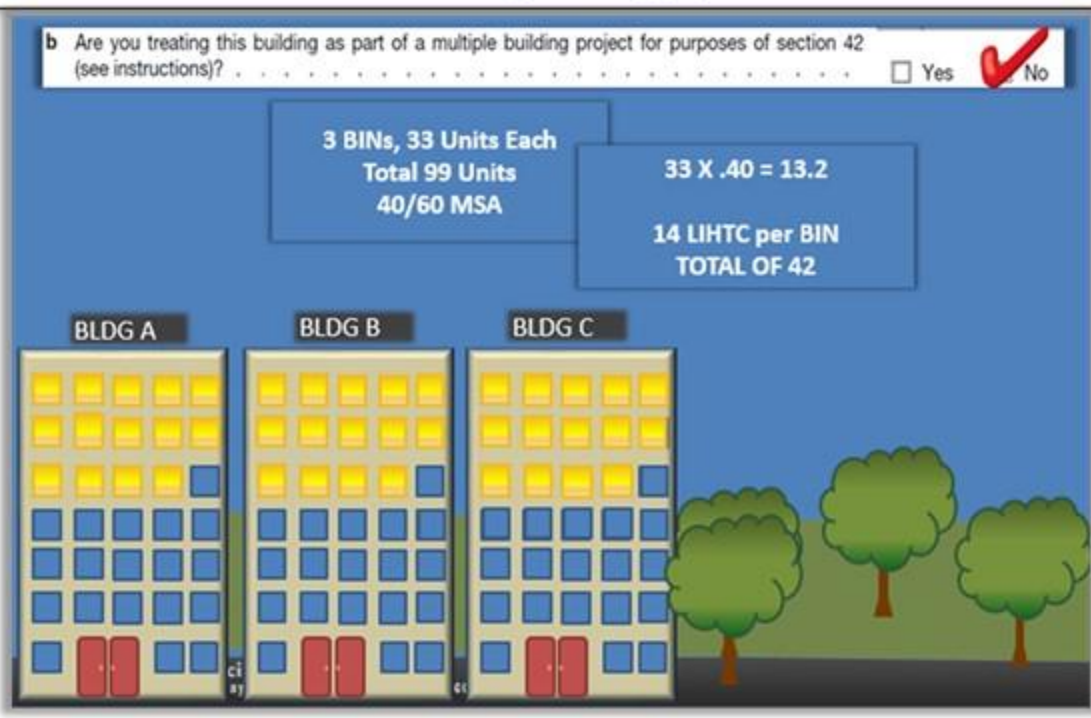
In order to determine how the minimum set-aside is met for your project, you must understand how the minimum set-aside is to be calculated according to the project's 8609s. On line 8(b), the question is asked "are you treating this building as part of a multiple building project for purposes of section 42?" How this question is answered determines how you calculate the number of units that you need to meet the minimum set-aside for your project.

- If the answer selected is "yes," this means the minimum set-aside for the project is based on the total number of all units for the whole property (see Example A below). ***A list must be attached to each 8609 indicating which additional buildings are part of the project.***
- If the answer selected is "no," this means that each building is a project and the minimum set-aside must be met by each building (Example B).

Example A:
The MSA at a multi-building project



Example B:
The MSA at single-building projects



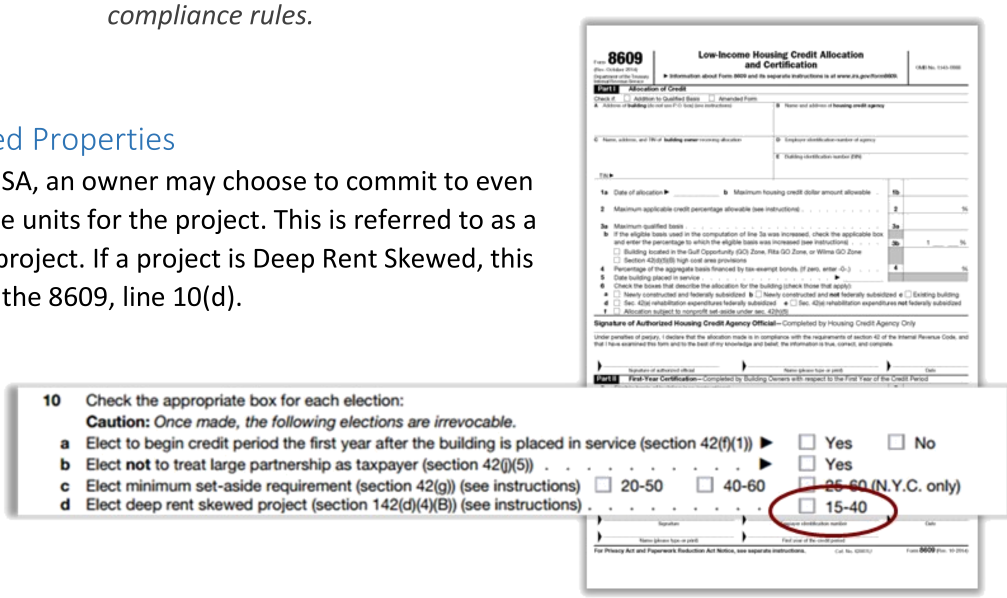
If the property does not meet the minimum set-aside during the first year of the Credit Period, the IRS states that the property cannot ever claim tax credits for that project. Subsequent violations of the MSA result in the loss of credits for the year that the MSA is not met as well as recapture penalties.

Note: A three-building development may be: 1) one project 2) a two-building project and a single building project, or 3) three single-building projects, depending on the multi-building elections on form 8609 8(b). This election is important and also relates to the selection of income limits (see Chapter 2), unit transfers (Chapter 4) and other compliance rules.

Deep Rent Skewed Properties

In addition to the MSA, an owner may choose to commit to even lower limits for some units for the project. This is referred to as a Deep Rent Skewed project. If a project is Deep Rent Skewed, this will be indicated on the 8609, line 10(d).

The following three things are true of a Deep Rent Skewed project:


Form 8609
Low-Income Housing Credit Allocation and Certification

10 Check the appropriate box for each election:
Caution: *Once made, the following elections are irrevocable.*
a Elect to begin credit period the first year after the building is placed in service (section 42(f)(1)) ▶ ☐ Yes ☐ No
b Elect **not** to treat large partnership as taxpayer (section 42(j)(5)) ▶ ☐ Yes
c Elect minimum set-aside requirement (section 42(g)) (see instructions) ☐ 20-50 ☐ 40-60 ☐ 25-60 (N.Y.C. only)
d Elect deep rent skewed project (section 142(d)(4)(B)) (see instructions) ☐ 15-40

1. 15% of the low income units in the property are occupied by households whose income is at or below 40% tax credit income limits.
2. The gross rent for the 40% units will be calculated based on the 40% income limit.
3. The gross rent for the 40% units must not exceed one-half of the gross rent for any non-LIHTC units in the project.

There are further implications to the Deep Rent Skewed election. Chapter 2 will further discuss the rent requirements and Chapter 4 will cover unique recertification and Available Unit Rule requirements for these projects.

Example

Number of Deep Rent Skewed units at a property

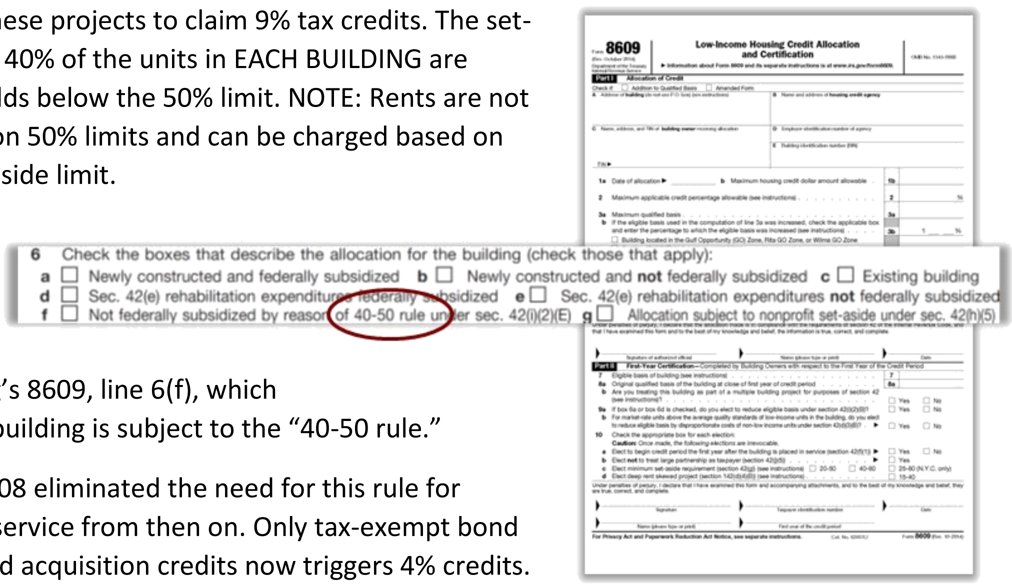
Total # of Units:	**100**	
Minimum Set-Aside:	**40-60**	
Applicable Fraction:	**100%**	
# of LIHTC Units:	**100**	**(100% x 100 total units)**

If the Deep Rent Skewed election is made on this property the election must be applied to the LIHTC units.

Deep Rent Skewed Election:	**15-40**	
Minimum # of 40% Skewed Units:	**15**	**(15% x 100 LIHTC units)**
LIHTC units at or below 60%:	85	**(100 total LIHTC units -15 Deep Rent Skewed units)**

40-50 Set-Aside

Prior to 2008, HOME and NAHASDA (a HUD Native American Housing program) projects were types of funding that resulted in 4% credits when combined with the LIHTC (there was a special set-aside that allowed some of these projects to claim 9% tax credits. The set-aside requires that 40% of the units in EACH BUILDING are rented to households below the 50% limit. NOTE: Rents are not necessarily based on 50% limits and can be charged based on the minimum set-aside limit.



It can be determined if this rule applies to a project by checking a building's 8609, line 6(f), which indicates that the building is subject to the "40-50 rule."

A law change in 2008 eliminated the need for this rule for projects placed in service from then on. Only tax-exempt bond funded projects and acquisition credits now triggers 4% credits. However, older HOME and NAHASDA properties that are 9% by virtue of this exception will still need to maintain it.

Vital Note: This is a LIHTC rule, not a HOME rule. Because of some similarities to HOME rules (such as having 50% set-aside units), some managers have allowed the number of very-low units to decrease below 40% in some buildings. HOME units may float, and may require fewer very-low units. If the 40-50 rule is violated, over half of *the credits may be disallowed by adjusting the 9% to 4% credits, and the IRS indicates that there may be no way to correct the noncompliance.*

Agency Covenants

In addition to the minimum set-aside elected for a property, there may also be additional state set-asides. It is very important to determine if a property has any additional state income limit restrictions, known in Iowa as *agency covenants*. It is also imperative to know if the LIHTC and the units with agency covenants are "fixed" (they are attached to the unit they are assigned to), or "floating" (they can be swapped for another unit).

> EXAMPLE
>
> **40-50 Rule**
>
> In two 10-unit buildings, 4 must be rented in each building to people below the 50% limit to satisfy the 40-50 rule and continue to support full 9% credits.

IFA has numerous agency covenants in terms of income and/or rent restrictions above and beyond 20-50 or 40-60. Which units (including bedroom sizes) are at specific set-asides is often established during the LIHTC allocation process. Fair Market Rents may apply as well. If there are additional agency covenants for a property, they are noted in Section 5 of the LURA. In newer projects, there may be further definitions applicable to the agency covenants, such as indicating a certain number of bedrooms at a certain limit (for example: two 2-bedrooms at 30%, two 2-bedrooms at 40%).

If additional agency covenants are applicable, they must be maintained throughout the Extended Use Period according to the details outlined in the LURA. These additional agency covenants will be monitored by IFA at the same time and in a manner similar to the federal LIHTC requirements. Noncompliance with these provisions will not be reported to the IRS or put tax credits at risk. However, IFA will issue a *State Notice of Noncompliance* in the case of violations of state covenants (see Chapter 6 for further details).

HOME Set-Asides

The HOME program distinguishes between units that have been assisted with HOME funds and units that are not receiving HOME funds. When IFA commits funds to the project, it will determine the total number and the type of units by bedroom size that will receive HOME funds. IFA will also determine the HOME set-asides for the units. This will include if the units are High or Low HOME and if the HOME units are Fixed or Floating units.

High and Low HOME Units

Home projects may have High and Low HOME units. During the Affordability Period, owner/managers are required to determine that all residents that will be residing in a HOME unit have household income that does not exceed the applicable HOME limit prior to occupancy. Changes of income may also require changing HOME designations. Owner/managers must also ensure that the rents charged for HOME units do not exceed the applicable HOME rent limit for the unit. Different limits apply to High HOME and Low HOME units.

The HOME program uses two specific income limits, very-low Income limits and low Income limits. Both types of limits are published by HUD on their website. As a service to its HOME properties, IFA also publishes the HOME limits.

- **Very-low income limits** are 50% of the Area Median Income (AMI). Very-low Income households must not exceed the very-low income limits of 50% AMI. These households qualify for Low HOME units.
- **Low income limits** are 80% of the AMI. Low Income households must not exceed the low Income limits of 80% AMI. These households qualify for High HOME units. ***For some HOME projects, IFA restricts new move-ins to High HOME units to 60% AMI limits. Check with your HOME Contract or IFA Compliance Officer if you are unsure if this applies to your HOME projects.***

Low HOME units that house *very-low income* households are subject to Low HOME rent limits. High HOME units that house *low income* household are subject to High HOME rent limits.

If a HOME property has at least five HOME units, as least 20% of the HOME units must be Low HOME. The remainder can be High HOME. However, IFA may designate more Low HOME units than required, up to requiring that ALL HOME units be Low HOME. The project may also have additional agency covenants. The HOME Contract may also require a certain number of units of a specific bedroom size at a certain limit. The required HOME High/Low mix information can generally be found in the HOME Contract. If this designation it is not clearly indicated in the HOME Contract, consult your IFA Compliance Officer for further assistance.

Fixed or Floating HOME Units

Every HOME project is either designated as having fixed or floating HOME units.

- **Fixed HOME:** HOME properties with fixed HOME units will have specific HOME units. These specific units never have to change to non-HOME units. They may, however, change from High to Low HOME status. Non-HOME units in these projects are never subject to HOME restrictions.
- **Floating HOME:** A property with floating HOME units has to maintain a mandated mix of HOME units throughout the property, but specific units may switch status. HOME units may change from High to Low HOME and HOME units and non-HOME units may be exchanged as necessary.

EXAMPLE

Fixed HOME Property

During initial occupancy of a project, Unit 101 is assigned as a HOME unit. Unit 102 is designated non-HOME. Unit 101 will keeps its designation as a HOME unit for all of the affordability period. Unit 102 will remain non-HOME.

EXAMPLE

Floating HOME Property

During initial occupancy of a project, unit 201 is assigned as a HOME unit. If circumstances require, in the future comparable unit #202 can be designated HOME and #201 can become non-HOME.

HOME program rules relating to steps to take when household income increases after move-in are particularly sensitive to whether the property is fixed or floating HOME (see Chapter 4 for further details).

As with the mix of High and Low HOME units, the floating/fixed designation can generally be found in the HOME Contract for a project. If this designation is not clearly indicated in the HOME Contract if you have any questions about your project's fixed or floating HOME status, consult with your IFA Compliance Officer.

Leases

LIHTC Non-Transience

LIHTC housing is not to be "transitory," or temporary. For this reason, tax credit properties are required to have an initial lease of at least six months for all new move-ins. Of course, the initial term can be more than six months, with a year term being the most common in Iowa. After the initial term, owner/managers are free to apply terms of their choice as long as no provision of the lease violates LIHTC requirements or Fair Housing law. Other programs at LIHTC projects, such as project-based Section 8, often dictate that a specific lease must be used. These leases do not conflict with LIHTC requirements and can be used.

There are exceptions to the six-month lease rule for qualified Single Room Occupancy (SRO) units or if the project was developed for transitional housing. The minimum initial lease term in these special cases is one month. If you have a SRO or transitional housing project, check your LURA or contact your IFA Compliance Officer to ensure that your project is designated in such a way that it can meet one of these exceptions and apply the lesser lease term.

LIHTC Lease Termination

The LIHTC rules prohibit "the eviction or the termination of tenancy (other than for good cause)" of LIHTC residents during the entire Extended Use Period and three years after. This clearly prohibits eviction or termination of tenancy mid-lease without good cause. What about when a lease is up for renewal? Is simply not renewing a lease that has expired "eviction" or "termination of tenancy"? The IRS has clarified that "neither the owner nor the tenant is obligated to renew a lease once it expires" and that nonrenewal of leases does not necessarily equate to "termination of tenancy." [8823 Guide 26-4] If an owner intends to non-renew a lease, they will have to ensure that doing so is acceptable under state law. Iowa Code *Chapter 562A Uniform Residential Landlord and Tenant Law Part II Landlord Remedies* provides guidance to landlords as to what circumstances they are, by Iowa law, able to lawfully terminate a lease. Feel free to check with your IFA Compliance Officer if you have questions relating to your LIHTC leases. Please be aware, however, that IFA will not be able to give legal advice on federal or state law. Competent council should be sought on most questions relating to leasing specifics.

HOME Leases

A written lease agreement must be provided for tenants of HOME-assisted units. Please note that program service agreements and personal responsibility agreements are not leases. The terms of the lease must be for a minimum of one year, unless the tenant and owner agree to a lesser term. However, the terms of the lease can never be less than 30 days.

During the development period of a HOME project, the property's initial HOME lease is approved by IFA. Any changes made to the lease during the Affordability Period must be submitted to your IFA Compliance Officer for review to ensure compliance with HOME lease requirements listed below. IFA will also review the HOME lease for a property when an owner/manager submits it for review during your compliance audit to ensure continuing compliance with HOME lease rules.

HOME has required lease clauses and also prohibits other provisions. In order to ensure HOME units meet the leasing provisions, IFA has developed a lease addendum to accompany the owner-developed lease. This is a required form. The IFA *HOME Lease Addendum* must be signed by all tenants and management of HOME-assisted units and accompany the lease. The only exception to the requirement to use the IFA HOME lease addendum is for HUD projects using HUD model leases. These may use the HUD approved leases without the IFA HOME addendum.

Required HOME Lease Clauses

1. **Required Term**: Leases must be executed for at least one year, unless the owner/manager and the tenant mutually agree to a shorter period. If the tenant has agreed to a different lease term, that agreement should be noted in writing in the tenant's file. A lease may *not* be for a period less than 30 days.
2. **HOME Rents:** The lease must specify the initial allowable HOME rents.
3. **Rent Changes:** The lease must clearly state that the owner/manager reserves the right to adjust rents, based on changes in the HOME limits, or in the event a tenant's income increases above the applicable HOME income limit.
4. **Income Eligibility/Annual Recertification:** The lease must state that the tenant's failure to cooperate in the income recertification process is a violation of the lease.
5. **Annual Unit Inspections:** The lease must state that the owner retains the right to inspect, and to permit the PJ and HUD to inspect, HOME-assisted units.
6. **Lead Warning:** For projects that were built prior to 1978, the lease must include a Lead Warning Statement.

Prohibited HOME Lease Clauses

1. **Agreement to Be Sued:** Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
2. **Treatment of Property:** Agreement by the tenant that the owner may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This provision does not apply to disposition of personal property left by a tenant who has vacated a property. The owner may dispose of personal property in accordance with state law.
3. **Excusing Owner From Responsibility:** Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent.
4. **Waiver of Notice:** Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant.

5. **Waiver of Legal Proceedings:** Agreement of the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
6. **Waiver of a Jury Trial:** Agreement by the tenant to waive any right to a trial by jury.
7. **Waiver of Right to Appeal Court Decision:** Agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a court decision in connection with the lease.
8. **Tenant Chargeable with the Cost of Legal Actions Regardless of the Outcome:** Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.
9. **Require Tenants to Accept Supportive Services:** (with an exception for residents of transitional housing).

Non-Renewal/Eviction

The tenant's lease cannot be terminated nor can the tenant be refused a renewal without good cause, and then only with 30-days' notice. **Less than 30-days' notice is not acceptable for any HOME lease termination, even if state law allows a lesser notice period in certain cases.** Good cause must be defined in the tenant's lease.

For LIHTC-only properties:	For HOME-only properties:	For LIHTC/HOME units:
Term: The initial lease term for new move-ins must be no less than 6 months.	**Term:** The initial lease term for new move-ins must be a year, unless a lesser term is negotiated. In no case can the initial term be less than 30 days.	**Term:** The initial lease term for new move-ins must be a year, unless a lesser term is negotiated. In no case can the initial term be less than 6 months.
Notice of termination: Follow state law when giving notice of termination of tenancy.	**Notice of termination:** Notice of termination must never be less than 30 days for any reason.	**Notice of termination:** Notice of termination must never be less than 30 days for any reason.

Fair Housing

LIHTC and HOME properties must follow fair housing laws, and violation of the Fair Housing Act can result in the loss of tax credits. Credit loss does not occur with an accusation of discrimination under the Fair Housing Act, but rather when there is a final adverse determination by an authoritative agency including HUD, a state or local Fair Housing agency substantially equivalent to HUD or a Federal Court.

If an owner/manager or a resident of Iowa affordable housing suspects a violation of the Fair Housing Act, they should report it to HUD or the Iowa's Civil Rights Commission. IFA cannot handle these legal issues. The Commission has a web-based reporting system and cross-files with HUD. Their website is icrc.iowa.gov, search keyword "fair housing complaint." *HOME, Inc*. a non-profit agency located in Des Moines, also provides free landlord-tenant mediation services. See their website www.homeincdsm.org for further details.

Occupancy Restrictions

Fair housing does not prohibit restrictions or preferences being applied to new residents, as long as these criteria do not violate federally protected classes. General Public Use provisions under the LIHTC program, however, are more restrictive than Fair Housing. LIHTC properties must be available to all. Occupancy restrictions or even preferences cannot be applied for specific groups (for example an employer or trade group such as teachers or police) unless the group fits into one of the three following categories.

1. Persons with special needs.
2. Persons who meet federal or state program requirements.
3. Persons involved in artistic and literary pursuits.

Affirmative Fair Housing Marketing Plan (AFHMP)

The purpose of affirmative marketing is to reach those least likely to apply and meet fair housing requirements. The practice of affirmative marketing includes the development of marketing procedures to attract applicants from all protected classes.

While affirmative marketing is encouraged for all IFA properties, an approved AFHMP is required for all HOME properties and for LIHTC properties allocated credits in 2009 or later. Properties older than 2009 may develop a plan, but do not need to submit the AFHMP to IFA for approval.

The HUD Form 935.2a *Affirmative Fair Housing Marketing Plan (AFHMP) – Multifamily Housing* is to be used. This form is designed to help the owner/manager use Census Bureau data to determine percentages of persons who live in your community who may be in a protected class. The Plan then helps examine the makeup of residents of the property based on the same classes. This helps identify and develop a plan to reach out to those unlikely to apply. For IFA properties subject to the AFHMP requirement, this form must be submitted to IFA for approval during the process of developing the property. Updates are required every five years and must be submitted to your IFA Compliance Officer for approval.

VAWA 2013

The Violence Against Women Act of 1994 (VAWA) is a United States federal law that provides funding and rules designed to investigate and prosecute violent crimes and to protect victims of such crimes.

VAWA was reauthorized in 2000, 2005 and 2013. The 2005 version first introduced provisions that applied to housing. Specifically affected were the Section 8 programs and public housing.

The 2013 reauthorization greatly expanded the housing programs covered by the Act to include LIHTC and HOME-funded housing.

Despite its name, VAWA protects both male and female victims.

The VAWA established two specific provisions for victims of domestic violence. The first provision requires that "an applicant for or tenant of assisted housing under a covered housing program may not be denied admission to, be denied assistance under, terminated from participation in, or evicted from housing on the basis that the applicant or tenant is or has been a victim of domestic violence, dating violence, sexual assault, or stalking, if the applicant or tenant otherwise qualifies for admission, assistance, participation, or occupancy."

The second provision requires that leases be bifurcated, allowing eviction or termination of assistance for the perpetrator of the violent crime while retaining the victim. Remaining members of the household are given a chance to qualify for the housing they reside in. If they do not qualify without the perpetrator, then they must be given a reasonable time to find other housing or to establish eligibility under another covered housing program.

A victim is not protected from eviction or termination based on their own lease violations or good cause unrelated to the violence of which they were a victim.

When a person represents himself or herself as a victim to an owner/manager the owner/manager may request, in writing, that the person submit documentation establishing their victim status. The victim is required to provide the perpetrator's name unless it is unknown or unsafe to do so.

The person has 14 business days, after receipt of the written notice, to provide the requested documentation. If they do not do so within that time frame, the owner/manager can proceed with denial or termination of occupancy or assistance. An owner/manager can allow more time, at their discretion.

IFA requires all LIHTC owner/managers to comply with the requirements of the VAWA Act and utilize HUD Form 91066, *Certification of Domestic Violence, Dating Violence or Stalking*, and HUD Form 91067, *Lease Addendum*.

Documentation relating to a victim must be maintained in confidence and may not be entered into any shared database or disclosed to any other entity. Exceptions are applicable if:

1. The victim requests or consents to disclosure
2. The documentation is required in the bifurcation eviction proceedings, or
3. Otherwise, as required by applicable law.

VAWA requires that an emergency transfer plan for housing be established. The plan allows victims to transfer to another available and safe unit assisted under a covered program. The tenant must expressly request the transfer and reasonable confidentiality measures must be incorporated to prevent the perpetrator from discovering the location of the new unit. Situations where a transfer would be allowed might include:

- Tenant reasonably believes that they are threatened with imminent harm of further violence if they remain in their current unit.
- A sexual assault occurred on the premises within 90 days prior to the request for transfer.

There were still several questions about VAWA 2013 that were not answered by federal sources years after the 2013 reauthorization. Owner/managers should seek the council of IFA if there is uncertainty as to how VAWA applies to their specific property. IFA will also publish Notices with additional guidance, as it is available from federal sources.

> **Caution!**
>
> **VAWA and Tax Credit Loss**
>
> Lack of compliance with VAWA is **not** grounds for loss of tax credits. However, there have been violations of victims' rights under VAWA that HUD has determined to **also** be discrimination under the Fair Housing Act as gender, race, or national origin discrimination. If HUD finds a VAWA violation to also violate Fair Housing, then credits are at risk.

When Combining Programs

This manual addresses issues that an owner/manager will meet when combining LIHTC with HOME funds. However, properties in Iowa commonly have additional programs or funding sources such as HUD or Rural Development. When there are two or more programs combined, ensuring that the pieces fit can seem like a puzzle. It is important to understand all the rules for each program at a property in order to start seeing the pattern and to complete the puzzle. There are several possible ways that rules from different programs will relate to one another at a property. These include:

1. There is no corresponding rule.

> **Example**
>
> **One program has a rule that the other does not**
>
> HUD has citizenship requirements: The LIHTC and HOME programs do not have explicit requirements and do not object to the application of citizenship standards.
>
> **Response: Apply the citizenship rule.**

2. Programs adjust by design.

> **Example**
>
> **One program has a rule that adjusts to another program rule**
>
> The LIHTC rules require that tax credit properties with RD or HUD funding use the utility allowances from HUD or RD for LIHTC purposes (see this Manual Chapter 2).
>
> **Response: Use the rules as adjusted.**

3. There are corresponding rules:

A. There are corresponding rules between the programs, and one is simply more restrictive than the other.

Example

One program has a more restrictive rule

Some program income limits are higher than others (see Chapter 2).

Response: The most restrictive rule that satisfies both programs is applied.

(A household that moves in under the 50% income limit imposed by one program is also below the 60% limit that may apply to another program.)

B. There are corresponding rules that are different, each is applied independently.

Example

Both programs have different, but not conflicting, rules

HUD, RD and HOME all have student rules that are completely different from the LIHTC student rules (see Chapter 3).

Response: BOTH sets of rules must be applied independently for households that want to move into a project with tax credits and any of these other funding sources.

4. **The rules conflict.** In a situation where the rules conflict, it is imperative to talk to all the important players (the owner, investors, IFA, other regulators) to establish if an approach can satisfy all parties. Ultimately, it is the owner who chose to integrate the different programs; they will have to decide which program violation represents the greatest risk and therefore which action to take.

It is generally beyond the scope of this guide to discuss any programs other than the LIHTC and HOME. However, to assist in putting the pieces together for owner/managers with other programs, we have included a "Combined Programs" research tool as an attachment to this manual. This provides a summary of several important rules that are applicable to HUD Multifamily, Rural Development, tax exempt-bond, LIHTC and HOME programs. It also provides references to federal guidance for further understanding of each rule. This will go a long way in helping an owner/manager to decide how the programs rules should interact.

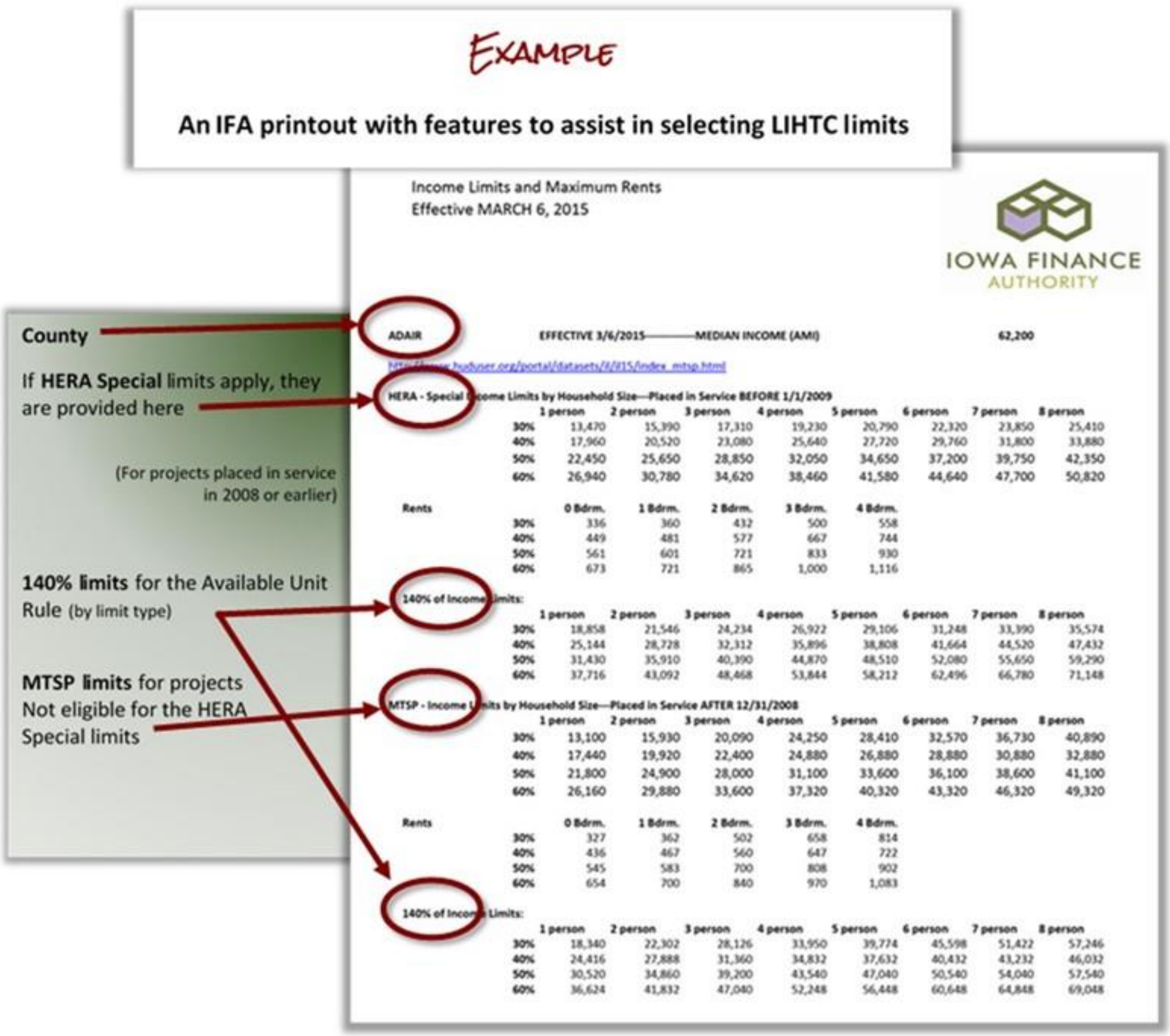
Chapter 2- Income Limits & Rents

A very important aspect of determining if households are eligible for affordable housing is ensuring that they have household income that is at or below income limits. These limits differ by program.

Source of Limit Data

HUD publishes median income information for each Iowa county or metropolitan statistical area in the state annually. HUD metropolitan statistical areas are metropolitan areas that may include multiple counties in one “area”. HUD’s metropolitan statistical area is abbreviated *MSA*, but is not to be confused, based on context, with the Minimum Set-Aside for a project, which is also abbreviated *MSA* at times by the IRS (see Chapter 1 for a discussion of Minimum Set-Asides). To avoid confusion in this chapter, we will spell out *minimum set aside* in all cases.

LIHTC (along with tax-exempt bond) program income limits are referred to as Multifamily Tax Subsidy Program (MTSP) limits.



Income Limits and Maximum Rents
Effective MARCH 6, 2015

ADAIR　EFFECTIVE 3/6/2015——MEDIAN INCOME (AMI)　62,200

huduser.org/portal/datasets/il/il15/index_mtsp.html

HERA - Special Income Limits by Household Size—Placed in Service BEFORE 1/1/2009

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
30%	13,470	15,390	17,310	19,230	20,790	22,320	23,850	25,410
40%	17,960	20,520	23,080	25,640	27,720	29,760	31,800	33,880
50%	22,450	25,650	28,850	32,050	34,650	37,200	39,750	42,350
60%	26,940	30,780	34,620	38,460	41,580	44,640	47,700	50,820

Rents	0 Bdrm.	1 Bdrm.	2 Bdrm.	3 Bdrm.	4 Bdrm.
30%	336	360	432	500	558
40%	449	481	577	667	744
50%	561	601	721	833	930
60%	673	721	865	1,000	1,116

140% of Income Limits:

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
30%	18,858	21,546	24,234	26,922	29,106	31,248	33,390	35,574
40%	25,144	28,728	32,312	35,896	38,808	41,664	44,520	47,432
50%	31,430	35,910	40,390	44,870	48,510	52,080	55,650	59,290
60%	37,716	43,092	48,468	53,844	58,212	62,496	66,780	71,148

MTSP - Income Limits by Household Size—Placed in Service AFTER 12/31/2008

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
30%	13,100	15,930	20,090	24,250	28,410	32,570	36,730	40,890
40%	17,440	19,920	22,400	24,880	26,880	28,880	30,880	32,880
50%	21,800	24,900	28,000	31,100	33,600	36,100	38,600	41,100
60%	26,160	29,880	33,600	37,320	40,320	43,320	46,320	49,320

Rents	0 Bdrm.	1 Bdrm.	2 Bdrm.	3 Bdrm.	4 Bdrm.
30%	327	362	502	658	814
40%	436	467	560	647	722
50%	545	583	700	808	902
60%	654	700	840	970	1,083

140% of Income Limits:

	1 person	2 person	3 person	4 person	5 person	6 person	7 person	8 person
30%	18,340	22,302	28,126	33,950	39,774	45,598	51,422	57,246
40%	24,416	27,888	31,360	34,832	37,632	40,432	43,232	46,032
50%	30,520	34,860	39,200	43,540	47,040	50,540	54,040	57,540
60%	36,624	41,832	47,040	52,248	56,448	60,648	64,848	69,048

HOME limits are also published by HUD, but are calculated slightly differently and are referred to as Area Median Income (AMI) limits. HUD publishes separate tables for income and rent limits for the HOME program. These tables provide High and Low HOME income and rent limits.

Both sets of limits can be found on HUD websites. As a service to our partners, IFA also publishes program limits on our website. These include federal and agency covenant income and rent set-asides as well as 140% limits for the LIHTC Available Unit Rule.

LIHTC: Calculating Limits

HUD datasets contain income limits separated into two categories for each MSA or county:

1. **50% (very-low) and 60% Income Limits**
    - Select the 50% or 60% limits based on the property's minimum set-aside (20-50 properties use the 50% limits and 40-60 properties use the 60%).
2. **HERA Special Income Limits 50% and 60% (if applicable)**
    - These limits can only be applied to projects that had at least one building in the project placed in service prior to 01/01/09.
    - Not all MSAs or counties in Iowa have projects that are eligible to use the HERA special limits. If the HERA limits are not listed in the datasets for the project's MSA or county income limits, the project is not eligible. Also, counties with HERA special limits change from year to year so it is best not to assume that if you had HERA special limits one year that you will automatically have them the next (or vise-versa).

LIHTC Code allows for some rural counties with exceptionally low income limits to use a higher *national nonmetropolitan* average limit for LIHTC properties that are not funded with tax-exempt bonds. This option has not historically applied to Iowa. If this ever changes, IFA will publish instructional notices on how to apply this special limit.

Since 2008, LIHTC limits are subject to a process called "*hold harmless*". This process is beneficial to projects where income limits might fluctuate from year to year and helps the project to achieve economic stability. Hold harmless is a term that HUD uses to describe a situation

Example

Holding harmless LIHTC limits

2016

A property, Sunny Acres, places in service in 2016 and uses the 2016 income limits.

2017

The published limits for the area go down. Sunny Acres continues to use the 2016 limits.

A property next to Sunny Acres, Shady Lawns, places in service in 2017. They must use the 2017 limits, which are lower than the limits allowable to the older Sunny Acres.

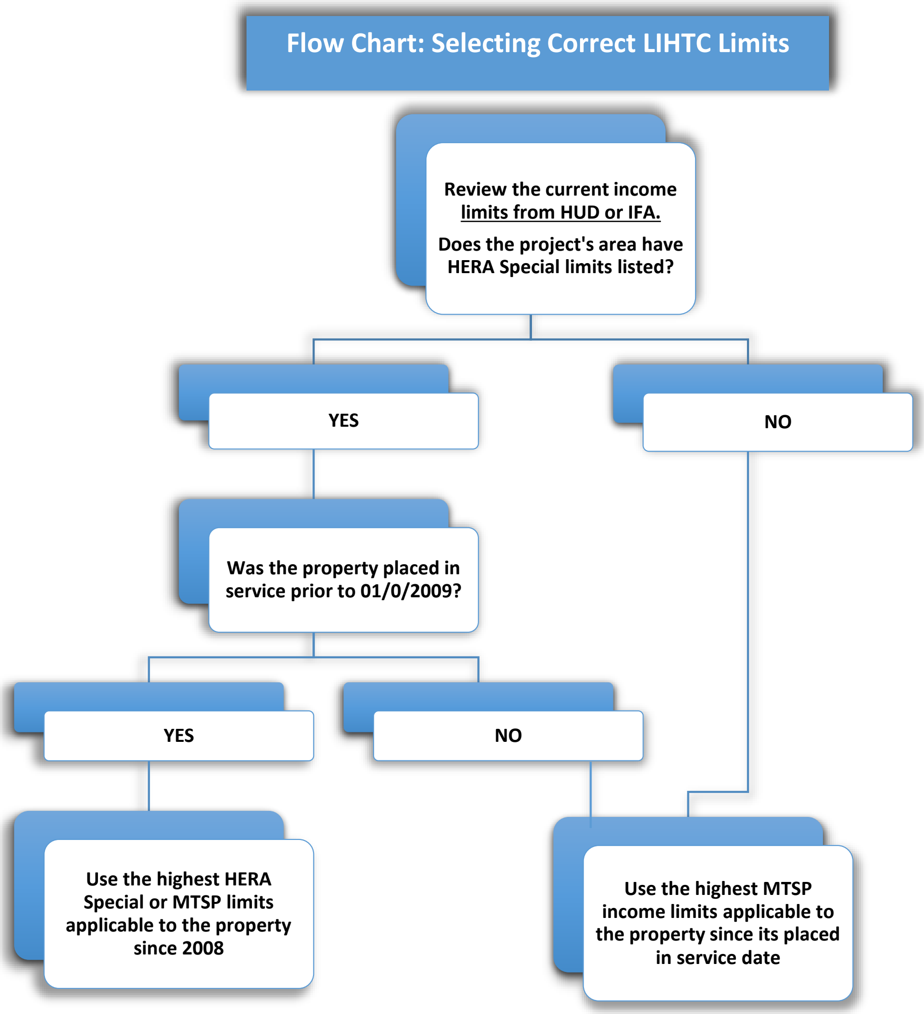
2018

In 2018, limits continue to decrease. Sunny Acres will hold harmless at 2016 levels and Shady Lawns will hold harmless at the 2017 limits.

2019

In 2019, the income limits go up and exceed the 2016 limits. Both projects will now use the 2019 limits and hold harmless to those limits.

where, once a project places in service, it never has to decrease the limits that it uses from year to year. For purposes of this rule, a project "places in service" when the first building in the project places in service. "Project" is defined by the 8609 8(b) multi-builiding election (see Chapter 1, *Minimum Set-Aside* for further information on the 8(b) election).



Rent Limit Calculations

The total of tenant rent and applicable utility allowance are compared to the LIHTC rent limits. Most LIHTC personnel do not need to calculate the rent limits. For the few that have this job, we are including information on how these are calculated here.

Rent limits are based on bedroom size. They are 30% of the income limit figured as if there are 1.5 people per bedroom.

EXAMPLE:

Calculating Rent Limits

Sample 60% MTSP Limits (for examples below)

1 person – $21,180, 2 person – $24,180, 3 person – $27,240, 4 person - $30,240

Annual Rent Limits for Units with an Even Number of Bedrooms	**Annual Rent Limits for Units with an Odd Number of Bedrooms**
2 bedroom	1 bedroom
3 person income limit X 30%	1.5 person income limit X 30%
$27,240 X 30% = $8,172	Since 1 + 2 ÷ 2 = 1.5, the 1 person income limit + the 2 person income limit ÷ 2 = the 1.5 person limit
	$21,180 + $24,180 ÷ 2 = $22,680
	X 30% = $ 6,804

Annual rent limits are finally converted to monthly amounts by dividing by 12 (if cents are rounded, round DOWN, not up).

$8,172 ÷ 12 = **$681 2 BR rent**	$6,804 ÷ 12 = **$567 1 BR rent**

Deep Skewed Rents

As discussed in Chapter 1, Deep Rent Skewed projects have at least 15% of the LIHTC units set aside at 40% income limits. The skewed units must also have a gross rent based on the 40% limits. For skewed projects with non-LIHTC units, the gross rent amounts for each 40% unit cannot exceed one-half of the gross rent for the non-LIHTC units of comparable size in the development.

Example

Deep Rent Skewed Maximum Rents

Non-LIHTC rent for units of comparable size	**$800**
Scenario #1	
Deep-rent skewed units gross rent	**$425**
Maximum allowable rent	**$400** (max rent is less than ½ non-LIHTC rent)
Scenario #2	
Deep-rent skewed units gross rent	**$325**
Maximum allowable rent	**$325** (max rent is less than 1/2 non-LIHTC rent)

Projects that are 100% LIHTC do not have non-LIHTC units, so the limits are effectively always based on the 40% set-aside for these projects.

HOME: High and Low

The total of tenant rent, applicable utility allowance and tenant-based subsidy are compared to the HOME rent limits. This is unlike the LIHTC program, which ***excludes*** the subsidy. Only ***project-based*** federal or state subsidy IS NOT included in rents for very-low income, Low-HOME households who pay 30% of their adjusted income.

HOME Set-Aside Overview

Low HOME	Tenant rent + Rental assistance + Utility allowance = HOME Rent	High Home
• **Income Limit** = 50% AMI (very-low) • **Rent limit** = Low HOME limit		• **Income Limit** = 80% AMI (low)* • **Rent limit** = High HOME limit

Properties with 5 or more HOME units must have at least 20% of the HOME unit designated as Low HOME.

* IFA limits new High HOME move-ins to 60% income limits. However, at recertification, a household is not "over-income" until they exceed the 80% limit.

Example

Special Rent Rule for Low HOME Project-based Subsidy

In the following scenario the difference between a tenant in a Low HOME unit and one in a unit designated as High HOME makes a big difference in how their subsidy could affect a project's income stream.

A property with Section 8 assistance has the following applicable 1-bedroom apartment rents:

Low HOME rent	**$688**
High HOME rent is	**$733**
Section 8 Contract Rent	**$840**

Vera moved into a HOME unit in a project where the units are fixed HOME. She pays $300, based on 30% of her income. Her Section 8 assistance pays the rest of the contract rent ($540). Because she is below the very-low income limits and pays rent based on 30% of adjusted income, the owner is allowed by the HOME rules to collect the $840 full tenant rent and the Section 8 subsidy.

Four years later…

The HOME limits and Section 8 contract rents continue the same. At her fourth year's recertification, Vera's income increases to above the very-low (50%) limits. Her portion of the rent is $700. The owner is now only allowed to collect $33 in subsidy (to meet the $733 High HOME rent), not $140 up to the contract rent that they would collect for a very-low income resident. Arrangements must be made with HUD as the tenant rent and subsidy are now capped at the High HOME limit.

Note: The above rule is met by units with residents below the very-low limits which are designated Low HOME per the HOME Contract. Once the Low HOME units required in the HOME Contract are designated, the remaining are High HOME units even if the households in the High HOME units are below the very-low income limits. These units are not eligible for the special rule and must not pay full contract rent. For this reason, owners of project-based subsidized properties may want to consider requesting Low-HOME designations for all HOME units when the property set-asides are being established during initial project development.

Rents charged to tenants that receive tenant-based subsidy must be the same as the rents charged to other tenants for comparable units. This means that if the owner charges less than the maximum HOME rent for HOME units not occupied by voucher holders, it can only charge that rent to voucher holders.

HOME Rent Approval Process

HOME regulations require that PJs review and approve rents each year. IFA is responsible for approving rents in all HOME-assisted units funded through the program currently being administered by IFA. The reason is to ensure that the rents comply with the HOME limits and do not result in undue increases from the previous year that would be difficult for low income households. Of course, decreases in HOME limits may also necessitate a change in HOME rents, so a review of rents by IFA of all HOME projects is required annually.

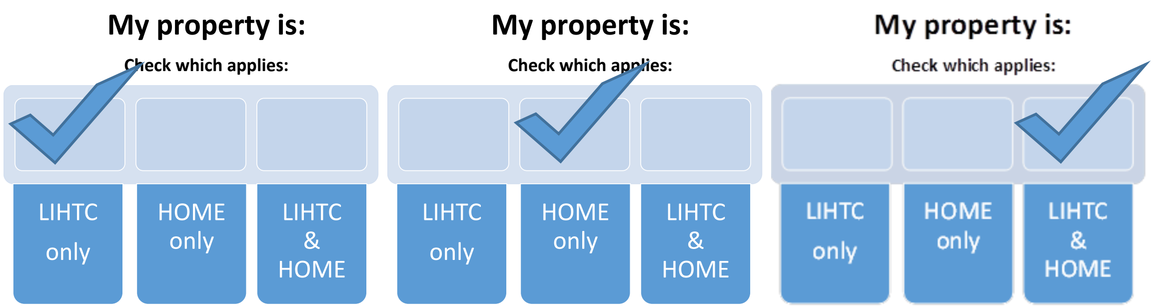
Guidelines:

- All properties must report anticipated rents for their project and indicate whether they are requesting an increase, or reporting anticipated rent decreases or no changes to their current rents. They will submit the current version of the IFA form *HOME Rent Approval Worksheet*.
- Decreases resulting from lower HOME rent limits or increases in utility allowances must be processed immediately. Any delay in implementing a rent decrease will require a repayment to the tenant of the amounts overcharged and the project will be out of compliance until such time as the rents are repaid.
- The above *Worksheet* will be submitted to IFA within 45 days after the release of the HOME income and rent limits so as to minimize projects having to make mid-year adjustments when limits decrease.
- The effective date of a proposed rent increase must be at least one year from the effective date of the property's last approved rent increase.
- A notice to residents of management's intention to submit a rent increase to IFA for approval must be made available to all households in HOME units at least 15 days prior to submitting the rent increase to IFA for approval.
- Existing residents must be given a 30-day notice before implementing any approved rent increase.

Since the rents are tied to the budget, itemized operating income and expense budgets must be submitted. IFA will analyze the budget to determine if the property is projecting a surplus or shortfall. IFA considers a healthy property to be able to maintain a 1.20 to 1.50 Debt Coverage Ratio (DCR).

All documentation must be submitted to the IFA employee currently designated by IFA.

Gross Rent Limits



For LIHTC-only properties:	For HOME-only properties:	For LIHTC/HOME units:
LIHTC limits apply. **Rent subsidy payments:** are not included in the rent calculation.	HOME High and Low limits apply. **Rent subsidy payments:** are included in the rent calculation.	The lower of HOME or LIHTC limits apply. Generally the HOME limits will be lower. **Rent subsidy payments:** are included in the rent calculation.

Utility Allowances

In theory, what households pay for rent and utilities must be kept at or below the maximum rent limits. In actual practice, it is impossible to know what utility usage will be for most situations, and the amounts change from month to month. To deal with this, LIHTC and HOME units where residents pay any utilities out of their pockets must have utility cost estimates assigned to units. These are called *utility allowances* (UAs). Utilities paid by residents commonly include electricity, water, sewer, oil, gas, and trash. Telephone, cable TV and internet costs which are not required as part of tenancy are considered optional items and are therefore excluded from the utility allowance. The rent that a tenant actually pays plus the utility allowance must not exceed the rent limits. For HOME units, tenant-based subsidy payments and project-based subsidy for High HOME units are also included when calculating gross rent (see *HOME: High and Low* section).

> **Example**
>
> **Rents and UAs**
>
> If the maximum gross rent on a unit is \$450 and the tenant pays utilities with a utility allowance of \$66 per month, the maximum rent chargeable to the tenant is:
>
> **\$384**
>
> **(\$450 - \$66)**

When all utilities are included in the household's gross rent payment and the project pays utilities, the utility allowance is zero.

IRS UA Methodologies

The IRS has offered several alternatives for calculating UAs for the Low Income Housing Tax Credit program, as the following will discuss.

1. Projects or households with other funding that provide UAs
    a. RD regulated buildings

    If any unit in a project is regulated by Rural Development (RD), the UA that is part of the RD annual budget will be used for all units.

    b. HUD regulated buildings

    If a building does not have RD funding (see above) and is regulated by HUD and a UA is calculated each year as part of the HUD budget, the HUD project-based UA will apply.

    c. PHA estimate

    Residents who have a Housing Choice Voucher have a UA that is calculated by a Public Housing Authority (PHA) as part of the Voucher rent calculation. This UA must be used for Voucher holders. Additionally, the utility allowance estimate from any local PHA that provides Vouchers to the property can be used for all units at a property without RD or HUD funding. If used, these estimates must be updated within 90 days of their release by the PHA.

IFA Suggests

A PHA is under no obligation to inform an owner of changes to the UA. If using PHA UA estimates, be sure to ask the PHA if there have been any changes in the UA at least every 60 days. This allows you to change rents if necessary before the 90-day deadline.

If a project is not RD or HUD regulated, and the owner does not use a PHA estimate, then the following options are available in Iowa.

If any of the following are gathered when determining UAs for a year, they must be used in favor of the PHA estimate for that year.

2. Estimate from a local utility company

    An estimate may be obtained by an interested party which includes the owner/manager or a tenant. The interested party will receive a cost estimate in writing from a utility company in the same geographic area for a unit of similar size and construction. If the property is in an area that is served by multiple utility providers, the interested party can obtain a written estimate from just one utility company that offers services to the project even if multiple utility companies can provide the same utility service to the property. The initiating party must retain the original documentation used to obtain the estimate and make copies available to IFA, tenants and other interested parties.

3. HUD Utility Schedule Model

    HUD has developed a spreadsheet model to calculate UAs for a property. This model can be found at the HUDuser.org website, key word search “Utility Schedule Model”. When completing the Model, the property's utility rate information and the Model's zip code function must be entered to access the location and heating degree data to calculate the estimate. Rates inputted must not be older than the rates in place 60 days prior to the date the utility allowance will change.

4. Energy Consumption Model

   The final alternative option is to retain the services of a qualified professional to calculate the allowances based on an energy consumption model. This model must take into consideration specific factors, including but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location. The professional retained must be a properly licensed engineer or a qualified professional approved by IFA and may not be related to the building owner within the meaning of Section 267(b) or 707(b) of the Internal Revenue Code.

   The use of the energy consumption model is limited to the building's consumption data for the 12-month period ending no earlier than 60 days prior to the date the utility allowance will change. For newly constructed or rehabbed buildings with less than 12 months of consumption data, consumption data for the 12-month period for similarly sized and constructed units in the geographical area in which the building is located will be used. Utility rates must be the rates in place 60 days prior to the date the allowance will change.

Additional UA Considerations

If the utility allowances increase, it may change the out-of-pocket rent owner/managers can charge their households, especially if the maximum allowable rent did not keep pace. If it turns out that the actual out of-pocket rent must be decreased to remain in compliance, owner/managers must be sure affected households begin paying the new rent no later than the end of the 90-day period applicable to the UA method being uses. When consideration is being given to which UA to use, the following should be kept in mind.

- Utility allowance Information is to be provided annually along with other IFA-required annual reporting information by March 1 of each year for existing projects. Newly placed in service projects must submit their information by April 1st the first year.
- Projects that are using methods 2-4 above must submit to IFA and their tenants their proposed UAs 90 days prior to the UA being implemented. IFA will acknowledge receipt of your documentation and review it for compliance with IRS regulations. You will be contacted if IFA requires further information within the 90-day period allowed by IRS regulation. An owner must entertain tenant comment during this same period. If you are not informed of any issues by IFA, the new UA may be implemented at the end of the 90 days.
- IFA requires that one UA methodology be used per property. This means that different methods may not be used for different utilities at the same property.
- Owner/managers are allowed to change the estimate options used for calculating utility allowances from one review to the next.
- Any costs associated with obtaining utility allowance estimates are the responsibility of the owner unless the utility company estimate is chosen. Then, unless otherwise agreed upon by the parties involved, the costs are the responsibility of the party requesting the estimate.
- Utility allowances must be reviewed annually to ensure the estimates approximate what the households are actually paying. However, if the property has just been placed in service, owner/managers are not required to review the utility allowances until the building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first year,

whichever is earlier. With the exception of the PHA-provided estimates, review of calculations need only take place one time per year even if known rate fluctuations occur (for concerns with updates on the PHA estimate, see above). However, if the owner/manager chooses to review them more frequently, they may as long as they follow the proper procedures.

- Owner/managers must retain any supporting determination data. Failure to retain adequate data that will allow IFA to conclude accurate allowances were used in the rent computation will result in noncompliance.

HOME UAs

Historically, PJs were required to adopt utility allowances either by developing their own utility allowances, adopting the utility allowance of local PHA, or establishing project-specific allowances. All currently existing HOME projects may use one of these methods. Existing HOME projects monitored by IFA may continue to utilize the local PHA utility allowance schedules. Additionally, we will also consider the usage of one of the alternative methods listed above for both LIHTC and HOME purposes.

The HOME rule that was revised in 2013 has a provision that will apply to new projects committed HOME funds on or after a date yet to be determined by HUD. These properties will have to have a UA based on:

1. The HUD Utility Schedule Model, or
2. An allowance based upon the *specific utilities* used at the project.

HUD believes that as more projects are constructed or rehabilitated to higher energy-efficiency standards, the use of a standard utility allowance (like the PHA estimates) may not fairly represent actual utility costs for a property.

As mentioned above, the new HOME rule for UAs will apply to new projects committed HOME funds on or after a future date that was not determined at publication of the rule. IFA will inform owner/managers by Notice when the new HOME UA rules are finalized, and to which properties they will apply.

Fees

Non-Optional Fees

Any non-optional fees charged to tenants as a condition of their occupancy must be included in the gross rent amount and detailed in the lease.

Charging application/screening fees is acceptable as long as the fees are reasonable and comply with state and local laws. The fees assessed are for the purpose of reimbursing owners for the actual average out-of-pocket costs incurred when screening reports, not to make a profit. For instance, the average costs to run credit and criminal background checks are an allowable basis for an application fee.

Optional Fees

Optional fees may be charged for services available at a property, provided that the service is not a condition of occupancy and reasonable alternatives to the service(s) are provided free of charge.

It is not required to include one-time refundable security deposits or pet deposits in the gross rent. These deposits are allowable provided they are reasonable and comply with state and local laws.

(See table below for additional details.)

Fees Not Permitted

When owner/managers charge residents fees that are not permitted under Section 42, the resulting rents are likely to be above the allowable rent limit. Examples of fees that are not permitted may include:

- Fees for the use of resident facilities (such as swimming pools, parking areas or recreational facilities) when the cost of the facilities was included in the project's tax credit eligible basis.
- Fees charged to tenants as a condition of their occupancy, when the fees are in addition to the gross rents (such as mandatory renter's insurance, fees for month-to-month tenancy, one-time washer/dryer hookup fees).
- Fees for the standard "turnover" of a unit to make it rent ready or decorating fees.

(See table below for additional details.)

If it is determined that a LIHTC resident has been overcharged rent or inappropriate fees at any point within a calendar year, the following will occur:

1. The owner will be required to refund the excess rent amount to the resident for all months affected, and
2. The IRS may disallow tax credits on the affected unit for the taxable year that rent was overcharged.
3. The earliest a LIHTC unit that was overcharged rent will be considered back into compliance is the start of the following tax year, provided the unit is rent restricted under the applicable program rent requirements.

Fee Type	Acceptable	Not Acceptable	Notes
Application fees	✗		Must not exceed the average out-of-pocket costs to run background checks.
Month-to-month tenancy fee		✗	The IRS considers this a non-optional fee even if the tenant is given the option to sign a long term lease.
Security deposits	✗		Security deposits must be fully refundable, as long as the unit is left clean and does not have damage beyond normal wear and tear.
Renter's Insurance	✗		Only acceptable if made optional and not a condition of tenancy.
Pet deposits	✗		Assistance animals that help a person with a disability do not qualify as pets and are not legally subject to deposits. However, actual costs to repair damage caused by assistance animals beyond wear and tear may be charged.
Fee to pay for third party verification		✗	If there is a cost for verification, the owner may use source documentation supplied by the household. If they choose to require verification that costs money, the owner must bear the cost. NOTE: This is not to be confused with fees for recouping actual costs for processing applications (see application fees).
Coin operated laundry machines	✗		As long as the room is accessible to all residents and the machines are not in eligible basis.
Community room usage fee		✗	A deposit may be charged, as long as it is fully refundable if the room is left clean and undamaged.
Parking fees	✗		Only acceptable for LIHTC projects if the parking lot is not in eligible basis. Assigned parking is not acceptable to IFA.
Late rent fees	✗		Per Iowa statute: • **When rent is $700 or less a month** the fee may be no more than $12 per day (up to $60 per month). • **When rent exceeds $700 a month** the fee may be no more than $20 per day (up to $100 per month). Note: This may be subject to adjustment. Confirm current levels at Iowa Code Chapter 562A.

Penalty fees (for example: lockout or key loss)	✗		May be charged if the rates are explicitly spelled out in writing.
Maintenance completed by owner that is normally required to be completed by the household (such as changing unit light bulbs or removing furniture).	✗		May be charged if the rates are explicitly spelled out in writing.
Make-ready fees (AKA cleaning, turnaround, preparation, redecorating, mandatory carpet cleaning, and unit turnaround fees)		✗	Only costs **beyond normal wear-and-tear*** may be charged. Helpful hint: pictures are very effective in documenting the state a unit was left in and demonstrating damage beyond normal wear and tear.
Lease breakage fee	✗		Having a lease breakage penalty as a contingency does not make a lease transient. This is true even if the tenant breaks the lease less than six months after move-in, as long as the initial term of the lease was at least six months.

*** HUD has provided the below guidance on what is normal wear and tear, and what is not. Although not all-inclusive, the list is helpful in establishing housing policy.**

Normal Wear and Tear

Normal costs of turning over an apartment after a tenant vacates may not be charged to the former tenant or the next tenant. The costs an owner incurs for the basic cleaning and repairing of such items necessary to make a unit ready for occupancy by the next tenant are part of the costs of doing business. The following is a list of items typically attributable to routine use or "normal wear and tear".

- Fading, peeling, or cracked paint
- Slightly torn or faded wallpaper
- Small chips in plaster
- Nail holes, pin holes, or cracks in wall
- Door sticking from humidity
- Cracked window pane from faulty foundation or building settling
- Floors needing a coat of varnish
- Carpet faded or worn thin from walking
- Loose grouting and bathroom tiles
- Worn or scratched enamel in old bathtubs, sinks, or toilets
- Rusty shower rod
- Partially clogged sinks caused by aging pipes
- Dirty or faded lamp or window shades

Tenant Damage

Tenant damages usually require more extensive repair, and at greater cost than “normal wear and tear”, and are often the result of a tenant’s abuse or negligence that is above and beyond normal wear and tear.

- Gaping holes in walls or plaster
- Drawings, crayon markings, or wallpaper that owner did not approve
- Seriously damaged or ruined wallpaper
- Chipped or gouged wood floors
- Doors ripped off hinges
- Broken windows
- Missing fixtures
- Holes in the ceiling from removed fixtures
- Holes, stains, or burns in the carpet
- Missing or cracked bathroom tiles
- Chipped and broken enamel in bathtubs and sinks
- Clogged or damaged toilet from improper use
- Missing or bent shower rods
- Torn, stained, or missing lamp and window shades

HOME Fees

Owner/managers must receive written approval of their fee schedules from IFA prior to charging any mandatory fee or surcharge to tenants in HOME-assisted units. Generally, all mandatory periodic fees must be deducted from the HOME rent limit to determine the maximum rent that can be charged.

IFA needs to ensure that fees do not create an undue burden on low income households and that the charges are reasonable and customary for the area in which the project is located.

If it is determined that a HOME resident has been overcharged rent or inappropriate fees at any point within a calendar year, the owner will be required to refund the excess rent amount to the resident for all months affected and the unit will remain out of compliance until this has been corrected.

Chapter 3 - Qualifying Households

In order for units to remain compliant, they must be occupied by eligible households. As long as the vacant unit rule is followed (see Chapter 4) and each household is LIHTC qualified at move-in and throughout tenancy, benefits will continue to flow through vacancies and subsequent residents.

After initial certification, a household's income may increase without implication to their tenancy. The Available Unit Rule obligates the owner/manager to take certain actions if the household income exceeds 140% of the maximum income limit in the future (80% for HOME), but this does not ever include evicting the over-income household (see Chapter 4 for more details on increases of income). The only eligibility issue that will continually put the household at risk for continued tenancy is their LIHTC student status.

Application Processing and Tenant Selection Polices

In general, there are certain steps that are taken to ensure that a household qualifies for an affordable housing program. Owner/managers may take the steps in slightly different order (per their well-documented policies), but each must be done prior to completion of the certification process. Below are the basic steps to qualify a household to occupy a program unit.

1. **Take a completed application (including an *IFA Compliance Questionnaire*).**
2. **Determine student status and verify as necessary.**
3. **Verify income.**
4. **Calculate household income.**
5. **Compare household income to the applicable income limits.**
6. **Complete a *Tenant Income Certification* (TIC).**
7. **Execute lease and other management-specific paperwork.**
8. **Move the household in.**

Upon starting the certification process, all household members should be interviewed. The basics of the housing programs at the property should be explained. Some suggested topics are:

- For low income, rent-restricted units there are maximum income limits that apply.
- The anticipated income of all adult persons occupying the unit must be verified and this information must be included on the application and *IFA Compliance Questionnaire*.
- Eligibility will continue to be reviewed on an annual basis through recertification. This includes income and student status recertification, as applicable to the project (see Chapter 4).

It is important to ask only questions relative to eligibility and screening criteria. Reasonable and fair-housing compliant screening criteria are allowed. Common examples of screening criteria include credit checks, criminal background and income minimums.

A well designed application will address each of the income and asset sources detailed in this chapter. A "yes" or "no" checklist format best establishes that a household is providing a definite answer to each question. IFA does not require a specific application packet. We recognize that owner/managers are in the best position to design application forms that meet the needs of their properties and the programs that they work with. However, in order to ensure that compliance issues are covered thoroughly and consistently across our portfolio, IFA has designed a required Questionnaire to supplement an owner/manager's application package.

All adult household members must complete a separate *IFA Compliance Questionnaire*. This applies to married couples as well as other adults. These household members must complete their individual *Compliance Questionnaire* in entirety, leaving no blank spaces. Adults with minor dependents in the unit must include their children when answering the questions. The *Compliance Questionnaire* must be signed and dated. The household members should physically complete the application themselves, and not the manager. Of course, if there is a disability that prevents a household member from completing the form, a reasonable accommodation should be made.

> **IFA Suggests**
>
> When a manager completes a *Questionnaire* for a household member as a reasonable accommodation, the manager should read every question (providing explanation as necessary) and record the response. The individual should also sign an affidavit that the form is complete and accurate.

File order

To maintain compliance, owner/managers must practice good organization. This includes the order that the paperwork is arranged in a file. Neat and consistent files also help regulatory audits to go more smoothly. For these reasons, IFA strongly suggests the following file order. If it is not used, approval must be on file from an IFA Compliance Officer to use an alternative order.

Initial move-in

- *TIC* form
- Income & asset verifications
- *Zero Income Certification* (if applicable)
- *Under $5,000 Asset Certification*, if applicable (LIHTC only or during HOME self-certification years)
- *Student Status Certification* form(s) and any necessary verifications
- Application and *IFA Compliance Questionnaire*

Recertification

By year, from most recent to oldest

- **100% LIHTC (without HOME)**
  - *Student Status Certification* form and related verifications
- **Mixed-use LIHTC projects, mixed-income LIHTC units and HOME recertifications (by year, from most recent to oldest)**
  - *TIC* form
  - Income & asset verifications (self-certification for HOME years other than every 6th year of the HOME Affordability Period)
  - *Zero Income Certification* (if applicable)
  - *Under $5,000 Asset Certification*, if applicable (LIHTC only or during HOME self-certification years)
  - *Student Status Certification* form(s) and related verifications
  - *IFA Compliance Questionnaire*

Executed lease and renewals

- Lease addendums (if applicable)

Consent to release forms

Tenant Selection Plan

To ensure that everyone who applies is treated fairly, and to make sure that program requirements are covered, owner/managers must adopt a written Tenant Selection Plan (TSP). Owner- and property-specific topics may be included. There is a sample template on the IFA website under sample forms. The callout box *Tenant Selection Policy Guidance*, below is an outline of required and suggested topics. These are based on best-practice guidance in a HUD Handbook. For topics covered in this manual, chapter references are included.

Property/Management Rules (House Rules)

An owner/manager will have clearly spelled out expectations for residents of a property that are beyond the regulatory requirements covered in this manual. These are commonly called *property rules* or *house rules*. Generally, each household is provided a copy of these rules and acknowledges receipt of them at move in. Any changes to the rules are also communicated prior to the changes being implemented. The household's receipt of the changes must also be documented in the tenant file. Although the rules may be as extensive as necessary, they must not conflict with any regulatory compliance provisions of the housing programs or the Fair Housing Act. To ensure that there are no such conflicts, IFA will review a property's house rules when conducting monitoring duties.

Tenant Selection Policy Guidance

Based on HUD Handbook 4350.3 - Figure 4-2

A. Required Topics

1. Project eligibility requirements, project-specific requirements.
2. Income limits, including federal and state covenants (see Chapter 2 of this manual).
3. Procedures for accepting applications and selecting from the waiting list:
    - Procedures for accepting applications and pre-applications.
    - Procedures for applying preferences.
    - Applicant screening criteria:
        - Required drug-related or criminal activity criteria.
        - Other allowable screening criteria.
    - Procedures for rejecting ineligible applicants.
4. Occupancy standards.
5. Unit transfer policies, including selection of in-place residents versus applicants from the waiting list when vacancies occur (Chapter 4).
6. Policies to comply with Section 504 of the Rehabilitation Act of 1973, the Fair Housing Act and other relevant civil rights laws and statutes.
7. Policy for opening and closing the waiting list for the property.
8. Eligibility of students (Chapter 3).
9. VAWA Protections (Chapter 1)

B. Recommended Topics

1. Procedures for identifying applicant needs for the features of accessible units or reasonable accommodations.
2. Updating the waiting list.
3. Policy for notifying applicants and potential applicants of changes in the tenant selection plan.
4. Procedures for assigning units with originally constructed design features for persons with physical disabilities.
5. Charges for facilities and services.
6. Security deposit requirements.
7. Unit inspections.
8. Annual recertification requirements (Chapter 4).
9. Implementation of house rule changes.

Determining Household Size

Income limits are based the number of members in a household. Household members include all persons who occupy the unit as their primary residence. Any household member who is expected to occupy the unit within the next twelve months must also be counted.

Besides the obvious members, household members may also include:

- Children under joint custody who will be ***in the unit at least 50% of the time.***
- Children away in foster care who will be returning to the household.
- Dependent students away at school.
- Members ***temporarily*** in a hospital or nursing home.
- Children being adopted.
- Foster children and adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone).
- Any person on active military duty who leaves a spouse or dependent in the unit (see below for an exception in the case of dependents of military personnel). Note: If they are not the head, co-head or spouse of the head and do not leave a spouse or dependent in the unit, household members who leave the unit for active military duty are removed from the household.
- A future spouse or roommate.
- Unborn children.

Unborn children must be verified only through affidavit from the expecting mother. No further documentation is allowable. If the added unborn child is crucial to eligibility, miscarriages after move-in will not affect the initial qualification as long as the appropriate affidavit establishing the pregnancy was in the file at the time of move-in.

When determining household size for income limit purposes, we must exclude the following individuals, even though they live in the unit:

- Live-in attendants/aides for the disabled, when verified as necessary with a knowable third party.
- Children under joint custody who will be ***in the unit less than 50% of the time.***
- Temporary visitors and/or guests.

A live-in attendant/aide may be counted when determining unit size.

The time that a "guest" is allowed to stay before the household must report them to management and add them to the household should be clearly spelled out in the lease or house rules.

When a household member is **permanently** confined to a hospital or nursing home, the remaining household members have the right to decide whether to count the confined household member (and their income) or not.

Temporarily absent household members include, for example, dependent students away at school and military members assigned out of town that have a spouse or a dependent child residing in the unit.

These types of individuals must always be counted as household members along with their income as applicable.

HUD and IRS guidance urges some leniency when it comes to those absent in the military with a dependent child in a unit. For example, it may be determined that a military member and their child are not household members when grandparents are temporarily caring for their grandchild while the parent is on active duty, even though the military member's dependent is in the unit. As another example, the income of a guardian that is temporarily in a unit to care for the children of a head of household who is on active duty may be excluded. Note that this only applies to dependents. A situation where a member who is residing in a unit has a spouse on active duty will require that the absent spouse be included.

It is important to document the reason for the exclusion of members, such as live-in aides, those permanently confined to a care facility or absent military members who leave dependents in a unit.

Example

Household size

June Picant is living with her parents (the head and co-head of the household). June is staying there while her husband, Stewart, is on active duty in the military. June has a sister, May, who is a full-time student dependent of their parents. May is away at university so she is only in the unit on holidays. May has a daughter who is subject to joint custody and is in the unit every weekend, but spends the weekdays with her father. How many people live in this unit for income limit purposes?

5

June's parents (head and co-head)	**2**
June	**1**
Stu (on active duty with a spouse the unit)	**1**
May (dependent daughter of head)	**1**

May's daughter is not counted, as she is in the unit less than 50% of the time.

Changes in Household Size

When adding members to the household after initial move-in verify and add the new member's income to the rest of the household's income as was verified on the household's most recent *Tenant Income Certification* (TIC). The new household member must also complete other paperwork required of new move-ins, including a *Student Status Certification* and the *IFA Compliance Questionnaire*. Apply the Available Unit Rule if the new additional income puts them over the 140% limit (see the section in Chapter 4 regarding the Available Unit Rule).

When subtracting household members, wait until the next recertification date and simply reflect the smaller household on the TIC then.

Original members are the household members that were included on the household certification at move in. If all original household members vacate a unit, the remaining member(s) added after the initial household moved in will need to qualify as a new household at that time, unless one of the following applies:

1. The household entirely qualified under the income limit in effect at any point after adding the new person.
2. The person individually income-qualified at move-in using the one-person income limit.

Example

Adding a new member

Shelly moves into a unit in 2014 when her income was $24,000. This was $1,000 below the income limit. In 2016, her brother John passes the property's usual background checks and moves into the unit with his sister. His income is verified to be $27,000.

The manager knows that first they need to test for the Available Unit Rule. Since the project is not 100% LIHTC and subject to income recertification, the manager adds John's income to Shelly's most recently certified income (now $26,000) on a copy of her recertification TIC from 8 month prior. This results in a total of $53,000 and puts the household over the 140% limit for a two-person household. The AUR is triggered and an eligible household must be moved into the next available unit in the building Shelly lives in. The manager realizes that John is personally above the income limit for one person when he moves in (which is still $25,000), and that he will NOT qualify in the future if Shelly ever moves out because he would not have qualified if he had entered the property by himself in 2016. This will hold true unless:

- **At a future recertification, Shelly and John together are below the income limit.**
- **John is below the income limit when Shelly leaves the unit.**

Example

Subtracting a household member

Candace and her cousin Marie apply to Desert Palms Apartments, a mixed-use property. Candace self-certifies that she is pregnant, so the household is certified as a three-person household. Five months later the pregnancy ends in a miscarriage. It is not necessary to certify the remaining household members as a new household. If the income of the remaining household members exceeds 140% of the current income limit at the next recertification, the Available Unit Rule is applied.

Verification

Student status, income, assets and other crucial eligibility items must be verified through knowledgeable third-parties. IFA looks for the following methods of verification, in order of preference:

1. **For employment:**
    1. A verification form completed by the employer (directly from the third party or brought in by the household) AND two months of recent consecutive paystubs. The stubs must be within 120 days of the effective date.
    2. Information obtained from the well-known service *Work Number* or other database documentation AND two months of paystubs. If the manager can't reconcile the two then they must also request an affidavit from the household member explaining any disparities.
    3. An affidavit from the household member as to their income plus the 2 months paystubs and documentation of the manager's efforts to obtain third party verification.
2. **For other income sources:**
    1. Social security benefits letters, unemployment letters, asset statements, and similar documentation.
    2. Verification forms completed by a third party.

IFA SUGGESTS

A "date received" stamp is extremely helpful in establishing when paperwork was received.

HUD has produced a document (Appendix 3 of the 4350.3) that can be used for LIHTC and HOME as a list of best practices relating to what forms of verification are allowed. We have included this document at the end of this manual. ***Please note:*** HUD has a database system of income verification called Enterprise Income Verification (EIV). EIV is only available to HUD properties and reports that EIV generates cannot be shared with IFA LIHTC/HOME Compliance Officers. Any reference to EIV or Forms-9887 in Appendix 3 does not apply to programs covered in this manual.

WORKSHEET

Required number of paystubs

Pay wage cycle:	# of stubs to cover 2 months:
Weekly	**9**
Bi-weekly	**5**
Semi-monthly	**4**
Monthly	**2**

Verification must be received no longer than 120 days prior to the effective date of the certification that the verification supports.

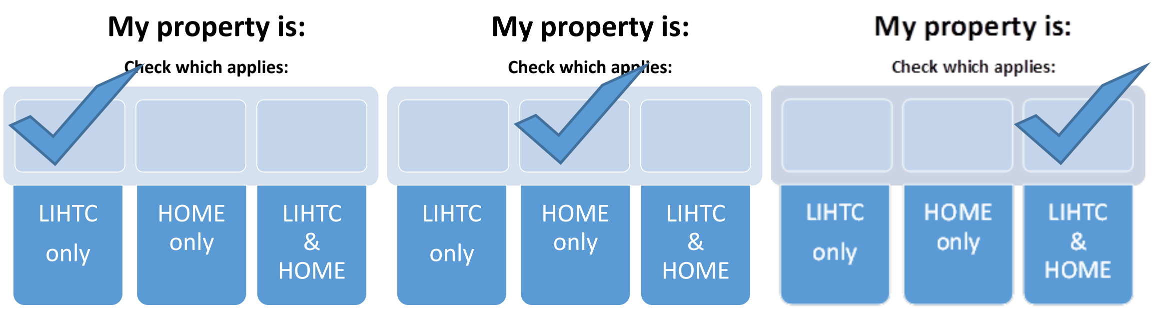
The most recent annual benefit letter for social security, pensions and other fixed income sources can be used to verify those income sources, even if they are older than 120 days. This does not apply to SSI benefits, which may change during a year.

Example

Inadequate verification

A beneficiary of a trust applies for a unit. They have access to a balance in the trust. They can withdraw amounts "as needed", but they are not aware of the value of the trust. They do not get any statements or other documentation prepared by a third party related to the trust. The person responsible for administering the trust will not reveal any information about the balance. There is insufficient data to determine household income. The household is ineligible because of inadequate available verification.

Verification



For LIHTC-only properties:	For HOME-only properties:	For LIHTC/HOME units:
PHA Verification: the PHA can verify income as a third party for voucher-holding households.	**PHA Verification:** the PHA CANNOT verify income as a third party for voucher-holding households at initial move-in or every 6th year of the HOME Affordability Period. It can be used for other years' recertifications.	**PHA Verification:** the PHA CANNOT verify income as a third party for voucher-holding households at move-in or every 6th year of the HOME Affordability Period. It can be used for other years' recertifications.
Assets: If the cash value of household assets does not exceed $5,000, the household may complete the IFA *Under $5,000 Asset Certification form* instead of third party verification both at initial move in and at recertification (if required).	**Assets:** All assets must be verified at initial move-in and every 6th year of the HOME affordability period. For the other years, the IFA *Under $5,000 Asset Certification* form may be used instead of third party verification.	**Assets:** All assets must be verified at initial move-in and every 6th year of the HOME affordability period. For the other years, the IFA *Under $5,000 Asset Certification* may be used instead of third party verification.

Voucher-Holders

LIHTC

If a household has rental assistance through a Section 8 voucher and documentation is received from the PHA stating the household's income and composition, the documentation is considered third party verification. The HUD 50058 certification form may be used as verification of income for the LIHTC income certification. It may also serve as the TIC. If it is not possible to obtain the 50058 from the PHA, a signed statement from the PHA indicating all household members and the household's gross annual income may also be used as verification of income.

When a Housing Choice Voucher holding household has their income verified by the PHA, this sufficiently verifies student financial assistance *income*. PHA verification, however, does not address LIHTC or HOME *student eligibility*. Separate student eligibility verification must still be obtained.

HOME

HOME units may not use PHA verification at move-in or every sixth year of the HOME Affordability Period, when full verification is required. However, it may be used for recertifications conducted the other years (see Chapter 4 for further details on HOME recertification).

Assets at LIHTC Properties

When the cash value of all household assets does not exceed $5,000, third party verification of assets is not required. The household is required to complete the IFA form *Under $5,000 Asset Certification* indicating household assets are $5,000 or under. This required form can be found on the IFA website. If a project is required to obtain third party verification for a unit due to participation in other housing programs, such as Section 8, Rural Development or HOME, the use of the *Under $5,000 Asset Certification* form is not acceptable. For the HOME program, the *Under $5,000 Asset Certification* form may be used in years when self-certification is allowed, but not during years where full tenant recertifications must be completed.

The household's declared income from assets on the *Under $5,000 Asset Certification* must be included in the calculation of annual income. If it is determined that the income from assets declared by the household is not reasonable, it is management's responsibility to obtain third party verification of the assets. For instance, if a household declares no assets, but pays an application fee with a personal check, the *Under $5,000 Certification* is obviously flawed.

Students

LIHTC

The IRS Code prohibits tax credit units being used as dormitories. Generally, households made up entirely of full-time students do not qualify. When determining eligibility, the owner/manager should start with the question:

"Are ALL household members (including minors) full-time students?"

If the answer is "no", the household is LIHTC student-eligible and no further action is needed. If the answer is "yes", the household must meet one of five exceptions to qualify.

A full-time student is defined as any individual of any age who:

- Attends a school with facilities and regular student body (including online-based learning).
- Attends all or parts of any 5 months out of the calendar year (not necessarily consecutively).
- Is considered full-time by the school that they attend, based on that school's definition of a full-time work load.

Note about the 5-month rule: This means that a person who attended school full-time any part of five months during a calendar year is a student the rest of the calendar year, even after they are out of school.

If a person indicates that they are a full-time student, the manager does not need to verify student status further. The only exception to this is if the status of an adult dependent full-time student is needed to establish their eligibility for limiting their earned income to $480 (see later in this chapter for more on that).

> **EXAMPLE**
>
> **Five-month student rule**
>
> In November of this year, a single applicant applied to live in a tax credit unit. Although no longer in school, she finished school on May 15th of this year, and was a full-time student all year until graduation. If she wants to move in on December 1st, will this household be considered a FT Student household?
>
> **YES**
>
> When will she no longer be considered a full-time student?
>
> **January 1st of the next year**

Verification

Student status should be determined with the initial application interview prior to move-in. IFA's form *Student Status Certification* is a required form. It asks the correct questions to determine if the household is made up of full-time students, and which exception (if any) they may meet. Based on this household Certification, further verification that the household meets an exception may need to be gathered. If one individual is attending school part-time and everyone else is a full-time student, student status must be verified with the school for the part-time student. The school will define what constitutes "full-time." Student status must also be addressed annually and verified as necessary.

Exceptions

There are five exceptions to the student rule prohibiting households made up entirely of full-time students. Full-time student households must meet one of the exceptions continually to live in an LIHTC for the period of time that everyone is a full-time student.

1. All adults are married and entitled to file a joint tax return.

   Verification required: copy of joint tax return or marriage certificate.

2. An adult member is a single parent with a minor child in the unit, the adult is not a tax dependent of any third party, and the children are not claimed as a tax dependent by anyone other than one of their parents (even if the other parent is not in the unit).

Verification: Copy of tax returns (if possible) or a signed affidavit that the adult in the household is not a dependent of anyone outside the household and that, if the children are claimed on anyone's taxes, it is only by one of their parents.

3. The household includes a member who receives welfare assistance in the form of Temporary Assistance to Needy Families (TANF).

   Verification: TANF award letter.

4. The household includes a member who formerly received foster care assistance (that means they were a foster child or adult).

   Verification: Foster paperwork from the placing welfare agency.

5. The household contains a member who gets assistance from the Job Training Partnership Act (JTPA) or similar programs. (NOTE: The "Workforce Investment Act" has replaced JTPA).

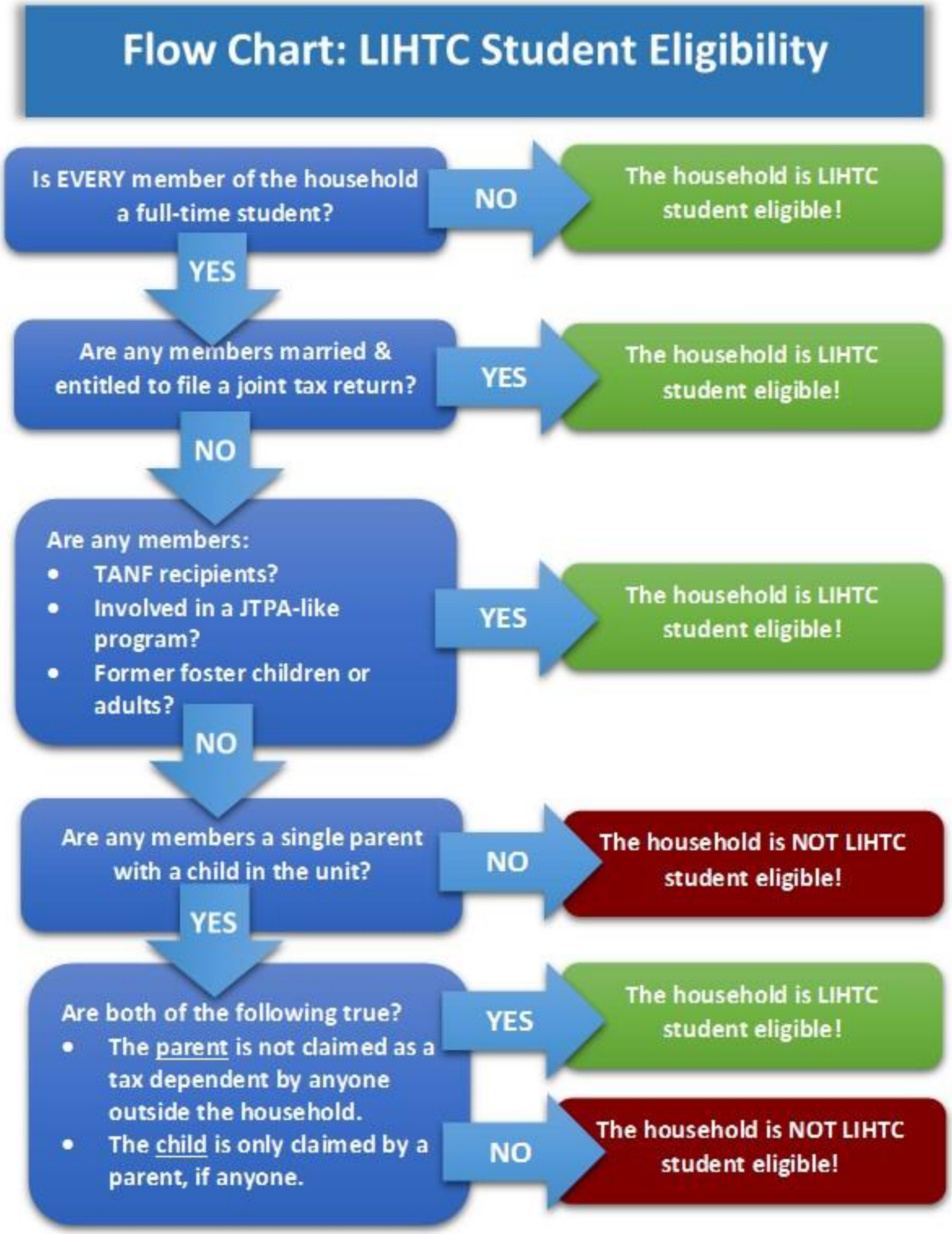
   Verification: to identify JTPA-similar programs that are not part of the Workforce Investment Act programs, verification from the administrator of the program must establish that the program:

   a. Gets federal, state or local government funding; and,
   b. Has a mission similar to the one for the JTPA program (see below).

JTPA as amended by the Job Training Reform Amendments of 1992 and the School-to-Work Opportunities Act of 1994. Sec. 2

"It is the purpose of this Act to establish programs to prepare youths and adults facing serious barriers to employment for participation in the labor force by providing job training and other services that will result in increased employment and earnings, increased educational and occupational skills, and decreased welfare dependence, thereby improving the quality of the work force and enhancing the productivity and competitiveness of the Nation."

IFA does not require determination of student status for properties in the last 15 years of the Extended Use Period. Properties with HOME funds will still need to follow the HOME student rules until the end of the project's HOME Affordability Period.


Flow Chart: LIHTC Student Eligibility
Is EVERY member of the household a full-time student?
NO
The household is LIHTC student eligible!
YES
Are any members married & entitled to file a joint tax return?
YES
The household is LIHTC student eligible!
NO
Are any members:
• TANF recipients?
• Involved in a JTPA-like program?
• Former foster children or adults?
YES
The household is LIHTC student eligible!
NO
Are any members a single parent with a child in the unit?
NO
The household is NOT LIHTC student eligible!
YES
Are both of the following true?
• The parent is not claimed as a tax dependent by anyone outside the household.
• The child is only claimed by a parent, if anyone.
YES
The household is LIHTC student eligible!
NO
The household is NOT LIHTC student eligible!

HOME

HOME also has student rules. The program adopted the Section 8 student rules in a 2013 HOME regulation revision. The Section 8 student eligibility rules are very different from the LIHTC rules. The Section 8 student rules focus on individual students rather than households. They are designed to prevent any household containing a person who may be a tax dependent of parents outside the household from getting assisted housing. Understanding this premise should help the owner/manager to understand some aspects of the rule. For instance, this is why the age of 23 (the last year a student can be a tax dependent in most cases) occurs in the rule. One ineligible student disqualifies a household from qualifying for a HOME unit. IFA's form *Student Status Certification* is a required form to help establish HOME student eligibility. It asks the correct questions to determine if the household has any full- or part-time students that may trigger the rule, and which exception (if any) they may meet. Student status must be examined prior to move-in and at each recertification during the LIHTC Compliance Period as well as during the HOME Affordability Period. Eligibility for an exception must be documented for each potentially ineligible student member of a household.

To be eligible for HOME, ANY member who attends an *institute of higher learning* (full-time OR part-time) must meet at least one of the following qualifiers. They must be:

- A dependent of the household living with a parent
- Over age 23
- A veteran
- Married
- A parent with a dependent child
- A disabled individual who was receiving Section 8 assistance prior to November 30, 2005

If they do not meet one of the above, the student must be either:

1. Independent from parents **OR**
2. Have parents who are income-eligible

The last two qualifiers are a bit complex, so it is important to understand exactly what they mean and how to verify the information.

1. To prove that a person is "independent," ALL of the following must be documented. The person must:
    a. Be of legal contract age under state law, **AND**
    b. Have established a separate residence* from parents for at least a year **OR** meet the U.S. Department of Education definition of an independent student**, **AND**
    c. Not be claimed on their parent's tax return, **AND**
    d. Have documentation from their parents establishing if they do or do not receive financial assistance from the parents.

*Dorms and other student housing do not qualify as a separate residence.

The U.S. Dept. of Education definition of "Independent Student" is one who is any of the following:

- **Is age 24+ by December 31 of current year**
- **Is an orphan or ward of state through age 18**
- **Is a veteran**
- **Has a legal dependent (example: a child or a parent)**
- **Is a graduate or professional student**
- **Is married**

2. If the student is NOT "independent," then the parents and students together must be income-eligible and the parents must sign a declaration and certification of income. They must be below the HUD LOW (80%) income limit. Since parents may often live in another area than where the property is located, how do we determine the income limits to use? Below explains:
   - **If parents live in the U.S.:** use the *low* (80% AMI) income limit for the county that the parents live in.
   - **If parents live outside the U.S.:** use the *low* (80%) income limit for the county where the property is located.

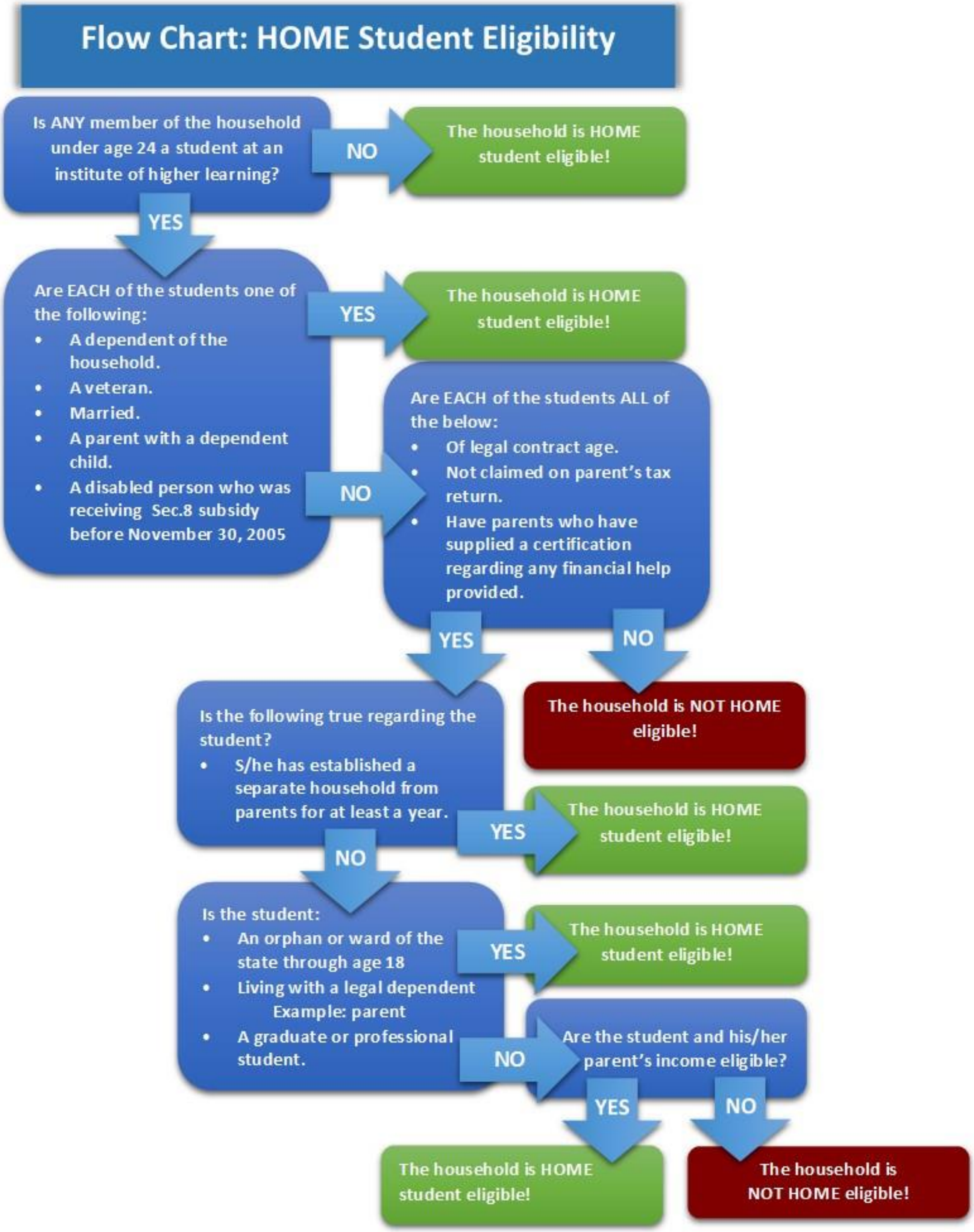
   If parents are not living together:

   - If widowed, obtain a declaration (written statement) from the single parent.
   - If divorced or separated, obtain a declaration from both parents.
   - If one parent's location is unknown or they are otherwise completely uninvolved in the student's life, obtain a declaration from the single parent involved. It should also contain an explanation of the situation and a statement that no financial assistance is received from the absent parent.

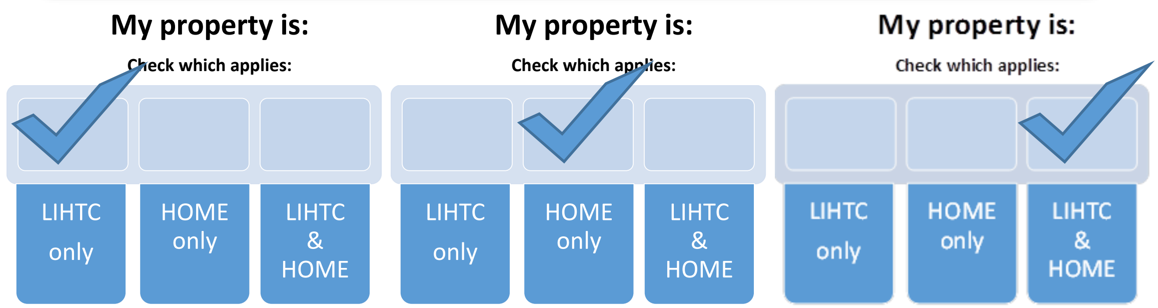
   Although HUD only requires that parent's self-certify their income, further verification may be obtained to determine eligibility information if the parents' certification is questionable. IFA strongly suggests that collecting prior-year tax returns for all parents is a reasonable due-diligence measure when determining parental income.

   The student is not eligible if the parents refuse to provide a declaration of their income, AND a statement of whether they provide student financial assistance or not.

If an in-place household becomes ineligible due to having <u>any one</u> member who is an ineligible student, the household cannot be evicted, but they will be treated as "over-income" per the HOME rules, with the actions that the manager takes dependent on if the project is fixed or floating HOME. Rent based on adjusted income will be charged, and it will include the income of the student's parent(s) (see Chapter 4 on the HOME over-income rules).


Flow Chart: HOME Student Eligibility
Is ANY member of the household under age 24 a student at an institute of higher learning?
NO
The household is HOME student eligible!
YES
Are EACH of the students one of the following:
• A dependent of the household.
• A veteran.
• Married.
• A parent with a dependent child.
• A disabled person who was receiving Sec.8 subsidy before November 30, 2005
YES
The household is HOME student eligible!
NO
Are EACH of the students ALL of the below:
• Of legal contract age.
• Not claimed on parent's tax return.
• Have parents who have supplied a certification regarding any financial help provided.
YES
NO
The household is NOT HOME eligible!
Is the following true regarding the student?
• S/he has established a separate household from parents for at least a year.
YES
The household is HOME student eligible!
NO
Is the student:
• An orphan or ward of the state through age 18
• Living with a legal dependent Example: parent
• A graduate or professional student.
YES
The household is HOME student eligible!
NO
Are the student and his/her parent's income eligible?
YES
NO
The household is HOME student eligible!
The household is NOT HOME eligible!

Student Status



For LIHTC-only properties:	For HOME-only properties:	For LIHTC/HOME units:
Apply LIHTC student rules. Tax credits cannot be claimed for a unit that contains a household that become an ineligible student household. The lease should be designed so that the household is in violation of their lease to allow termination of tenancy.	Apply HOME student rules. A household that contains an ineligible student will be treated as "over-income", but their tenancy is not terminated.	Apply BOTH rules to LIHTC/ HOME units. Violations of the LIHTC rule results in termination of tenancy. Violation of the HOME rule does not. Floating HOME units may change designation to make a non-LIHTC unit HOME, if available. For fixed HOME, the owner/manager will need to decide which presents the greatest risk to the project. NOTE: Households in units that are only subject to one program are only subject to the student rule for the program applicable to the unit.

Periodic Income

Renting to qualified households is a major component of meeting affordable housing requirements (see the "Memory Aid" in Chapter 1). Along with student status, income eligibility establishes if a household is "qualified." HUD is the dominant government housing agency in the country. When various housing program rules have been established relating to how household income is calculated, the government often borrows from pre-existing HUD rules. This is true of both the LIHTC and HOME programs as both use the Section 8 HUD method of determining annual income. The good news here is that this makes the rest of this chapter essentially identical for both programs!

Annual income, as defined by HUD, is the amount of income that is used to determine a household's eligibility for LIHTC and HOME housing. Annual income is all amounts, monetary or not, that go to or are received by any household member and amounts anticipated to be received from sources outside the household during the 12-month period following income certification. Annual income includes all amounts that are not specifically excluded by regulation. HUD Handbook 4350.3, *Exhibit 5-1: Income Inclusions and Exclusions*, provides a complete list of inclusions and exclusions.

Anticipated income includes all raises, new jobs or any other income reasonably expected and verified to be received within the next twelve months.

For the purpose of determining whose income we count, annual income is comprised of three broad types of income:

Earned income

Employment, self-employment & military pay.

Unearned income

Such as benefit income, alimony/child support & gift income.

Asset income

> **Note**
>
> **Gross or net income?**
>
> In almost all cases, annual income includes GROSS income, before any deductions. However, there are a few cases where NET income is used. Below is a list of these cases. Further details on each can be found in the discussion of *Periodic Income* later in the chapter.
>
> 1. **Social security:**
>   a. Delayed benefits
>   b. Adjustments for prior overpayments
> 2. **Self-employment**
> 3. **Income from assets** (for instance, NET rental income from real estate).
>
> Note: Net income is never counted lower than $0, even if the net amount is a loss.

Unless specifically indicated in this chapter, annual income includes gross EARNED income, before any deductions, that are anticipated to be received by all adult (non-dependent) members of the household. UNEARNED and ASSET income of all members (adult and dependent) is also counted. No income or very limited income is counted from any earned income that a dependent has. See the chart below for specifics.

At times, a minor member of the household who is age 17 at the time of certification will be turning 18 during the year. These cases will need to be examined closely. If they have any earned income, it will need to be verified and the annual income prorated for the portion of the year that they will be an adult. If the owner/manager determines that the dependent will continue to be a dependent because they will still be a full-time student, only $480 of their earned income will be prorated for the remainder of the year that they are anticipated to be an adult dependent full-time student.

How do we Count Household Members' Income?

Members	Earned Income	Unearned and Asset Income
Head, Spouse, Co-Head	YES	YES
Other Adult (including foster adults)	YES	YES
Foster Adult	YES	YES
Dependents		
- Child Under 18	NO	YES
- Adult Full-time Student (Not Head, Spouse, Co-Head)	YES (up to $480 a year)	YES
Minor Foster Child	NO	YES
Temporarily Absent Member	YES	YES
Permanently Living in a Hospital or Nursing Home	Household Decision – Only counted if part of the household	Household Decision - Only counted if part of the household
Non-Members		
Live-in Attendant	NO	NO
Guest	NO	NO

NOTE: the term "guest" identifying a temporary resident should be defined in the lease and must not be of long duration.

EXAMPLE

Dependent Income: Taye

16-year-old Taye is a dependent of his mother, who is the head of household and a widow. He makes $16,000 a year working for a local fast-food restaurant. He also receives $6,000 annual gross social security benefits from his deceased father. He puts his earnings and benefit money into a savings account, which is anticipated to generate $100 a year in interest. He is the sole owner of the account.

The manager determines that his income contribution to the household is $480 (the first $480 of his benefit income). Is this correct?

NO

Wages (earned income from a minor is not counted)	**$ 0**
Social Security (unearned Income of a minor is counted in full)	**$6,000**
Asset Income (counted in full)	**$ 100**
Total	**$6,100**

Five years later, 21-year-old Taye is an adult full-time student and is still considered a dependent of his mother because of his student status. He now makes $21,000 a year working for the restaurant. He also receives $7,000 annual social security gross benefits from his deceased father. He puts his earnings and benefit money into a savings account, which is anticipated to generate $300 a year in interest. He is the sole owner of the account. The manager determines that his income contribution to the household is $7,780. Is this correct?

YES

Wages (earned income for an adult dependent is limited to $480)	**$ 480**
Social Security (Unearned Income is counted in full)	**$7,000**
Asset Income (counted in full)	**$ 300**
Total	**$7,780**

EXAMPLE

Dependent Income: John and Phillip

John is the head of household. He works a job with a total anticipated income of $24,000. His spouse, Phillip, is an adult full-time student. He also works a full-time job with an anticipated annual income of $36,000.

The manager determines that the household income is $24,480 (John's job + $480 from the adult full-time student, Phillip). Is this correct?

NO

Wages (earned income for John)	**$24,000**
Wages (earned income for Phillip)	**$36,000**
Total	**$60,000**

Note: Spouses and co-head full-time students are not eligible to be counted as dependents, so both household members must have their earned income counted in full.

Before we continue the discussion of how we calculate income, we will discuss what to do when there is an absence of income.

Zero or Sporadic Income

If a household's income cannot be based on current income information due to the household reporting little to zero income, or income fluctuates, income may be determined based on actual amounts received or earned within the last twelve months. This should not be used if it is verifiably inaccurate. For instance, if a person had a job with sporadic income the last twelve months, but they no longer have that job, counting the sporadic income would be inaccurate.

The IFA *Zero Income Certification* form is required for any household member claiming zero income. This form helps an owner/manager to determine if the household has any income that must be counted that the household may not have revealed by that point. For instance, it asks about how a person is meeting their rent and other expenses. Pay very close attention to this section. If it is not filled in, the form is not sufficient and the household must complete it in order for the income determination to be accurate. Also note that the answer "rental assistance" explains how *rent* will be paid, but not *other necessities* and is not a complete answer. This section often reveals that other household members are paying the bills with already-verified income, gift income from persons or organizations outside of the household, or that the person intends to use their assets to meet their needs.

If a household member intends to use only saved assets to pay expenses, the following steps should be taken:

- The household member must complete the *Zero Income Certification* form, ensuring that it includes a statement indicating the intention of utilizing saved assets to meet financial needs.
- Obtain verification of the asset(s).

Overview: Periodic Income

HUD has defined 9 specific types of income.

1. Employment
2. Self-Employment
3. Income from Assets
4. Social Security and Other Benefits
5. Payments in Lieu of Earnings
6. Welfare Assistance
7. Periodic Allowances (Child Support, Gifts, Cash)
8. Military Pay
9. Student Financial Assistance (for Section 8 assistance recipients)

Below we will discuss each in turn, and provide income calculation examples.

HUD SAYS…

Periodic Income 1. Employment Income is:

"The full amount, before any payroll deductions, of wages salaries, overtime pay, commissions, fees, tips, bonuses, and compensation," for all adults.

When annualizing employment income, the frequency of pay should be determined first. Once the frequency of each pay period is determined, the calculations on the worksheet to the left should be applied to determine annual income.

For temporary employment, multiply by the number of periods expected to work over the next 12 months from the date of certification.

When RANGES are provided by the employer on items such as number of hours, an average should be used. For instance, if the employer anticipates that a person will work 36-40 hours a week, an average of 38 should be used in the calculation.

At times verification will indicate that a change is anticipated to the rate of pay within the next 12 months. See the example below demonstrating a calculation when such a change is expected.

WORKSHEET

Pay periods

Pay wage cycle:	Multiply by:
Hourly	Hours per week x 52
Weekly wages	52
Bi-weekly wages	26
Semi-monthly wages	24
Monthly wages	12
Annual Salary	1

Example

A change in anticipated employment

An employment verification indicates that an employer anticipates giving a household member a raise six weeks after the household will move in. The manager performs the following calculation:

Hourly rate at move-in	**$7.50 per hour**
Rate after 6 weeks	**$8.00 per hour**

6 weeks x 40 hours x $7.50 =	**$ 1,800**
46 weeks x 40 hours x $8.00 =	**$14,720**
Annual Income	**= $16,520**

Important lessons from the above:

1. **Calculations must always start with the move-in date.** When calculating a raise, care should be taken to be sure that the date of move-in is the starting point, not the date that the manager is calculating the income.
2. **Check your assumptions.** By looking at the assumptions in red above, the manager can see that the assumed total of weeks is 52, and thus correct. If 6 and 47 weeks were used (total of 53) or 5 and 46 (51), for instance, the math results will be incorrect.

In addition to the above calculations, annualize the year-to-date (YTD) amounts listed on the verification and most recent pay stub. IFA has observed that owner/managers have developed different calculation methodologies for annualizing YTD. IFA does not require a specific methodology, as long as the owner/manager is consistent with the method used. It is necessary to pay close attention to the date of hire, as this can affect the calculation.

The highest total income calculation should be used after examining income from all reasonable perspectives, unless it can be clearly verified that a lower calculation is a better estimate of income. If the highest figure results in the income limit being exceeded when other calculations indicate the household may qualify, it is best practice to obtain further clarification from the employer.

EXAMPLE

A sample YTD annualization method

1. Determine the year-to-date begin and end dates. Calculate the number of days YTD.
2. Divide the number of days YTD by 7 to determine the number of weeks YTD.
3. Divide the amount paid YTD by the number of weeks worked YTD.
4. Multiply by 52 weeks or the actual number of weeks expected to be worked within the next 12 months.

According to the employment verification:

YTD start date:	December 28
YTD end date:	February 28
Total pay YTD:	$ 7,040

1.	Number of days YTD:	**(Dec) 4 days + (Jan) 31 days + (Feb) 28 days = 63 days**
2.	Number of weeks YTD:	**63 ÷ 7 = 9**
3.	Average pay per week:	**$ 7,040 ÷ 9 = $ 782.22**
4.	Annualized YTD:	**$ 782.22 x 52 = $ 40,675.54**

EXAMPLE

Gross income

A member of a religious order, as part of their vows, commits their employment income to their church. Is the employment income counted, even though they do not receive the money?

YES

There are many deductions that a person may choose to have taken from their employment income. HUD is clear that gross income before these deductions are taken is counted.

EXAMPLE

Semi-monthly vs. bi-weekly pay

Ashton Way Apartments is a property that has a one-person income limit of $25,000. Donna applies to live there and has a job making $1,000 per semi-monthly pay cycle.

At the same time, Kya also applies. She is employed and is making $1,000 bi-weekly.

			Qualified?
Donna:	**$1000 x 24=**	**$ 24,000**	YES
Kya:	**$1000 x 26=**	**$ 26,000**	NO

HUD Says... **Periodic Income 2. Self-Employment Income is:**

"The <u>net income from operation of a business or profession</u>. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in IRS regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the household."

This is one of the few times that NET income is used. Annualize self-employment based on information collected from the following documents, as applicable:

- Previous year's Tax Return Form 1040 with Schedule(s):
  - **C** for business income
  - **E** for rental property income
  - **F** for farm income.
- Financial Statement(s) of the business (such as monthly profit/loss statements).
- Signed statement by business owner.

A completed Schedule C (or E or F) for the current year so-far, with supporting documentation to establish YTD income. Multiply out to annualize.

Many people with self-employment income claim that they do not make enough to file taxes. This is despite the fact that self-employed individuals are required to file tax returns even if they are reporting a net loss. However, IFA does not require management to enforce tax filing for self-employed individuals and alternative documentation can be used (as above).

Question: Can a resident use their unit for business purposes? A household member wants to do bookkeeping in one of the bedrooms in her unit. What if she claims business use of the unit on her tax returns?
Answer: Yes. A household member may run a business out of a unit, as long as it remains their primary residence, even if they claim part of the unit on their taxes.

Things to watch for on a Schedule C

Note: line numbers may change from year to year

Make sure that the last year's tax return represents a full year's income; otherwise you will need to annualize. (Line item H)

H	If you started or acquired this business during 2012, check here . . .

Make sure to include any wages or contract labor listed on the schedule C that owner paid to him or herself or any other household member. (Line items 11 and 26)

11	Contract labor (see instructions)	11	

26	Wages (less employment credits) .	26	

Make sure that if depreciation is listed, clarification is obtained to demonstrate what method of depreciation was applied. If an accelerated depreciation method was used, the household must provide an accountant's calculation of depreciation using the straight-line method. The net income should then be determined using the expense based on the straight-line method. (Line item 13)

13	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	13	

31	**Net profit or (loss).** Subtract line 30 from line 29. • If a profit, enter on both **Form 1040, line 12** (or **Form 1040NR, line 13**) and on **Schedule S** (If you checked the box on line 1, see instructions). Estates and trusts, enter on **Form 1041, lir**

If net business income is negative, income is zero. It does not offset other household income. (Line item 31)

Example

Self-employment: Business losses

John started a new business January 1st of last year. Tax returns show a loss of $5,004 last year. It is anticipated to do similarly this year. John's wife has employment income anticipated to total $34,560. They have no other income. What is the total anticipated household income?

John's self-employment	**$ 0**
John's wife	**$34,560**
Total	**$34,560**

Note: net business losses do not offset other household income.

Example

Self-employment: Partial year business income

Susan and Charlene own a business that began July 1st of last year. Their last year's taxes show a total gross income for the year of $5,000, and net income of $4,000. The business is anticipated to do similarly this year. What is the anticipated income for a certification this year?

$4,000 (net income from half of last year) x 2 = $8,000

HUD Says…

Periodic Income 3. Asset Income is:

"Interest, dividends, and other net income of any kind from real or personal property."

We will cover assets in much greater detail later in this chapter.

HUD Says…

Periodic Income 4. Social Security & Other Benefit Income is:

"The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of or periodic receipts."

Keep the following guidelines in mind when it comes to social security**Error! Bookmark not defined.** (SS) and supplemental security income (SSI) benefits:

- Count gross amounts BEFORE Medicare or any garnishments are taken out.
- Delayed SS and SSI payments are not counted as income (this also applies to VA benefits).
- Count AFTER adjustments for past overpayments (also applies to TANF and unemployment).

- Be aware of the Cost of Living Adjustment (COLA) each year. This is typically announced in October and a person begins receiving it either December 1st of the current year or January 1st of the upcoming year. Once the COLA is announced, income for SS recipients who have recently been approved, but have not moved in, will need to have their income eligibility re-examined to ensure that they are still income eligible.

In cases where state or local government, social security, or private pension income is split due to divorce, only count the net payment received.

Annuities may be either income (periodic payments) or an asset. Use the following guidelines to determine how to count an annuity:

- If there is no "lump sum" that can be cashed in, with periodic payments as the only option, it is income.
- If there is a "lump-sum" that can be cashed in and the household is receiving periodic payments, the periodic payments are income, and the balance is ignored as an asset.
- If the household can cash in the lump sum amount of the annuity and no periodic payments are being received, then it is an asset (see asset section for further details).

IFA Suggests

1. SS recipients who are applying to move-in between October and November should be warned of the possibility of a COLA adjustment affecting eligibility.
2. Properties subject to income recertification may want to send a letter in early October reminding households that receive SS to bring in their annual awards letter when it comes in the mail so that the manager has it on hand when the household's recertification will be due later in the year.
3. Educating households on accessing the ***SSA.gov*** website may be useful. Printouts of benefit summaries can serve as verification.

Example

Social Security Income

Adjustment for prior overpayment

The gross payment amount is $450. However, the actual payment is $397 due to an adjustment for past overpayment. Count $397 as the monthly income amount until the adjustment is completed, *at which point the income returns to $450 for the months remaining in the certification year.*

Delayed benefits

The gross payment is $490. Of that amount, $90 is for delayed benefits. Count $400. *When the delayed benefits are paid out, the payment will drop to $400, so no adjustment calculation is necessary.*

HUD Says... Periodic Income 5. **Payments in Lieu of Earnings Income is:**

"Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay."

Unemployment compensation must be annualized, unless a future job is verified via a third party.

Example

Unemployment Benefit Income

Verification indicates that unemployment benefits are to be paid for 26 weeks at a rate of $125 per week. No future job has been secured.

$125 x 52 weeks = $6,500 per year.

HUD Says... Periodic Income 6. **Welfare assistance Income is:**

"Welfare assistance received by the household."

Food stamps are often listed by household members as welfare benefits, because they get the benefits from the welfare office. However, food stamps are excluded from income and should not be counted.

Example

Welfare benefit income

Kenneth's Welfare verification shows a TANF benefit of $450 a month and food stamps of $345 monthly. What is Kenneth's total annual income from welfare?

$450 x 12 = $5,400

Note: the value of food stamps is not counted.

HUD Says...

Periodic Income 7. Periodic Allowance Income is:

"Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling."

1. Cash and Non-Cash Contributions

ALL periodic cash and non-cash contributions to the household are counted as income except:

a. Food groceries given to the household (NOT money to buy groceries).

As we will discuss later in this chapter when covering exclusions to income, many sources of food for low income families are excluded from income per HUD rules. Examples include food stamps, the WIC programs, and meals on wheels. Similarly, periodic contributions of groceries to a household are excluded.

b. Child care paid directly to the care provider on behalf of the household.

2. Alimony and Child Support

Alimony and child support amounts awarded by the court must be counted in full, unless the household certifies that payments are not being made and that he or she has taken all reasonable legal actions to collect amounts due, including filing with the appropriate courts or agencies responsible for enforcing payment.

Example

Alimony

Marcia was court-ordered to receive alimony of $800 a month. Her ex-husband has not paid and Marcia has made no efforts to pursue collection of the arrears. The full $800 must be counted as income.

Example

Child support

Bob was court-ordered to receive child support of $940 a month. His ex-wife has paid sporadic amounts every month despite the fact that Bob has pursued the case through child support enforcement. A printout from the enforcement agency shows the following payments, and the manager calculates income accordingly.

Jan:	$ 1,004
Feb:	$ 450
Mar:	$ 450
Apr:	$ 200
May:	$ 960
Jun:	$ 600
Total	**$3,664**

$ 3,604 ÷ 6 x 12 = $ 7, 328

In many cases, alimony and/or child support has been ordered, but is not being paid. If this is the case, the household member must provide a statement attesting to the fact that support payments are not being received, the likelihood of support payments being received in the future and that a reasonable effort has been made to collect the amount due. To provide this information, IFAs form *Alimony/Child Support Self-Certification* is a required form and must be completed by each household member that answers "yes" to the question relating to court-ordered alimony or child support on the *IFA Questionnaire*. Documentation of efforts taken to collect must be supplied with the form in cases where the full court-ordered amount is not being received. If amounts being received are less than the court-ordered amount after efforts to collect are documented, an average of amounts actually received may be counted.

Any amounts actually received must be counted as income, whether court-ordered or not.

Example

Cash and non-cash contributions from outside the household

Kia and her daughter live in a unit. Kia's mother (who is not part of the household) pays Kia's utilities of $120 a month. She also writes a check to Kia's child care provider for $400 a month. Kia's father (also not part of the household) gives Kia $200 a week in cash that Kia uses to buy groceries and anticipates that he will buy about $50 a month in clothes for Kia's daughter. How much of the contributions from Kia's parents will be counted as income to Kia?

Utility payment	$120 x 12 =	$ 1,440
Money for groceries	$200 x 52 =	$10,400
Clothes	$ 50 x 12 =	$ 600
Total		**$12,440**

Note: only child care paid directly to the provider is excluded in this case. Groceries given to the household are not counted as income. However, if money is given, the household has discretion over how the money is used and it is income.

HUD Says…

Periodic Income 8. Military Pay Income is:

"<u>All regular pay, special pay, and allowances</u> of a member of the Armed Forces, except…the special pay to a family member serving in the Armed Forces who is exposed to hostile fire."

As discussed earlier in this chapter, military household members who are assigned out of town, but who have a spouse in a unit, must be considered temporarily absent and must be counted as part of the household. Their income must also be included. A similar rule applies to dependents, with exceptions.

Example

Military pay

Mary is in the military. She receives a total of $2,200 a month, **which includes** *hazardous duty* pay of $300 and a housing allowance of $500. What is her total income from the military for tax credit purposes?

$2,200 x 12 = $26,400

Note: only hostile fire pay is excludable. The allowances listed above are included.

HUD Says…

Periodic Income 9. Student Financial Assistance Income is:

"For Section 8 programs only … any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965…from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965…shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph "financial assistance" does not include loan proceeds for the purpose of determining income. Note: This paragraph also does not apply to a student who is living with his/her parents who are applying for or receiving Section 8 assistance)."

As stated above, student financial assistance includes:

1. Pell Grants and other programs funded by the Higher Education Act of 1965
2. Assistance from private sources (such as parents or grandparents)
3. Assistance from an institute of higher learning (such as scholarships)

For most LIHTC and HOME households, all student financial assistance is excluded from income.

However, if the household is receiving Section 8 rental assistance (through a Section 8 Housing Choice Voucher or project-based Section 8), income is counted differently. This makes it an important compliance matter to ask a household if they are receiving or anticipate receiving Section 8 assistance.

For Section 8 recipients, student assistance received by any student (full or part time) who attends an institute of higher learning, must be counted; EXCEPT:

- Students who are over the age of 23 and have a dependent child.
- Students who are dependents of the household.

All amounts of student assistance ***in excess of tuition*** are counted as income. Student loans are not considered student assistance and are never counted as income.

The following questions should be asked when determining if student assistance should or should not be counted:

- ❑ **Is the household receiving Section 8 assistance?** IF "NO", STOP
- ❑ **Are any adults enrolled in an institute of higher learning?** IF "NO", STOP
- ❑ **Do the individual adults meet either of the following exceptions?** IF " YES ", STOP
    - **Over 23 with a dependent child**
    - **Dependent of the household**
- ❑ **How is the schooling paid for each adult student?** COUNT STUDENT ASSISTANCE
- ❑ **What is the amount of tuition for each adult student?** SUBTRACT FROM ABOVE

EXAMPLE

Student financial assistance not counted

Shelly is age 45 and a student who lives in an LIHTC unit with project-based Section 8 subsidy. Her tuition is $15,000 a year. She has a Pell Grant and other financial assistance totaling $19,000. She lives with her two dependent sons, Kent (age 15) and Josh (age 21). Josh's tuition is $20,000 a year and his father (who is not living in the household) contributes $24,000 a year to his schooling expenses. What student financial assistance income is counted?

Shelly (over the age of 23 and has dependents):	**$ 0**
Josh (is a dependent of the household):	**$ 0**
Total	**$ 0**

Example

Student financial assistance counted

Connor is 21 years old and lives in a unit with his dependent daughter. They have rent assistance through a Section 8 voucher. He goes to school part-time. His tuition is $5,000 a year and his grandparents pay $7,000 a year toward his tuition and other school expenses. What student financial assistance will be counted?

Student assistance	**$7,000**
Tuition	**- $5,000**
Total	**$2,000**

Connor is not over age 23. Even though he has a dependent, he must also meet the age requirement. He does not meet an exception and must have some of his student assistance counted.

Reminder: as stated earlier in this chapter, when a Housing Choice Voucher holder has their income verified by the PHA, this sufficiently verifies student financial assistance income. PHA verification, however, does not address LIHTC or HOME student eligibility. Separate student eligibility verification must still be obtained.

HUD Says…

Periodic Income Does Not Include:

Partial list of common exceptions. See HUD 4350.5 Exhibit 5-1 and 24 CFR 5.609(b) and (c) for the full list

- **Income from employment of children (including foster children) under the age of 18 years.**
- **Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone).**
- **Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses.**
- **Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.**
- **Income of a live-in aide.**
- **The full amount of student financial assistance paid directly to the student or to the educational institution (except for students receiving Section 8 assistance).**
- **Temporary, nonrecurring, or sporadic income (including gifts).**
- **Earnings in excess of $480 for each full-time student 18 years or older (excluding the head of household and spouse).**
- **Adoption assistance payments in excess of $480 per adopted child.**
- **Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts.**
- **Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.**
- **The value of the allotment provided to an eligible household under the Food Stamp Act of 1977.**
- **Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions).**
- **Payments received under programs funded in whole or in part under the Job Training Partnership Act (effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998, e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs, AmeriCorps).**
- **Payments received from programs funded under Title V of the Older Americans Act of 1985, e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program.**
- **Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998.**

Income from Assets

Unlike some other government programs, housing programs do not put a limit on the value of assets a person can own. Eligibility is only affected by how much *income* a household receives from its assets.

Assets are "Items of value that may be turned into cash."

An asset has a "market value" and a "cash value."

- The market value is the amount another person would pay to acquire the asset.
- The cash value is the market value less costs to convert to cash.

NOTE: Actual Income from an asset where there is an interest rate is based on the ***market*** *value. Cash value is used when imputing asset income (discussed later in this chapter).*

When relying on statements or other documentation supplied by the household it is important to ensure that the documents provide all necessary information needed to determine both the market and cash value of the asset.

Assets Owned Jointly

If more than one person owns an asset, its value may be pro-rated based on the percentage of ownership. For example, if verification indicates that an asset is jointly owned by two individuals, typically the pro-rated value of the asset would be 50% unless otherwise verified.

However, just because a household member has their name on an account does not mean that they "own" it. For example, adult children may be on their parent's checking account for survivorship purposes. To help establish who actually owns such assets, gather documentation to establish answers to the following questions.

- Who receives the income, if any, from the asset?
- Who pays taxes on the income received?

EXAMPLE

Jointly held assets

Nick and his spouse, Erin, jointly own a piece of real estate with a value of $80,000. Nick applies to live at Marble Acres Estates. During the application process, the manager determines that Erin is permanently confined to a nursing home and that Nick has decided not to include Erin as part of the household. What amount should the manager count for the real estate?

$40,000

Two people jointly own this asset. Only one member is being counted in the household, therefore, only 50% of the asset value is counted.

Withdrawals from Investments

HUD tells us that "the withdrawal of cash or assets from an investment received as periodic payments should be counted as income…If benefits are received through periodic payments, do not count any remaining amounts in the account as an asset."

Therefore, monthly, quarterly or semi-annual periodic withdrawals are income, and the asset is not counted. IFA considers Required Minimum Distributions (RMDs) from retirement accounts to be "periodic withdrawals" as they are received periodically on an annual basis and are determinable.

Note that the household chooses whether to take periodic payments from many retirement accounts, and they may change their minds from year to year. For mixed-use properties and mixed-income units subject to income recertification, it will need to be established each year what a household is choosing to do with their retirement accounts to establish whether to count the asset or not.

> DEFINITION
>
> **"Periodic"**
>
> "Occurring or appearing at regular intervals, on a pre-determined schedule."
>
> The opposite is "sporadic" or "occasionally" which occurs irregularly, on no pre-determined schedule.

Despite HUD's general definition, many "items of value that can be turned into cash" are actually not counted. It is good to start the discussion of assets with a list of assets that are not counted.

> HUD SAYS…
>
> **Assets Do Not Include:**
>
> Partial list of common exceptions. See HUD 4350.5 Exhibit 5-2.
>
> - **Personal property (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities).**
> - **Interests in Indian trust land.**
> - **Term life insurance policies (i.e., where there is no cash value).**
> - **Assets that are part of an active business. "Business" does NOT include rental of properties that are held as investments unless such properties are the applicant's or tenant's main occupation.**
> - **Assets that are NOT effectively owned by the applicant. Assets are not effectively owned when they are held in an individual's name, but (a) the assets and any income they earn accrue to the benefit of someone else who is not a member of the family, and (b) that other person is responsible for income taxes incurred on income generated by the assets.**
> - **Assets that are not accessible to the applicant and provide no income to the applicant.**

Overview: Assets

HUD has defined 10 specific types of assets.

1. Cash and Checking/Savings accounts
2. Revocable Trusts
3. Equity in Real Property
4. Stocks, Bonds, T-Bills, CD's, Mutual Funds, and Money Market Accounts
5. IRA, 401(k), and Keogh accounts
6. Retirement and Pension Funds
7. Whole Life Insurance Policies
8. Personal Property held as an Investment
9. Lump-sum, One-Time Receipts
10. A Mortgage or Deed of Trust held in a household member's name

Below we will discuss each in turn, and provide income calculation examples.

HUD SAYS...

Asset 1. **Cash, Checking & Savings:**

"Cash held in savings and checking accounts, safe deposit boxes, homes, etc."

- For savings accounts, use the current balance.
- For checking accounts, use the average balance for the last six months. This is an exception to the normal rule, whereby assets are simply valued the day that they are verified. Since checking is generally liquid and tends to have greatly varied balances day to day, an average is a more fair assessment of the value.
    - In situations where verifications from banks provide a figure other than the six-month average, (for instance a 3-month or YTD average), exercise good judgment on how to best calculate this asset and utilize the method consistently. IFA may also be contacted for further guidance, if needed.

Debit Cards

In 2013 the Social Security Administration announced that almost all SS and SSI recipients will either have their benefits directly deposited into their bank account or will receive a "Direct Express Debit Card". HUD issued guidance on how to handle these cards, but the direction provided relates to ALL accounts where debit cards are the only evidence of an account (including employment, state welfare cash benefits and unemployment benefits distributed on a debit card).

The balance of the debit card is considered an asset. It is to be verified, consistent with existing ***savings*** account verification requirements.

The balance can be obtained from:

- An ATM
- Through online account services
- Paper statements

The verification document must identify the account and the account holder. If the total household assets do not exceed $5,000, no income will be derived from this asset (see the section below on imputing asset income for further details). If the total cash value of household assets exceeds $5,000, total household assets should be imputed at the current HUD Passbook Rate.

Example

Checking and savings

A family owns a checking account that has a 6-month average balance of $450 and a current balance of $1,200. They also own a savings account that has a 6-month average of $600 and a current balance of $120. If these are the household's only assets, what is the total value of the accounts?

$450 + $120 = $570

HUD Says...

Asset 2. Revocable Trusts:

"Include the cash value of any revocable trust available" to the household.

Assets may be put into a trust by one person or persons for another person or persons with established terms on how the assets are handled now and in the future. If a household member has created a trust or is the beneficiary of a trust, it may be an asset to them if they have access to a balance. Even if not accessible, the trust may still generate income to the creator or to the beneficiary.

Each trust is different, so in each case it will be important to secure the trust documents to establish whether your household members have any access to the trust balance (thus making it an asset) and whether they receive any income from it.

Definitions

Trust terminology

When reading trust documents, the following terms will be useful in establishing how to value and count income for the trust:

Revocable

A household has access to the trust and can cash it in or change the terms. The opposite is a *nonrevocable* or *irrevocable* trust, which cannot be changed and are generally not accessible to a household.

Creator** or **grantor

Original owner of the assets that were put into the trust.

Beneficiary

The person that the trust is set up to benefit.

When the creator of a nonrevocable trust establishes the trust, it is no longer accessible to them. It is not a current asset. However, if the trust was created within two years prior to a certification, the creator in essence disposed of the assets in the trust, so a disposed of asset value will be assigned and income may be calculated when imputing asset income. See the sections below in this chapter on assets disposed of and imputing asset income for further details.

HUD Says...

Asset 3. **Equity in Real Property:**

"Equity in rental property or other capital investments. Include the current fair market value less: (a) Any unpaid balance on any loans secured by the property and (b) Reasonable costs that would be incurred in selling the asset (e.g. penalties, broker fees, etc.)"

Determining the value and income from real estate that a household member owns can be a bit confusing. The below chart helps to keep the two straight.

Determining Real Estate: Value	**Annual Income**
Fair Market Value - Outstanding mortgage principal - Cost to sell =	Annual rental payments - Annual mortgage interest payments - Other allowed expenses (Examples: Taxes, insurance, maintenance and other tax form schedule E costs) =
Cash Value	**Annual net income**

In all cases where real estate is owned, the left side of the chart will apply. The right side of the chart only applies to households that are renting out real estate that they own. Be careful to note that many expenses are only deductible if rental income is involved. For instance, maintenance costs cannot be deducted from the value of a home for a person who is letting it sit empty. That deduction is only available when determining net income when rent is being received.

Real estate value is often verified through a combination of documentation types. Mortgage statements, tax returns and property tax statements establishing tax assessment based on market value often yield information needed to determine the cash and market values of real estate. The most recent tax return with *Schedule E* (for rental property) or *Schedule F* (farmland) may also be used to establish net income from the property. For further information on the types of items to look for on tax schedules when calculating net income, compare the *Self-Employment* section earlier in this chapter that used the *Schedule C* to establish net income from a business.

EXAMPLE

Real estate value and income

Darcy owns a home that she is renting out. She receives $1,600 a month in rent ($19,200 annually). The market value of the home is $300,000. She has an outstanding mortgage balance of $100,000 and monthly mortgage payments of $1,962. Total interest payments on the mortgage will be $9,500 in the coming year and principal payments will total $14,044. If she were to sell the home, a broker determines the costs to be 10% of the market value, or $30,000. The cost to maintain the home is $1,004 a month ($12,048 annually).

Determining Real Estate:

Value		Annual Income	
$ 300,000	Fair Market Value	$ 19,200	Annual rental payments
- $ 100,000	Outstanding mortgage principal	-$ 9,500	Mortgage interest
- $ 30,000	Cost to sell =	-$ 12,048	Other allowed expenses
$170,000	**Cash Value**	**($2,348)**	**Annual loss**
			$ 0 income is counted

Question: are mobile homes considered real estate or personal property?

Answer: Per Iowa Code 435.2, property tax rules on manufactured and mobile homes distinguish a difference as to where the "home" is placed; if it is in a mobile home (or manufactured or modular home) park or community then it is not to be assessed or taxed as real estate. If it is outside of such a community, then it is taxed and assessed as real estate. The assumption is that the owner of the "home" must also own the land on which the "home" is affixed.

HUD SAYS...

Assets 4. **Stocks, bonds, etc:**

"Stocks, Bonds, Treasury Bills, Certificates of Deposit, Mutual Funds, and Money Market accounts. Interest or dividends earned are counted as income from assets even when the earnings are reinvested."

You will notice that this category contains quite a variety of assets. In each case, it is important to determine the market and cash values and the income. The below chart lists how these are established by asset type.

Stock Market Vehicles

(Individual stocks and mutual funds)

Market Value = # of shares owned X price per share

Cash Value = Market Value less costs to sell (commissions)

Actual Income = Annual Dividend X # of shares

CDs and Money Markets

Market Value = Current Balance

Cash Value = Market Value less fees for withdrawal

Actual Income = Interest rate X Market Value

Savings Bonds

Market Value = Redeemable Value

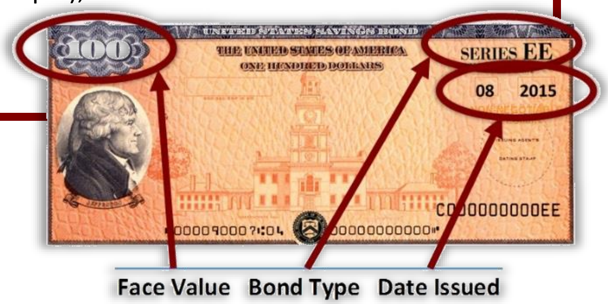
Cash Value = Redeemable Value

Actual Income = Interest rate X Market Value

A great tool to calculate bonds can be found at

www.savingsbonds.gov

You just need a record of the bonds, or the bond type (EE, for example), face value and date issued.



Example

Certificate of deposit

A certificate of deposit has a market value of $6,140. The penalty for early withdrawal is $540, resulting in a cash value of $5,600. The interest rate is 3%. What is the anticipated annual income on the CD?

(Market value) $6,140 x 3% (.03) = $184.20

Example

Stocks

A resident owns 1,034 shares of stock in X-corp. The stock value is $2.30 per share and the dividend paid is $.50 semi-annually. What is the market value and income from the stock?

Market value:	**1,034 x $2.30**	**$2,378.20**
Income:	**1,034 x $.50 x 2**	**$1,034.00**

HUD Says…

Assets 5. **IRA, 401K, Annuities, KEOGHs:**

"These are included when the holder has access to the funds, even though a penalty may be assessed. If the individual is making occasional withdrawals from the account, determine the amount of the asset by using the average balance for the previous six months. (Do not count withdrawals as income.)"

HUD Says…

Assets 6. **Retirement Accounts:**

"Include the amount the household can withdraw without retiring or terminating employment."

Retirement accounts have taken different forms over the years, so you will see above that HUD has separated them into two types. There is the more modern employee-funded, tax sheltered accounts like 401Ks and Individual Retirement Accounts (IRAs) and older-style pension accounts. The good news is that they are treated the same way.

While the owner of the retirement account is employed, only the part of the asset that can be cashed in without quitting or retiring is counted.

Once benefits are being received, then we determine if the account provides income only, or if it is an asset (see the section *Withdrawals from Investments* above in this chapter for further details on when periodic payments that are taken require the manager to exclude any balance as an asset).

Example

Retirement account with periodic withdrawals

Mohammad has an IRA from which he is making periodic withdrawals of $1,000 a month. The value of the IRA is $54,000. Are the periodic withdrawals counted as income?

Yes

Should the IRA value be counted as an asset?

NO

As periodic withdraws are being taken, the IRA is not counted as an asset.

Example

Retirement account without access

Krystal is working for an employer that provides a pension fund. It is valued at $6,090. It is verified that Krystal will not be able to collect the money until she retires in many years. What is the asset value that will show up on the certification?

$0

If a person has to quit a job to access a retirement account, it is not considered accessible or an asset.

HUD Says…

Assets 7. **Whole Life Insurance:**

"Cash value of life insurance policies available to the individual before death (e.g. the surrender value of a whole life policy or a universal life policy)."

This does not include ***term*** life insurance that carries no cash value to the individual before death. Also, be careful not to count the full benefit value of the policy if the person were to die. You want the value that a person could cash in now, which is generally much lower than the benefit value upon death.

Example

Whole v. term life insurance

Tom has two life insurance policies. One is term life, with a benefit of $250,000. The second policy is whole life. It also has a death benefit of $250,000. Its cash value is $45,000 with an interest rate of 4%. What is the income that will be counted for his life insurance?

$45,000 x 4% = $1,800

The term life insurance is not counted.

HUD Says…

Assets 8. **Personal Property Investments:**

"Include gems, jewelry, coin collections, or antique cars held as an investment. Personal jewelry is NOT considered an asset." Also excluded: "Personal property (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities."

As covered above, generally personal property is not counted as an asset. A household member may hold personal property that has great value, but does not intend to sell it at any point. However, at times, they do intend to sell and are just holding it until it achieves a value they want. In that case, it is an asset. As you can see *intent* is the crucial difference in these cases. If they are truly holding the asset as an investment, then a value will need to be assigned to the property. This can be an appraisal, a current list of collectables valued per credible trade catalogs or other reasonable means.

Quiz

Personal property investment

TRUE or FALSE

If a person has inherited an antique automobile valued at $100,000 or more, it is automatically considered personal property held as an investment.

FALSE

No value automatically makes personal property an investment. The holder's intent is the important factor.

For a discussion of whether a mobile home is personal property or real estate, see the section on *Equity in Real Property* earlier in this chapter.

HUD Says…

Assets 9. Lump-sum and One-time Receipts:

"Inheritances, capital gains, one-time lottery winnings, victim's restitution, settlements on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses), and any other amounts that are not intended as periodic payments."

These assets are usually verified when they are deposited into another asset (for instance a checking or savings account). Generally the lump-sum is not an asset itself unless it is still an uncashed check. Be careful not to double-count the lump-sum where it has been deposited into another account.

Example

Lump sum one time receipt

A month before moving in, George gets a one-time insurance settlement for $23,000. The money is put into his savings account (his only asset). Subsequently, the balance of the savings account is verified to be $27,320. What is the total asset value for the household?

$27,320

If a lump-sum or one time receipt of an asset occurs and the full amount is not distributed into another verifiable asset, it is important to determine what was done with the asset to ensure that it is not an asset disposed of for less than fair market value (see below for further on that topic). However, amounts used to pay for living expenses or purchase personal property for the household are allowable and only the remaining value is counted as an asset.

HUD Says…

Assets 10. **Mortgage, Deeds of Trust:**

"Payments on this type of asset are often received as one combined payment of principal and interest with the interest portion counted as income from the asset."

Also known as a "contract for deed", this is a seller-financed mortgage. A household member may be selling real estate on such an arrangement. To verify this asset, an amortization (loan payment) schedule is needed for the mortgage. This will break out each payment, and how much of it is interest and how much is principal.

Amortization Example

Marvin Finkley is going to move in on February 15th, 2014. He is selling land on a deed of trust reflected in the below amortization schedule.

1. Circle the value of the asset
2. Circle the amounts to be added to determine income from this asset.

Enter Loan Information in Light Blue Cells Below	
Name of Loan And/Or Lender	Bailout Bank Inc.
Face Value of Loan (Original Amount)	$86,000.00
Annual Interest Rate	8.60%
Loan Period in Years	10
Number of Payments Per Year	12
Loan Commencement Date	10/1/2013
Extra Payment Per Period (If Any)	$0.00

Loan Summary	
Scheduled Payment Amount (Per Period)	$1,070.88
Scheduled Number of Payments	120
Actual Number of Payments*	120
Loan Payoff Date	10/1/2023
Total Amount of Extra Payments	$0.00
Total Interest Paid	$42,505.83

Amortization Table

Payment Number	Payment Date	Beginning Balance	Scheduled Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance
1	11/1/2013	$86,000.00	$1,070.88	$0.00	$1,070.88	$454.55	$616.33	$85,545.45
2	12/1/2013	$85,545.45	$1,070.88	$0.00	$1,070.88	$457.81	$613.08	$85,087.65
3	1/1/2014	$85,087.65	$1,070.88	$0.00	$1,070.88	$461.09	$609.7[illegible]	[illegible]
4	2/1/2014	$84,626.56	$1,070.88	$0.00	$1,070.88	$464.39	$606.4[illegible]	$84,162.17
5	3/1/2014	$84,162.17	$1,070.88	$0.00	$1,070.88	$467.[illegible]	[illegible]	[illegible]
6	4/1/2014	$83,694.45	$1,070.88	$0.00	$1,070.88	$471.[illegible]	$599.81	[illegible]3,223.37
7	5/1/2014	$83,223.37	$1,070.88	$0.00	$1,070.88	$474.[illegible]	$596.43	[illegible]2,748.93
8	6/1/2014	$82,748.93	$1,070.88	$0.00	$1,070.88	$477.[illegible]	$593.03	[illegible]2,271.08
9	7/1/2014	$82,271.08	$1,070.88	$0.00	$1,070.88	$481.[illegible]	$589.61	[illegible]1,789.81
10	8/1/2014	$81,789.81	$1,070.88	$0.00	$1,070.88	$484.[illegible]	$586.16	[illegible]1,305.09
11	9/1/2014	$81,305.09	$1,070.88	$0.00	$1,070.88	$488.[illegible]	$582.69	[illegible]
12	10/1/2014	$80,816.89	$1,070.88	$0.00	$1,070.88	$491.[illegible]	$579.19	[illegible]
13	11/1/2014	$80,325.20	$1,070.88	$0.00	$1,070.88	$495.[illegible]	$575.66	[illegible]9,829.98
14	12/1/2014	$79,829.98	$1,070.88	$0.00	$1,070.88	$498.[illegible]	$572.11	[illegible]9,331.21
15	1/1/2015	$79,331.21	$1,070.88	$0.00	$1,070.88	$502.[illegible]	$568.54	[illegible]8,828.87
16	2/1/2015	$78,828.87	$1,070.88	$0.00	$1,070.88	$505.[illegible]	$564.94	[illegible]8,322.93
17	3/1/2015	$78,322.93	$1,070.88	$0.00	$1,070.88	$509.[illegible]	[illegible]	[illegible]7,813.36
18	4/1/2015	$77,813.36	$1,070.88	$0.00	$1,070.88	$513.22	$557.66	$77,300.14

Asset
Balance as of the certification date

Income
Interest payments for 12 months

The cash value and market values are the principal balance on the loan at the effective date of the certification. The income is the interest payments that will be received for 12 months from the certification effective date.

Imputing asset income

When a household has considerable assets, HUD wants a household to at least make a bare minimum rate of return on those assets. For this reason, if the cash value exceeds $5,000, a passbook savings rate, based on FDIC national averages, must be applied to the total cash value of the household's assets. If income based on that bare-minimum rate is higher than the amount the household is receiving, then the imputed income will be used.

NOTE: an adjusted HUD passbook rate will be announced at least annually. Notices from both IFA and HUD are distributed when this occurs. It is important to watch for these changes and implement the use of the current HUD passbook rate as of the required effective date.

Disposed of assets

It is not the intent of HUD for people to give away their assets in order to qualify for affordable housing units. If a household member gives away assets for substantially less than they were worth, HUD rules require that the portion of the asset that was given away still be included as a household asset for two years from the time the asset was given away or sold. This rule applies when the difference between the market value and the amount received was more than $1,000. Assets lost to foreclosure, bankruptcy, divorce or separation settlements are not counted as disposed of.

The disposed of asset value is the cash value of the asset, less the amounts received.

Example

When asset income is imputed

A household has the following assets.

Type of Asset	Market Value	Cash Value	Actual Annual Income
Checking Account (6-mo average)	$700	$700	$0
Certificate of Deposit	$3,700	$3,500	$175
Stocks	$3,400	$3,200	$0
Real Estate	$100,000	$60,000	$2,800
TOTAL	$107,800	$67,400	$2,975

Since assets exceed $5,000, actual income must be compared to imputed income based on the current HUD passbook savings rate. The certification was done in early 2015, so the applicable rate was .06%.

$67,400 x .06 % (.0006) = $40.44

Actual income of $2,975 is higher and will be used when calculating income.

Example

When asset income is not imputed

A household has the following assets.

Type of Asset	Market Value	Cash Value	Actual Annual Income
Checking Account (6-mo average)	$700	$700	$0
Real Estate	$100,000	$2,000	$0
TOTAL	$100,700	$2,700	$0

Since the cash value of assets do not exceed $5,000, actual income will be used to calculate income and $0 income from assets will be added to household income.

Example

Disposed assets

Jane Doe sold a house worth $89,000 to her daughter for $10,000. Reasonable realtor and legal fees are determined to be $1,800. What is the disposed of asset value?

$89,000 - $1,800 - $10,000 = $77,200

Example

Disposed assets

John and Marty moved into a unit at Crystal Caves Townhomes on **01/01/15**. They had given their small farm to their sons on **12/01/14**. The farm's cash value was $400,000.

The manager must count the value of the farm as if they still owned it until: **12/01/16**

What is the amount of imputed income that was included on their move-in certification (using the 2015 HUD Passbook Rate of .06%)?

$400,000 x .06% (.0006) = $240

Mei and Hiro moved in a month later 01/01/15. They had made a charitable donation to their church totaling $400,000 on **07/01/13**.

The manager must count the value of the disposed of cash as if they still owned it until: **07/01/15**

What is the amount of imputed income that was included on their move-in certification (using the 2015 HUD Passbook Rate of .06%)?

$400,000 x .06% (.0006) = $240 ÷ 12 x 6 = $120

Note: Unlike the first example, the 24 month period ended during the first certification year, so the imputed income was prorated for the months until the asset is no longer counted.

TIC

Once all household composition and income information has been gathered and verified, the information is encapsulated on the *Tenant Income Certification* (TIC). IFA has a TIC that is required for both LIHTC and HOME units (with exceptions explained below for persons with subsidy from other programs). All household adults and the owner/manager must sign the TIC. Be sure to download the most current TIC form and instructions on the IFA website. The TIC:

- Should be typed or completed in pen. Pencil is not acceptable.
- Should never be signed blank. The signature is how the manager and household attest that the information on the form is accurate. Signing a blank TIC is a form of fraud.
- Should always have signature dated when it is signed. It must never be back-dated to match the effective date in cases were the TIC is signed late.
- Any corrections that are necessary (such as math errors resulting in incorrect income totals) should be made by crossing out the incorrect information and adding the correct information. White out does not show what correction was necessary and should never be used.
- Can reflect the past effective date where a late certification is being created retroactively. However, it must be signed when dated and have a statement by the signature that the information was "true and accurate as of" the effective date.

Exceptions where the IFA TIC is not required

As explained earlier in this chapter, households receiving Housing Choice Voucher assistance may have their income verified by the PHA providing their voucher. The certification form 50058 produced by the PHA can serve as both the verification of income and TIC. This applies to LIHTC for all certifications. For HOME it applies for years other than the move-in and recertifications other than every 6th year if the HOME Affordability Period. The certification forms for project-based Section 8 (the 50059) or Rural Development (3560-8) can also serve as TICs for LIHTC and HOME purposes. These will be accompanied by verification of income.

Chapter 4 - Other Rules

Recertification

It is required that an annual recertification for all LIHTC and HOME households is processed by the anniversary date of the effective date of the last Tenant Income Certification. IFA allows an owner/manager to move effective dates to meet other program requirements or for other reasons. The process of recertification is similar to the initial verification process for new move-ins. The tenants must complete the **required** form IFA *Self Certification of Income* form compliance questionnaire and all sources of income, assets, and the student status are verified (as applicable). For LIHTC properties that are less than 100% LIHTC, the tenant's total gross income must be compared to the 140% income limit for that household to determine if the Available Unit Rule is in effect. For HOME projects, household income is compared to the 80% HOME limits to determine if HOME over-income rules have been triggered.

> **IFA Suggests**
>
> Notify residents 90-120 days before their recertification is due. This gives you plenty of time to deal with the issue if the household does not cooperate. In cases of extreme non-cooperation, tenancy can be terminated before federal noncompliance with recertification rules occurs.

LIHTC - 100%

Since 2008, federal law considers income recertification at projects that are 100% LIHTC to be irrelevant. For these projects, only student status needs to be verified annually by the anniversary of the effective date of the last certification. Although some state HFAs, investors or syndicators require a full income recertification on the first anniversary of move-in, IFA does not make this a requirement.

Please note that Deep Rent Skewed projects, even those that are 100% LIHTC, continue to be subject to full income recertification (see below).

LIHTC – mixed-use and deep rent skewed projects

To comply with federal requirements, full recertification of income and student status must be conducted for each household annually for mixed-use projects. Since the election to Deep Rent Skew requires adjusting units to 40% when the AUR is triggered (see the AUR section below), full annual recertification will also need to be conducted at Skewed projects.

> **IFA Terms**
>
> **Mixed-use and mixed income**
>
> To differentiate types of LIHTC properties, IFA uses the following terms consistently in this manual in relation to tenant recertifications:
>
> **Mixed-use:** a project with LIHTC and non-LIHTC (market) units.
>
> **Mixed-income:** a 100% LIHTC project with state covenant set-asides at lower income limits than federally required.

State agency covenants

At mixed-income 100% LIHTC projects, units that are used to satisfy more restrictive state set-asides than the property's minimum set-aside income limits must be recertified annually to determine if they continue to meet the state set-asides. In some cases additional units might need to be rented at the state set-aside to replace units that are determined to be over-income in order to satisfy the state covenant. Check your LURA to ensure compliance with this requirement.

EXAMPLE

Recertification at a HOME Project

2016

The 1st year of the HOME Affordability Period

2017

The 2nd year of the HOME Affordability Period

2018

The third year of the HOME Affordability Period

- ❑ Rosy moves into a HOME unit with full certification.

2019

The 4th year of the HOME Affordability Period

- ❑ Rosy is recertified using self-certification.
- ❑ Betty moves into a HOME unit with full certification.

2020

The 5th year of the HOME Affordability Period

- ❑ Rosy is recertified using self-certification.
- ❑ Betty is recertified using self-certification.

2021

The 6th year of the HOME Affordability Period

- ❑ Rosy is recertified using full certification.
- ❑ Betty is recertified using full certification.

HOME

Full third party source documentation/ verification of income is only required every 6th year of the affordability period. In other words, in the 1st, 6th, 12th and 18th year of the HOME affordability period everyone who has lived in the project for at least a year must be fully recertified using third party verification. For other years, self-certification or PHA verification (for voucher holders) is sufficient. Notice that the years to fully recertify are not specific to the length of individual household tenancy, but rather to project-specific years. If you are unsure of where your project is in its Affordability Period, please contact your IFA Compliance Officer for assistance.

LIHTC/HOME units

When programs are combined, the most restrictive recertification cycle will apply. The primary factor in these cases will be if the project is simply 100% LIHTC, mixed-income, or mixed-use (see the "recertification" chart later in this chapter for further details).

Increases of household income after move-in

LIHTC Available Unit Rule

The LIHTC program is designed to let households increase their income without penalty after they move-in. However owner/managers at projects that contain non-LIHTC units are under obligation to rent non-LIHTC units that become vacant to LIHTC households to replace units housing LIHTC households that are “over-income” when recertified. This is called the Available Unit Rule (AUR).

100% projects

Although for 100% LIHTC projects (unless Deep Rent Skewed –see below), income recertification is not required by IFA, owners must demonstrate due diligence when moving in new households to make sure that all units that become available are rented to qualified households. If they inadvertently move in an ineligible household, they must demonstrate due diligence measures are in place that are designed to avoid errors in general when processing files. Lack of due diligence may be indicated by several over-income move-ins, lack of basic verification processes or no dual reviews of tenant files prior to move-in. If the owner/manager cannot demonstrate that good due diligence practices are in place after having moved in an over-income household, they violate the Available Unit Rule which would result in the loss of any such units to noncompliance.

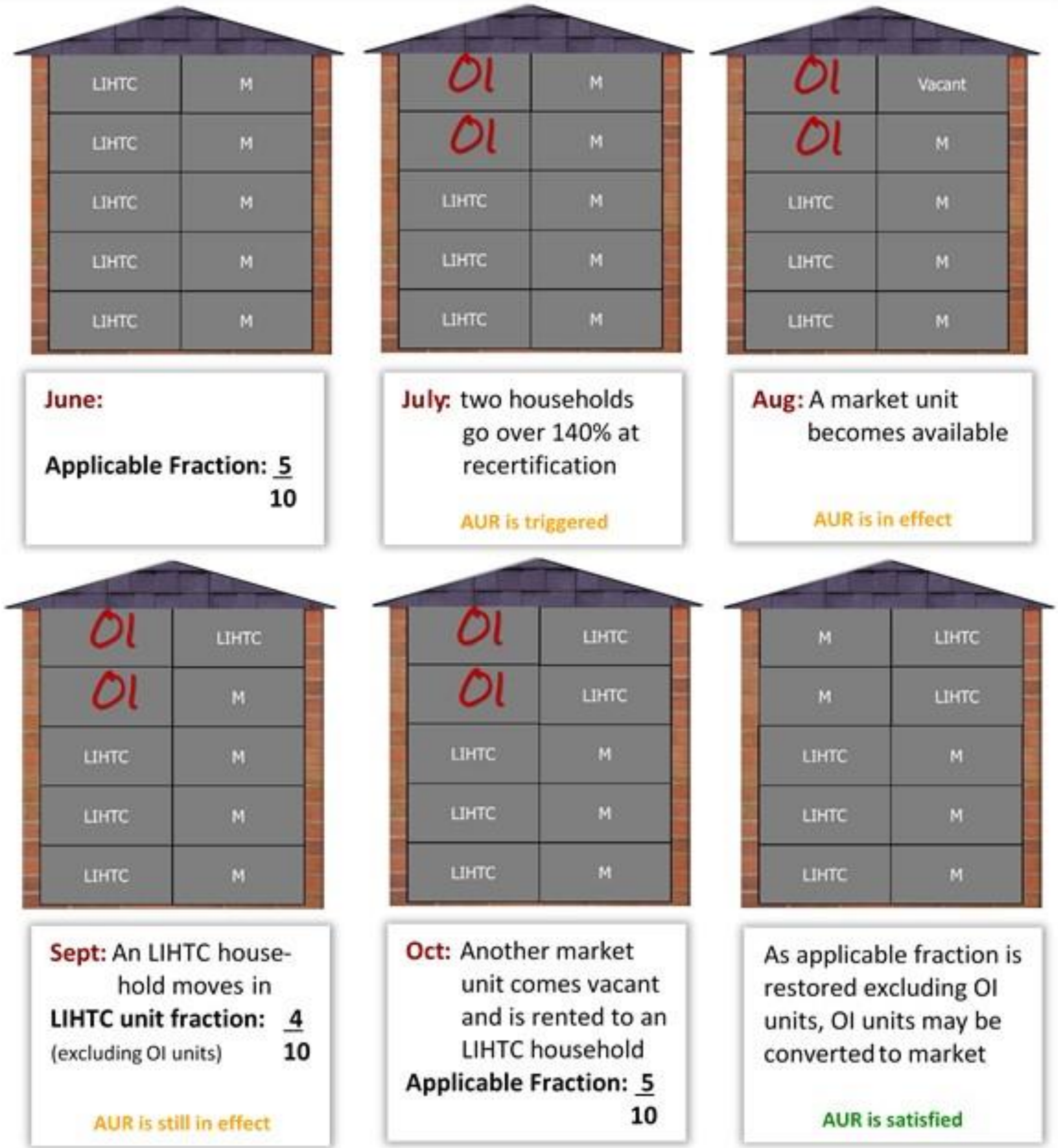
Mixed-use projects

“Mixed use” projects are those with any non-LIHTC units. These projects are subject to full income recertification each year. If a household’s income increases to over 140% of the current qualifying income limit when they are recertified, they become “over-income”. Credits can continue to be claimed on the unit as long as the next available unit (of equal or smaller size) ***in the same building*** is rented to a qualified household. The goal is to restore the applicable fraction, not counting the over-income household. Over-income units must remain rent restricted until the next available unit(s) are rented and all over-income LIHTC units are replaced. If the rule is violated, all comparable or smaller 140% units are no longer LIHTC for both the building’s applicable fraction & the project’s minimum set-asides. A Unit is no longer “available” if a legally binding agreement is in place prior to the effective date of a household being determined to be over 140%. For instance, if a lease is signed by a non-LIHTC household, but the household has not moved in, the unit is not “available” for purposes of the AUR. It is OK to move in the non-LIHTC household after the over-income recertification is effective. However, any non-LIHTC unit not legally spoken for is subject to the AUR. Once all over-income units are replaced with LIHTC units after following the AUR, the over-income households can be treated as non-LIHTC and can be charged market rents as soon as the lease allows.

For an example of when the AUR is applied correctly, as well as one when it is violated, see below.

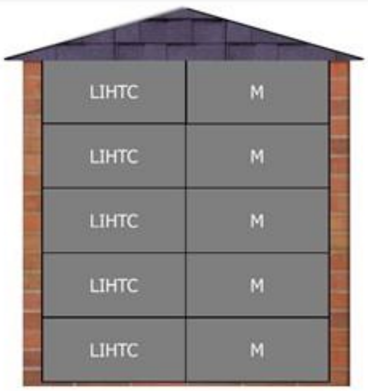
EXAMPLE:

AUR (correctly followed)



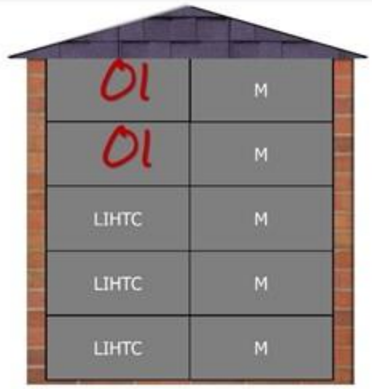
EXAMPLE:

AUR (violated)



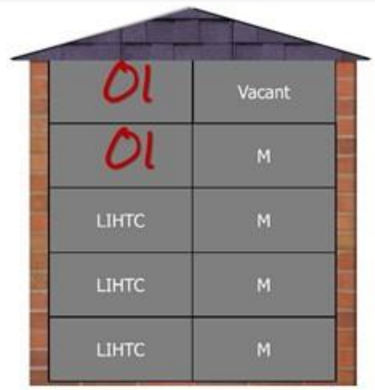
June:

Applicable Fraction: $\frac{5}{10}$



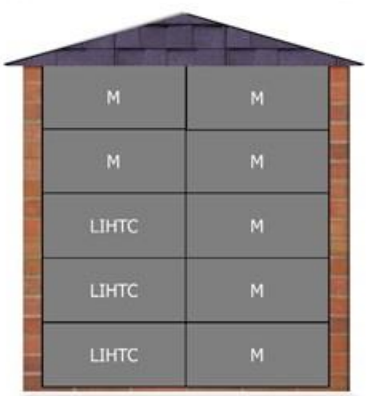
July: two households go over 140% at recertification

AUR is triggered



Aug: A market unit becomes available

AUR is in effect



Sept: A market house-hold moves in

Applicable Fraction: $\frac{3}{10}$

AUR is violated

Note:

For buildings that have an applicable fraction based on square footage, the calculations may be more complex than here presented.

Increases in State Covenant Units

As stated earlier in this chapter, units designated at state covenant set-asides are subject to recertification, even at 100% LIHTC properties. If any unit at a state covenant set-aside exceeds that set-aside at recertification, the household is "over-income" for the state covenant set-aside. The next

comparable unit in the **project** must be rented to a household eligible at the set-aside that the "over-income" household originally met. The goal is to restore the mix of units designated in the LURA or HOME Contract. Once the new household moves in, the "over-income" household may be redesignated at a set-aside appropriate to their new household income and rent may be raised to the new rent limit based on the state covenant set-aside.

Example

Increase of income over a state covenant set-aside

Blue Skies Apartments is a property with 100 units. The project's LURA requires that 10 of the units be at a 40% state covenant set-aside and the rest are at the LIHTC minimum set-aside of 60%.

Archer moves into a 40% unit. At his second recertification, he is $800 above the 60% limit and thus exceeds the 40% set-aside for the first time since he moved in.

When the next 60% unit that is comparable to Archer's unit becomes available in any building in the project , the manager rents it to a 40% household who pay 40% rents. Once Archer's unit is replaced with the new 40% unit, his rent is raised to the 60% LIHTC rent. As Archer is not above 140% of the minimum set-aside 60% limit, the federal Available Unit Rule is not triggered.

Deep Rent Skewed Projects

The Available Unit Rule works differently at Deep Rent Skewed Projects for several reasons.

- The definition of over-income is 170% of the current income limits rather than 140% as used in projects that are not skewed.
- The election to skew also has the effect of "fixing" LIHTC units in a project. If a project consists of 10 units, and units 1-5 are LIHTC and units 6-10 are non-LIHTC, the non-LIHTC units 6-10 never have to become LIHTC units, even if households are over-income at recertification. This is helpful where non-LIHTC rents are substantially higher than the LIHTC rents, and ensures that the non-LIHTC unit rent revenue will remain consistent.

Once a household triggers the AUR at a Deep Rent Skewed projects, ALL subsequent LIHTC units that become available must be rented to 40% households until the over 170% household moves out or their income decreases at future recertifications to at or below the 170% mark. This means that the owner may end up with more 40% units than originally planned for with less rent collected.

The serious possibility of ending up with some or even most of the LIHTC units ending up at 40% rents should be carefully considered before making the irrevocable election to Deep Rent Skew, especially at 100% LIHTC projects where the benefit of consistent market rents is not a factor.

HOME Over-Income Rules

When an owner/manager recertifies a HOME household's income, the household's income is considered "over-income" for the HOME Program when:

- The household occupies a Low HOME unit, and the household's income increases above the current very-low (50% AMI) income limit, but does not increase above the low income (80% AMI) limit, or
- The tenant occupies a High or Low HOME unit and the household income increases over the current HOME Low income (80%) limit for that household size.

When the tenant of a HOME unit becomes over-income, the unit and property are in temporary noncompliance with the HOME requirements. Temporary noncompliance is permissible as long as the owner/manager takes steps, at the next available opportunity, to restore the property's compliance. These steps will vary, depending on if the property has fixed or floating HOME units. Note: the owner/manager cannot terminate or fail to renew the tenant household's lease because the household is over-income, but the household's rent may be adjusted according to the HOME rules. Over–income tenants are protected by the terms of their leases; rent changes go into effect only when the lease permits.

Below is a chart that gives instructions on what to do when a HOME unit goes over income. Note that there are different procedures for fixed and floating HOME units that go over the HUD low (80%) limit.

When Income Increases at HOME Recertification

1. If a Low-HOME household's income increases above 50% AMI, but remains less than the HUD low (80%) limit:

For all HOME properties:
• The next comparable High-HOME unit must be rented to a very low income (50%) household and re-designated as a Low HOME Unit. When "replaced", the rent may be increased to the High HOME rent. • Non-HOME units are not affected.

2. If a Low- or High-HOME household's income increases above the HUD low (80%) limit:

Fixed HOME Properties	Floating HOME Properties
• As soon as the lease allows, rent must be raised to 30% of adjusted income, with NO cap. • **Note: If the unit is an LIHTC unit, rent based on adjusted income is capped at the LIHTC max rent limit.** • If a Low-HOME unit, the next High-HOME unit must be rented to a Low-HOME household.	• As soon as the lease allows, rent must be raised to the lower of 30% of adjusted income or market rent. • **Note: If the unit is an LIHTC unit, rent based on adjusted income is capped at the LIHTC max rent limit.** • The next available unit in the property must be rented to a HOME-eligible household to restore the original balance of Low/High-HOME set-asides required by the property's HOME Contract. • Once "replaced", the over-income unit may be treated as non-HOME.

Monthly rent for households who are over the 80% limit:
(Except LIHTC/HOME Units)

Gross Income – Deductions = Adjusted Annual Income ÷ 12 X 30%

Adjusted income-based rent

Once gross household income is calculated (as discussed in Chapter 3), 5 possible adjustments may be made before rent is determined.

1. Dependent Deduction

This is a $480 (per dependent) annual allowance. A dependent is someone who is:

- Under 18 years of age
- A person with disabilities
- A full-time student of any age

A dependent can never be:

- Head, spouse, or co-head.
- Foster child, a child who is unborn or has not yet joined the household, or a live-in aide.

Documentation must be gathered to prove that an adult is a qualified full-time student if they are to be considered a dependent.

2. Child Care Expense

Anticipated unreimbursed expenses for the care of children under age 13 may be deducted if:

- The expenses enable a household member to work or go to school (part or full-time).
- No adult household member is available to provide care.
- The amount that allows the adult to work must not exceed the income received from the work. Expenses that allow schooling have no limit.

The money cannot be paid to a household member living in the unit and the expenses must reflect reasonable charges. There is no limit on reasonable costs that allow an adult to look for work or attend school. Only $480 will be allowed annually to enable a qualified adult FT Student (who is not a head, spouse or co-head) to attend school, because $480 is the amount counted as income. These expenses must be for a child living in the unit.

3. Disability Assistance Expense

Reasonable expenses for auxiliary apparatus or the care of an individual with disabilities in excess of three percent of annual income may be deducted from annual income if the expenses:

- Enable the individual with disabilities or another household member to work;
- Are not reimbursable from insurance or any other source; and
- Do not exceed the amount of income earned by the person who is able to work as a result of the expenses.

Along with other forms of documentation, to qualify for this deduction the household must identify the individual with a disability on the application.

4. Elderly Household Deduction

A single $400 deduction is made from annual income for any "elderly household". To be considered an elderly household, the head of household, spouse or sole member of a household who is party to the lease must be 62 years of age or older, or an individual with a disability.

5. Medical Expenses

To qualify for this allowance, the head, spouse, or co-head must be at least 62 or disabled. It includes the un-reimbursed medical expenses of ALL household members. It includes all anticipated expenses during the 12 months following certification/recertification that are not reimbursed by an outside source (such as insurance).

The owner may use the ongoing expenses the household paid in the 12 months preceding the certification/recertification to estimate anticipated medical expenses.

Once annual adjusted income is determined, dividing by 12 establishes monthly adjusted income. Monthly adjusted income is then multiplied by 30% to determine rent based on adjusted income.

The below worksheet provides a useful tool in determining adjusted income. An owner/manager may develop their own tools.

Sample Format for Calculating Adjusted Income-Based Rent

Household Member Name	Position in Household	Age	Total Income	Total Expenses

1. Enter Annual Income.		1.
2. Enter the number of household members (excluding head or spouse) under 18, disabled, or full-time students.	2.	
3. Multiply line 2 by $480.		3.
4. If a household member is enabled to work or further their education as a result of child care expenses, enter the <u>unreimbursed</u> annual child care expenses (reasonable child care expenses for children age 12 and under).	4.	
5. If the household member was enabled to <u>work</u> as a result of the child care expenses, enter that household member's annual <u>employment income</u>.	5.	
6. If an amount is reported in Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4.		6.
7. If the household qualifies as an elderly and/or disabled household, enter $400.		7.
8. Add Lines 3, 6, and 7.	8.	
9. If this household has no unreimbursed disability assistance or medical expenses, subtract Line 8 from Line 1. This is Adjusted Income for this household *without* these expenses.		9.
10. If Line 9 is applicable, divide Line 9 by twelve and multiply by 30%. This is rent based on adjusted income.		10.

********** FILL IN LINES 10 THROUGH 20 IF THE HOUSEHOLD HAS ********** UNREIMBURSED DISABILITY ASSISTANCE OR MEDICAL EXPENSES

11. Enter unreimbursed annual disability assistance expenses.	11.	
12. Enter the annual <u>earned income</u> of the household member enabled to work as a result of unreimbursed disability assistance expenses.	12.	
13. Enter the lesser of Lines 11 or 12.	13.	
14. Enter unreimbursed annual medical expenses.	14.	
15. Add Lines 13 and 14.	15.	
16. Multiply Line 1 by 0.03.	16.	
17. Subtract Line 16 from Line 13. If negative, enter 0.		17.
18. Subtract Line 16 from Line 14. If negative, enter 0.		18.
19. Subtract Line 16 from Line 15. If negative, enter 0.		19.
20. a. If the household reported <u>only</u> unreimbursed disability expenses but <u>no</u> unreimbursed medical expenses, add Lines 8 and 17. b. If the household reported <u>only</u> unreimbursed medical expenses but <u>no</u> unreimbursed disability expenses, add Lines 8 and 18. c. If the household reported <u>both</u> unreimbursed disability expenses <u>and</u> unreimbursed medical expenses, add Lines 8 and 19.	20. a. b. c.	
21. Subtract either Line 20a, 20b, or 20c from Line 1. This is Adjusted Income for this household *with* these expenses.		21.
22. If Line 21 is applicable, divide Line 21 by twelve and multiply by 30%. This is rent based on adjusted income.		22.

Example A

Household Member Name	Position in Household	Age	Total Income	Total Expenses
Pearl Henderson	Head	76	$13,500	Prescription medication – $75/month; Medicare deduction – $38.50/month
Marshall Jones	Grandson	19	No income; fulltime student	Visits to physician – $120/year

1. Enter Annual Income.		1. **$13,500**
2. Enter the number of household members (excluding head or spouse) under 18, disabled, or full-time students.	2. **1**	
3. Multiply line 2 by $480.		3. **$480**
4. If a household member is enabled to work or further their education as a result of child care expenses, enter the <u>unreimbursed</u> annual child care expenses (reasonable child care expenses for children age 12 and under).	4. **N/A**	
5. If the household member was enabled to <u>work</u> as a result of the child care expenses, enter that household member's annual <u>employment income</u>.	5. **N/A**	
6. If an amount is reported in Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4.		6. **$0**
7. If the household qualifies as an elderly and/or disabled household, enter $400.		7. **$400**
8. Add Lines 3, 6, and 7.	8. **$880**	
9. *If this household has no unreimbursed disability assistance or medical* expenses, subtract Line 8 from Line 1. This is Adjusted Income for this household *without* these expenses.		9. **N/A**
10. If Line 9 is applicable, divide Line 9 by twelve and multiply by 30%. This is rent based on adjusted income.		**10. N/A**

********** FILL IN LINES 10 THROUGH 20 IF THE HOUSEHOLD HAS ********** UNREIMBURSED DISABILITY ASSISTANCE OR MEDICAL EXPENSES

11. Enter unreimbursed annual disability assistance expenses.	11. **N/A**	
12. Enter the annual earned income of the household member enabled to work as a result of unreimbursed disability assistance expenses.	12. **N/A**	
13. Enter the lesser of Lines 11 or 12.	13. **N/A**	
14. Enter unreimbursed annual medical expenses.	14. **$1,482**	
15. Add Lines 13 and 14.	15. **$1,482**	
16. Multiply Line 1 by 0.03.	16. **$405**	
17. Subtract Line 16 from Line 13. If negative, enter 0.		17. **$0**
18. Subtract Line 16 from Line 14. If negative, enter 0.		18. **$1,077**
19. Subtract Line 16 from Line 15. If negative, enter 0.		19. **$1,077**
20.	20.	
a. If the household reported only unreimbursed disability expenses but no unreimbursed medical expenses, add Lines 8 and 17.	a. **$0**	
b. If the household reported only unreimbursed medical expenses but no unreimbursed disability expenses, add Lines 8 and 18.	b. **$1,077**	
c. If the household reported both unreimbursed disability expenses and unreimbursed medical expenses, add Lines 8 and 19.	c. **$0**	
21. Subtract either Line 20a, 20b, or 20c from Line 1. This is Adjusted Income for this household *with* these expenses.		21. **$11,543**
22. If Line 21 is applicable, divide Line 21 by twelve and multiply by 30%. This is rent based on adjusted income.		22. **$289**

Example A Notes

Line 2	Marshall is a full-time student, so the household qualifies for one $480 deduction.
Line 4	There are no children under age 12.
Lines 5-9	The household qualifies as an elderly household and does have annual unreimbursed medical expenses.
Lines 11-15	The household does not have any annual unreimbursed disability assistance expenses (Lines 11-13), but does have annual unreimbursed medical expenses [($75/month x 12 months/year) + ($38.50/month x 12 months/year) + ($120/year) = $1,482]. This amount is entered in Line 14.
Line 16	The household can only deduct those unreimbursed medical and disability assistance expenses that exceed 3 percent of annual household income.
Lines 17-19	The household deducts 3 percent of its annual income from the total amount of annual unreimbursed medical expenses (Line 17).
Lines 20a-20c	The household adds its medical expenses deduction (Line 17) to the other deductions (dependent deduction, elderly household deduction) that are summed in Line 8, and enters this total in Line 19b (households reporting medical expenses, but no disability assistance expenses).
Line 21	The amount entered in Line 19b ($1,957) is subtracted from the household's annual income figure in Line 1 ($13,500), giving it an adjusted income of $11,543.

Example B

Household Member Name	Position in Household	Age	Total Income	Total Expenses
Clark Griswald	Head	40	$27,900	Prescription medication – $75/month
Rusty Griswald	Son	13	No income	Child care – $50/week
Audrey Griswald	Daughter	11	No income	Child care – $50/week

1. Enter Annual Income. — 1. **$27,900**

2. Enter the number of household members (excluding head or spouse) under 18, disabled, or full-time students. — 2. **2**

3. Multiply line 2 by $480. — 3. **$960**

4. If a household member is enabled to work or further their education as a result of child care expenses, enter the unreimbursed annual child care expenses (reasonable child care expenses for children age 12 and under). — 4. **$2,600**

5. If the household member was enabled to work as a result of the child care expenses, enter that household member's annual employment income. — **5. $27,900**

6. If an amount is reported in Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4. — 6. **$2,600**

7. If the household qualifies as an elderly and/or disabled household, enter $400. — 7. **$0**

8. Add Lines 3, 6, and 7. — 8. **$3,560**

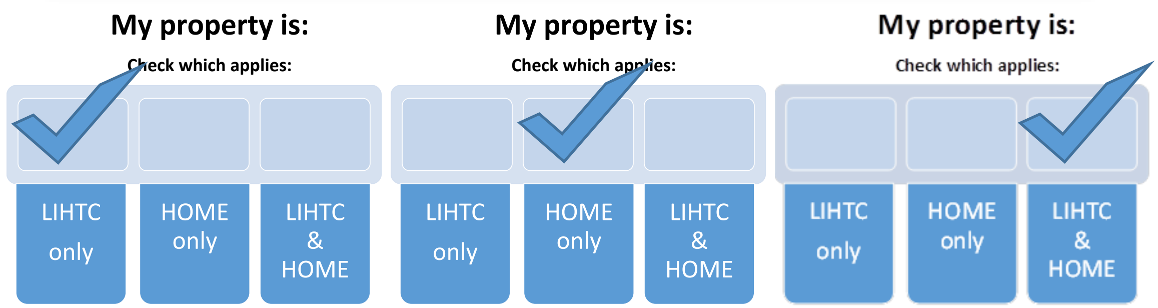
9. *If this household has no unreimbursed disability assistance or medical* expenses, subtract Line 8 from Line 1. This is Adjusted Income for this household *without* these expenses. — 9. **$24,340**

10. If Line 9 is applicable, divide Line 9 by twelve and multiply by 30%. This is rent based on adjusted income. — 10. **$609**

Example B Notes

Line 2	There are two children in the household under the age of 18.
Lines 4-6	Although the household has child care expenses for both children, only Audrey's expenses are eligible for the child care deduction because only she is under the age of 12. Audrey's child care expenses are less than Clark's annual income, and are reported as the household's child care expense deduction (Line 6).
Line 7	The household does not qualify for either the elderly or disabled household deduction of $400.
Lines 8-9	The household's eligible deductions are subtracted from Clark's annual income. This is the household's adjusted income ($24,340). The rest of the chart is not applicable.

Recertification



For LIHTC-only properties:	For HOME-only properties:	For LIHTC/HOME units:
100% LIHTC: Income recertification is not required. Student status must be verified annually. **100% LIHTC, mixed income:** same as above, except that lower set-aside units that meet state covenants will need to be certified annually to determine compliance with state covenants. Student Status must be verified annually. **Mixed-use:** Full income and student status verification required each year.	Full third party verification is required every 6th year of the affordability period. Self-certification from the household required for other years. Student status must be verified annually.	**100% LIHTC:** Full third party verification is required every 6th year of the affordability period. Self-certification from the household required for other years. Student Status must be verified annually. **100% LIHTC, mixed-income:** same as above, except that lower set-aside units that meet state covenants will need to be fully recertified annually to determine compliance with state covenants. Student Status must be verified annually. **Mixed-use:** Full income and student status verification required each year.
Increases of Income: Households are "over-income" when they exceed 140% of the current income limits. The "Available Unit Rule" must be followed to restore the applicable fraction in the building.	**Increases of income:** Households are "over-income" when they exceed the 80% "Low income" limit. Rent is calculated based on the household's adjusted income and further actions are taken depending on if the unit is fixed or floating HOME to restore the mix of HOME units in the project required in the HOME Contract.	**Increases of income:** Households are "over-income" for HOME when they exceed the 80% "Low income" limit. Rent is **NOT** calculated based on the household's adjusted income, and High HOME rents continue to apply. Further actions are taken depending on if the unit is fixed or floating HOME to restore the mix of HOME units required in the HOME Contract. Households are not "over-income" for the LIHTC until they exceed 140% of the current income limits. The "Available Unit Rule" must be followed to restore the applicable fraction in the building.

LIHTC: Vacant Unit Rule

Vacant units that were formerly LIHTC continue to qualify for tax credits as long as reasonable attempts are made to rent the LIHTC units before any market units in the project are rented. This is called the *Vacant Unit Rule* (VUR). If there are vacancies of LIHTC units at any time, the owner/manager should keep proof of newspaper and internet advertising, as well as banners at the property and any other marketing efforts expended to fill the vacant tax credit unit(s).

Additionally, the following guidelines apply to the VUR:

- Units must be made rent-ready in a reasonable time in order to continue claiming credits. This is true even if there is no waiting list.
- For vacant units to continue to qualify as rent-ready, do not allow vacant units to be utilized as "supply closets" for maintenance repairs and supplies for other units within the property. Also, fixtures and appliances from vacant units should not be "cannibalized" for occupied units.
- If the VUR is violated, each unit of comparable or smaller size to the vacant LIHTC unit that are rented to market-rate households prior to renting to an income qualified household will be reported to the IRS as a violation.
- Since vacant LIHTC units can be used to support tax credits, in newly placed in service developments, in most cases all units not yet qualified should be rented before any unit that comes vacant is rented to a second household. This ensures that tax credits start on all units.

Voucher Holders

Applicants must not be denied solely because they have Section 8 Housing Choice Voucher assistance. However, owner/managers are not required to accept lower rents than they charge for other LIHTC households if the PHA providing the voucher will not pay the full rent. The owner/manager should also deny voucher-holding households who do not meet their tenant selection criteria as delineated in the project's tenant selection plan.

Unit Transfers

LIHTC

A household that transfers from one unit to another within the same building does not need to re-qualify or be recertified. The two units that are involved in the transfer simply switch status if the household is moving to a non-LIHTC unit. For unit transfers occurring between buildings that are part of the same multi-building project (as defined by the 8609's line 8b), the same rule applies.

Special note for first year lease-ups: A household cannot initially qualify and start tax credits for more than one unit at a time. As with all transfers, when they transfer the unit they were in and the unit they go to switch status. This means that if they transfer from a unit that they initially qualified to a unit that has never been qualified for credits, the unit they move to is now qualified, but the unit they leave becomes non-qualified starting the date of transfer.

A resident wanting to move to a building that is **not** part of the same 8609 8(b) multi-building *project* must qualify as a new low income resident at the time of transfer through the recertification process.

From a tax credit standpoint, they are moving to another project, even if the buildings are part of the same development.

The only difference between transfers within a building and transfers between buildings is that a household that was over-income (140%) at their most recent recertification may only relocate within the same building. Therefore, management can rely on the most recent recertification of the household to establish that the household is below the 140% limit. For 100% projects not subject to income recertification, transfers are allowed between buildings in the project without income examination.

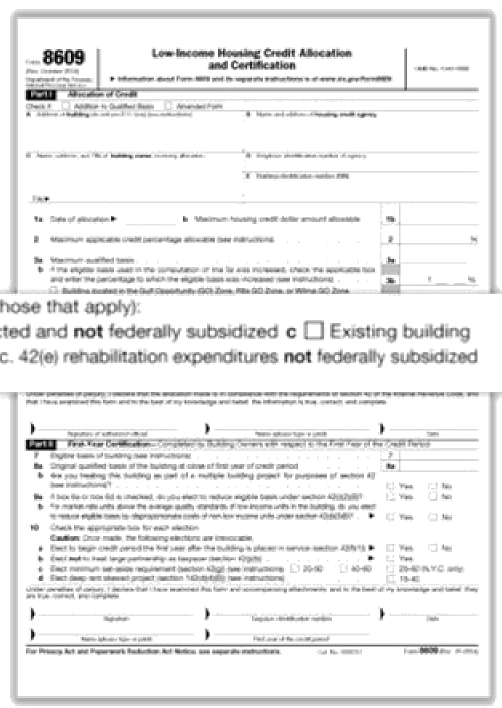
IFA does not require interim recertifications for residents who request a unit transfer. However, the date of the transfer must be clearly identified in the resident file. If the property is only LIHTC, the owner/manager may maintain the effective date of the move-in for the recertification cycle. The household may continue to be recertified on the anniversary of the original date it moved into the development. It is not required that the effective date be changed to the unit transfer date. This rule does not apply to properties with other funding such as HUD or Rural Development. Many other programs require adjustment to effective dates or interim certifications at transfer. IFA allows these other program rules to be applied at LIHTC projects with other programs.

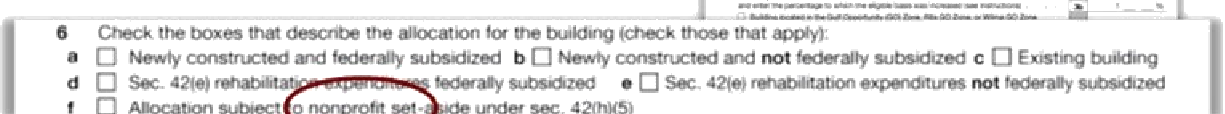
For 100% LIHTC projects not subject to income recertification, student status verification continues to be due on the anniversary date of original move-in after a transfer occurs.

HOME

When a household transfers into a HOME unit, the household must be recertified to ensure that they meet the appropriate HOME set-aside. The effective date of future recertifications will be the date of the anniversary of the initial move-in to the project, not the date of transfer.

Nonprofit Owners of LIHTC Properties





According to LIHTC program rules, no less than 10% of all tax credits allocated each year by IFA must be awarded to qualified nonprofit organizations with ownership interest in projects. Additionally, the qualified nonprofit organization must materially participate in both the development and operation of their project throughout the 15-year Compliance Period.

Not all nonprofit organizations that own projects necessarily got allocated credits under the nonprofit set-aside. If a project is part of this set-aside, it will be indicated on IRS Form 8609, Line 6(f) or (g), depending on the year the Form was issued.

Although a nonprofit owner may partner with another for-profit developer or may engage a management company to oversee the daily management of the project, the nonprofit must still have an active and meaningful role in the running of the project. They may not simply consent to their for-profit partner or manager's decisions. The IRS suggests the following guidelines should be used in defining the concept of "Material Participation":

- Material participation is most likely to be established in an activity that constitutes the principal business/activity of the taxpayer.
- Involvement in the actual operations of the activity should occur. That is, the services provided must be integral to the operations of the activity. Simply consenting to someone else's decisions or periodic consultation with respect to general management decisions is not sufficient.
- Participation must be maintained throughout the year. Periodic consultation is not sufficient.
- Regular on-site presence at operations is indicative of material participation.
- Providing services as an independent contractor is not sufficient.

Owners of these projects are required by IFA to submit a *Qualified Nonprofit Certification* form annually as part of the owner certification process. The objective of this certification is to ascertain whether the nonprofit continues to materially participate in the operation of the project as required by the IRS.

Chapter 5 – LIHTC Acquisition/Rehabs

Rehabilitation costs can be a basis for claiming tax credits. In fact, if an owner is planning on rehabilitating a property, they can also get tax credits based on the cost of the purchase of the building. These combined credits are referred to as acquisition/rehab credits. Generally the day-to-day compliance operation of acquisition/rehab properties is the same as new construction, with some significant differences. This chapter discusses the key differences from new construction LIHTCs.

Place-in-Service Dates

As we discussed in Chapter 1, the placed in service (PIS) date for a newly constructed building is the date that a building is deemed ready for its intended purpose - to house people. This is indicated most often by the issuance of a certificate of occupancy. Acquisition/rehab placed in service dates, however, are a bit more complex. Generally, people are already living at the property, so a building is technically ready the day it is acquired by the new owner. Acquisition and rehab credits also receive separate placed in service dates. These placed in service dates are based on:

- **Acquisition:** PIS is the date of purchase. Acquisition credits may actually start as early as the date the building is acquired (placed in service), but must start the same year as the rehab credits do. If rehab credits are placed in service in a later year, the acquisition credits are *deferred*. An income test will need to be conducted for households at less than 100% LIHTC projects (see Chapter 1, *Deferral* for more information on the income test).
- **Rehab:** PIS is based on an expenditure test. The owner selects a time over a 24-month period when financial thresholds have been met. A sufficient eligible basis must have also been achieved for the planned rehab credits.

Certification Process

Many households may be in place as of the date of acquisition. The IRS allows owner/managers up to 120 days to prove that these households qualify and to get an effective date back to the date of acquisition. If the owner has access to the residents before acquisition, any certification that has all of the paperwork completed no more than 120 days prior to acquisition can also have an effective date as of acquisition. If a certification of a household that was in place as of acquisition is completed after the 120 days, the effective date is the date the last adult household member signs the form. Certifying households quickly may result in several more months in which tax credits can be claimed. Also, once a household is certified after acquisition, they are considered a qualified LIHTC household and will not have to move out if their income increases in the future. If an owner/manager waits until later to certify the household, their income may have increased over the limits and they will not be considered a qualified household, whereas they would have been eligible if certified earlier. Acquisition/rehab projects can be complex and IFA recommends that competent consultation should be sought to ensure that the rules are applied most effectively.

Once initial certifications are conducted at acquisition, no recertification is required as of the rehabilitation placed in service date. The recertification cycle will be based on the initial effective date

(date of acquisition for most). New move-ins after acquisition are certified prior to move in, like any other new household, and have an effective date and recertification cycle as of their move-in date.

For acquisition/rehabs, IFA does not require owner/managers to sign a new lease with an existing resident who has lived in the unit under a lease that had an initial term of at least 6 months.

Transfers

Because of complex construction schedules, household transfers are often necessary at rehabs. The unit transfer rules found in Chapter 4 apply to acquisition/rehab as well as new construction projects. At times an owner may elect to identify an unexpected combination of buildings as "projects" within a rehabbed development. Each building may be designated its own project, or some buildings may be combined into projects while excluding other buildings. It very important to know what the 8609 8(b) multi-building election is going to be, along with what buildings are included in the project(s) in the rehabbed development, to ensure that it can be accurately determined if transfers between specific buildings in the development will require recertification or not.

Resyndication

After an existing LIHTC property has concluded its initial 15-year Compliance Period, there is an option for the owner to submit a new LIHTC application to IFA in order to start a new flow of tax credits. This is often referred to as "resyndication". The resyndication of tax credits is used to purchase and finance the rehab of the existing LIHTC property.

One important feature of resyndication as opposed to a traditional rehab where the project was not previously tax credit is how we treat existing residents. The IRS considers residents who were qualified under the first set of credits as protected during the entire Extended Use Period of the first set of credits. Residents at a non-LIHTC property that is undergoing LIHTC acquisition/rehab must be tested to see if they qualify to stay. Qualified households in an existing LIHTC project that is being rehabbed with new tax credits continue to qualify for the next set of credits without re-certification.

Example

Resyndication and existing households

A household originally qualified in 2003 for a project that had been constructed with tax credits and had a Compliance Period that ended in 2005, but is still in its Extended Use Period. The owners are resyndicating and getting acquisition/rehab credits. The household will qualify based on their initial qualification in 2003. If the project is mixed-use and subject to income recertification, and the household income has gone up since 2003, the Available Unit Rule may be in effect based on their most recent recertification.

Warning: Only income qualification is automatic for past-qualified households. Be aware that many states, including Iowa, relax the student rules after the Compliance Period (see Chapter 7). If an owner thinks there is any chance of resyndication, the IRS student rules should continue to be applied to ensure household continued eligibility.

What paperwork is required to prove that households originally qualified? IFA suggests that the owner/manager maintain the original file establishing eligibility at move-in. If this file is missing or deficient, IFA will accept any subsequent recertification showing that the household was below the income limit current to the recertification. IFA suggests rearranging the file using current standards for file documentation.

Resyndication causes the site to establish a new placed in service date as of the acquisition of the first building for purposes of the new credits. This may affect income and rent limits currently in use, as the resyndication starts a new income limit hold harmless point at the new placed in service date. If the project has been holding harmless at past year levels, they will have to adjust to the current, lower, income and rent limits. Since HERA Special income limits only apply to projects that were placed in service in 2008 or earlier, a resyndication will also eliminate this option for the new credits. Lower income limits may need to be applied to new move-ins after acquisition and rents may need to drop for the project (see Chapter 2 for further details on holding limits harmless and HERA special limits).

The new credits and accompanying covenants do not replace the old covenants. BOTH must continue to be applied. During the allocation process for the new credits, IFA will ensure that the LURA requirements for both sets of credits are compatible.

The Uniform Relocation Act (URA)

Acquisitions of properties with federal funding (such as HUD or HOME) trigger a federal law called *The Uniform Relocation Act (URA)*. This Act provides important protections and assistance for households affected by the acquisition/rehab of federally funded projects. The URA does not consider the LIHTC to be federal funding, but it comes into play where other programs are involved. This law was enacted to ensure that households occupying properties that are acquired, or who move as a direct result of projects receiving federal funds, are treated fairly and equitably and receive assistance in moving from the property they occupy.

If the displacement of current residents is deemed allowable, some of the URA responsibilities toward displaced households include:

- Provide relocation advisory services to displaced tenants and owner occupants
- Provide written notice to vacate within minimum time frames prior to requiring possession
- Reimburse for moving expenses
- Provide payments for the added cost of comparable replacement housing

Further discussion of the URA is beyond the scope of this manual. However, please be advised that this requirement can seriously impact how you lease up an LIHTC acquisition/rehab that is combined with other federal programs and the associated costs involved with its implementation. Termination of tenancy will often not be an option for households that do not qualify for LIHTC units.

Because of the major implications of the URA, it is vital to refer to HUD URA guidance long before acquisition to help determine whether the URA covers a particular program at the project and what the implications are.

Comparison Chart: New Construction v. Acq/Rehab Tax Credits

Rule	New construction	Acq/rehab
Date placed in service	Generally the building is placed in service when certificates of occupancy are received and new residents can be moved in.	**Acquisition:** date of acquisition **Rehab:** Determined by IFA based on an expenditure test conducted during project implementation.
Effective dates of household certifications	When each household moves in. All paperwork must be completed no more than 120 days BEFORE move in.	For households in place at acquisition, the effective date is the acquisition date as long as the paperwork is completed within 120 days BEFORE or AFTER the acquisition date. New move-ins after acquisition are treated the same as for new construction.
Initial lease term	The initial lease term must be at least six months after move-in and initial qualification.	A new lease is not required to be executed with an existing resident at acquisition who has lived in the unit under a lease that lasted at least six months.
IRS form 8609	There is one form for each Building	There in one form for acquisition credits and one for rehab credits for each Building. The two 8609s will have different amounts for eligible basis and qualified basis as well as for credit percentages. They will share the same applicable fraction, however.
Tax credit calculations	Each building has an eligible basis, and applicable fraction and a credit percentage.	Each building has two eligible basis figures (one for acquisition costs and one for rehab costs). The credit percentage will be 4% for the acquisition credits, and may be 4 or 9% for the rehab credits, depending whether the rehab was financed with tax-exempt bonds or not. The applicable fraction, however, is the same for both sets of credits.
Credit deferral	Credits may be claimed the year a building is placed in service, or they may be deferred to the following year depending on if the building has met the planned LIHTC occupancy by the end of the year.	As with new construction, deferral may occur because buildings are not qualified by the end of the year the acquisition is placed in service. However, they may also be deferred because a rehab is not placed in service the

		same year as the building is acquired. In such cases, acquisition credits must be deferred until the year the rehab is placed in service.
Building Identification Numbers (BINs)	The building will receive a new BIN.	For re-syndications only: the original BINs will apply to any later credits.

Chapter 6 - Compliance Monitoring & Noncompliance

Based on tax Code, the IRS has defined specific issues of noncompliance that put tax credits at jeopardy. Owners may agree to additional obligations during the development process with IFA, but these are not Federal noncompliance. IFA monitors both types of noncompliance, but only reports federal violations to the IRS on IRS Form 8823. Though violations of state agency covenants do not constitute a risk to tax credits, IFA will still enforce compliance with all rules that the owner has agreed to. Among other measures, future allocations of credits or other funding available through IFA will be denied to owners of existing projects that do not comply with Federal and/or IFA requirements.

Example

Violation of state v. federal set aside limits

Project Minimum Set-Aside	**40-60**	MSA income limit: $ 30,000
Additional state set-aside	**50%**	IFA set-aside income limit: $ 25,000

The owner/manager strives to rent to all households at or below the most restrictive $25,000 limit. However, an error is made and a state set-aside unit is rented to a household who has anticipated income of $28,400. The unit is in violation of the IFA covenant, but an 8823 is not turned into the IRS, as the household is in compliance with the Federal income limit based on the MSA. However a State Notice of Noncompliance will be issued.

Overview of Reporting of Federal Noncompliance

The mechanism used by IFA to report noncompliance to the IRS is Form 8823, *Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition*. This form lists the major categories of noncompliance per tax Code. It also indicates whether reported noncompliance is corrected.

To provide guidance to state agencies, the IRS has published a Guide entitled *Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition* (*8823 Guide*). The 8823 Guide addresses what is considered in and out of compliance for each federal category used on the 8823. It also establishes how to correct many compliance issues. IFA accepts and follows almost all provisions of the 8823 Guide. Minor issues where we have adjusted Guide provisions are addressed in this manual. As the 8823 Guide is very effective, IFA will not repeat the Guide's direction for addressing noncompliance in this manual.

IFA is required to periodically monitor a property's files and physical buildings for compliance. If noncompliance is discovered, IFA will give a *correction period* to correct what was found. Although it may be shorter, this correction period may not exceed 90 days, unless a special extension is granted by IFA for up to an additional 90 days. Once the correction period has expired, IFA will submit Form 8823 to the IRS for federal noncompliance and indicate if noncompliance was corrected during the correction period. Further details specifically relating to IFA file audits and site inspections are provided later in this chapter.

Due Diligence

If owner/managers practice due diligence in reviewing their own files, policies and procedures and corrections of errors are made prior to an audit by IFA, the IRS will not be notified of any noncompliance when discovered. This specifically means that, if an owner/manager discovers a noncompliant situation at a property and corrects it before IFA informs the owner/manager that IFA will be conducting an audit of the property, IFA will not report the issue on Form 8823. This makes the date that IFA informs the owner/manager of an upcoming audit a crucial date. Owners who are diligently monitoring their own compliance because it is the right thing to do, and not just because of the threat of an impending audit, are thus rewarded for their proactive approach.

> **DEFINITION**
>
> **"Due Diligence"**
>
> "The care that a reasonable person exercises to avoid harm to other persons or their property… reasonable steps taken by a person in order to satisfy a legal requirement."

The IRS requires IFA to examine other evidence of due diligence as it reviews for compliance. Errors may still result in credit loss, but it may minimize the extent or severity of the determination of noncompliance. According to the IRS, additional signs of due diligence should include:

1. Separation of duties
2. Adequate supervision of employees
3. Management oversight and review (internal audits)
4. Third party verifications of tenant income
5. Independent audits
6. Timely recordkeeping

Federal vs. State issues

Federal noncompliance items	State noncompliance items
LIHTC	
The household is above the income limit upon move-in (based on the minimum set-aside income limit). **8823 Guide Chapter 4**	The household is above the state set-aside income limit upon move-in (but below the minimum set-aside income limit).
Late or not-completed annual recertification (at properties less than 100% LIHTC or are Deep Rent Skewed). **8823 Guide Chapter 5**	Late or not-completed annual recertification (at 100% LIHTC, mixed-income properties for units at state set-asides).
Violations of UPCS standards. **8823 Guide Chapter 6**	Physical deficiencies not covered by UPCS, but that IFA may require be fixed due to State or local building codes.
Failure to submit complete annual owner's certification. **8823 Guide Chapter 7**	Failure to submit additional state-required reporting.
Changes in eligible basis (for instance charging inappropriate fees or removing amenities). **8823 Guide Chapter 8**	
Failure to keep the number of units in compliance as required by the minimum set-aside. **8823 Guide Chapter 10**	
Rents charged over the limit based on the minimum set-aside. **8823 Guide Chapter 11**	Rents charged that are over state set-aside rents (but below the minimum set-aside).
Project not available to the general public. **8823 Guide Chapters 12 &13**	
Violations of the available unit rule. **8823 Guide Chapter 14**	
Violations of the vacant unit rule. **8823 Guide Chapter 15**	
Failure to execute the LURA by the time credits are claimed. **8823 Guide Chapter 16**	
Units occupied by nonqualified student households. **8823 Guide Chapter 17**	
Utility allowance was calculated incorrectly. **8823 Guide Chapter 18**	
Owner fails to respond to agency notifications of inspection. **8823 Guide Chapter 19**	
LIHTC units used on a transient basis (initial leases less than 6 months).	

8823 Guide Chapter 20	
Building no longer participating in the LIHTC program. **8823 Guide Chapter 21**	
	Noncompliance with non-federal requirements listed in the LURA.
HOME	
Mix of High and Low HOME units not maintained.	**Note: noncompliance with the HOME Contract for a project puts the federal HOME funding at risk. The HOME program does not make a Federal-PJ noncompliance distinction.**
Lease for HOME units fails to meet HOME provisions.	
Households over HOME limits at move-in.	
Rents charged are above the HOME limits (including subsidy).	
Leasing of next units incorrect after increases of income.	
Rents calculated incorrectly for households over the 80% income limit.	
Noncompliance with non-federal HOME Contract provisions.	
A HOME unit contains an ineligible student household.	

Yearly Compliance Reporting Requirements – Owner's Certificate of Continuing Compliance

LIHTC Code states that the owner of a LIHTC development is required to certify to IFA that, for the preceding 12-month period, the development met the requirements of Section 42 provisions; HOME has similar requirements. Owners must report in the form and manner IFA specifies, including utilizing IFA's online reporting system, Certification On Line (COL), to report tenant level data for analysis. The owner must certify, under the penalty of perjury, that the information provided is true, accurate, and in compliance with the requirements of LIHTC and/or HOME rules and regulations. Treasury regulations list 12 specific requirements that must be addressed in the Certification to meet LIHTC requirements. IFA is required to review the Certifications. The owner is considered noncompliant if the certification is inaccurate, incomplete, or the owner discloses noncompliance with program requirements.

IFA is required to review the *Owners Certification of Continuing Compliance* annually. The owner is considered noncompliant if the Certification is inaccurate, incomplete (or not submitted), or the owner discloses noncompliance with program requirements. Unlike the process followed during a compliance review of a project, the Owner will be notified of their noncompliance upon review of their submission and an 8823 or State Notice of Noncompliance will be issued without a corresponding correction period.

Initial Certifications for newly allocated projects are due April 1st and subsequent year's Certifications are due March 1st. For example, if a project is awarded credits in March 2015, the first Certification is due April 1, 2016 even if the project has not yet placed a building in service or begun claiming credits.

The *Owner's Certificate of Continuing Compliance* is a required form which is updated and posted in December each year to the IFA website. IFA's compliance website is updated regularly and should be checked for current LIHTC and HOME reporting policies and requirements.

Quarterly Compliance Reporting Requirements

The owner is responsible for reporting vacancies to IFA. Vacant units are to be counted on the last day of each month and reported to IFA on a quarterly basis by the 10th of the month following the end of each quarter. IFA requires the use of our Asset Management web portal to report quarterly vacancy information.

If a project also contains HOME funds or has an IFA program loan, additional reporting requirements are also in place which may include submitting annual audit reports, financials or bank statements. Please consult with your Compliance Officer if you are unsure of what asset management reporting responsibilities exist for your project.

Physical Inspection Protocol

IFA may use a contractor to conduct physical inspections and any references to IFA below may mean IFA and/or our contractors.

The physical inspection protocol that IFA uses is the *Uniform Physical Conditions Standards* (UPCS). UPCS is a code that the IRS has allowed state agencies to borrow from HUD. HUD has produced a Dictionary of Deficiency Definitions that explains what exact deficiencies are considered to be noncompliant. The UPCS Dictionary then defines very specific severity codes for physical problems on a scale from 1 to 3 (with 3 the most severe). The Dictionary also defines issues that are *Health and Safety* concerns.

The UPCS dictionary can be found at: www.hud.gov, Search Keywords - "UPCS Dictionary."

Following is a quick overview of UPCS.

UPCS 5 "Inspectable areas": Overview

1. Site
2. Building Exterior
3. Building Systems
4. Dwelling Units
5. Common Areas

"Health and Safety" applies to all areas

Inspectable area: **1. Site**

IFA expects that: "The site components...must be free of health and safety hazards and be in good repair."

Areas Inspected

- Fencing
- Retaining Walls
- Grounds
- Lighting
- Mailboxes
- Signs (project or areas of the project)
- Parking lots/driveways
- Play areas and equipment
- Refuse disposal equipment
- Roads
- Storm drainage
- Walkways

Areas of Possible Concern

- Abandoned vehicles
- Dangerous walkways or steps
- Poor drainage
- Septic tank back-ups
- Sewer hazards
- Excess accumulation of garbage and debris
- Vermin or rodent infestation
- Fire hazards

Inspectable area:

2. Building Exterior

The IRS expects that: "Each building on the site must be structurally sound, secure, habitable, and in good repair. Each building's doors, fire escapes, foundations, lighting, roofs, walls, and windows, where applicable, must be free of health and safety hazards, operable, and in good repair."

Inspectable area:

3. Building Systems

The IRS expects that: "Each building's domestic water, electrical system, elevators, emergency power, fire protection, HVAC, and sanitary system must be free of health and safety hazards, functionally adequate, operable, and in good repair."

Inspectable area:

4. Dwelling Units

The IRS expects that: "Each dwelling unit within a building must be structurally sound, habitable, and in good repair... All areas and aspects of the dwelling unit must be free of health and safety hazards, functionally adequate, operable, and in good repair."

Areas Inspected

- Bathroom & kitchen
- Call-for-aid system (if applicable)
- Electrical systems
- Hot water heater
- HVAC
- Lighting
- Outlets/switches
- Patio/porch/balcony
- Smoke detectors
- Stairs
- Ceilings, doors, walls, floors, windows

Units Must Have

- Hot and cold running water
- Bathroom in proper operating condition:
  - usable in privacy,
  - adequate for personal hygiene
- Adequate source of potable water
- At least one smoke detector on each level of the unit

Inspectable area: **5. Common Areas**

The IRS expects that: "Common areas must be structurally sound, secure, and functionally adequate for the purposes intended."

Areas Inspected

- Basement
- Garage/carport
- Restrooms
- Closets, utility and mechanical rooms
- Community rooms
- Halls/corridors
- Stairs
- Kitchen
- Laundry rooms
- Office
- Porch
- Patio
- Balcony
- Trash collection areas

Inspectable area:

Health and Safety

The IRS expects that: "All inspectable areas must be free of Health and Safety hazards."

Examples of health and safety issues

- Air quality
- Electrical hazards
- Elevators
- Emergency/fire exits
- Flammable materials
- Garbage and debris
- Handrail hazards infestation

DANGER!

Exigent (immediately life-threatening) hazards must be corrected promptly.

The inspector will leave a list and a tight deadline to fix these issues.

These issues include:

- Air quality problems such as propane, natural gas, or methane gas detected.
- Electrical hazards such as exposed wires, open panels, and water leaks on or near electrical equipment.
- Carbon monoxide hazards such as gas or hot water heaters with missing or misaligned chimneys.
- Emergency equipment, fire exits, and fire escapes that are blocked or not usable.
- Fire safety issues: missing or inoperative smoke detectors (including missing batteries), expired fire extinguishers.
- Window security bars preventing egress from a unit.

Monitoring Visit Processes

Scheduling of the Project Monitoring Visit

IFA (or IFA's contractor) will contact the owner or their designated contact to select a mutually agreed-upon date to conduct the inspection. An information sheet with instructions regarding the file audit portion of your monitoring visit will also be provided. A letter will follow once the inspection date and time has been scheduled to confirm the date and time of the monitoring visit. IFA will inform you at this time of the name of your Compliance Officer for this audit.

Preparing for the Monitoring Visit – Project Level Items

Below is a checklist of items that will be reviewed by IFA

- LIHTC -Review of 8609 options and impact on compliance
    - 100% LIHTC vs Mixed-use projects (line 3b)
    - Impact of multi-building election (8b) on compliance monitoring
    - Impact of minimum set-aside (10c)
    - Impact or deep rent skewing (10d)
- LIHTC and/or HOME -Review of the LURA and impact on compliance
- Review of HOME contract (written agreements) & HOME Compliance Monitoring requirements

  - Total # of HOME units
  - Fixed or Floating units
  - High or Low units
  - Affordability period start date and end date
- Review Resident Selection Criteria Plan and Lease
- Review Property/Management Rules (House Rules)
- Review Contact Information
- Review of Project Specific LURA requirements
- Site, Building, and Tenant File preparation
- Assure Usage of Mandatory Tenant Forms
  - Child Support Self Certification
  - Compliance Monitoring Information Sheet
  - IFA HOME Lease Addendum (HOME)
  - IFA Self Certification of Income (HOME)
  - Student Status Certification
  - TIC -Tenant Income Verification Form
  - *Under $5,000 Asset Certification* (LIHTC & HOME during self-certification years)
  - *Zero Income Certification*
- Review IFA forms to be used by IFA or their contractor during the physical inspection.
  - Site/Building/Systems & Common Area Review Form
  - Unit Inspection Review Form

Audit Performed

Monitoring Visit – Submission of Project- Level Information & Tenant Files

At the outset of the monitoring visit, IFA will provide the property contact with file auditing instructions and a list of the tenant files and units that have been selected for audit.

Required documentation must be submitted to IFA within 10 business days of the monitoring visit. These can be transmitted in a variety of ways, as instructed.

Items to be submitted to IFA (electronically) when notified of pending inspection:

Project Documents Required	
• Tenant Selection Plan	• Blank Lease & addendums
• Blank Tenant Application	• Property/Management Rules
• Current Rent Roll	• Affirmative Fair Housing Marketing Plan
• Copies of any marketing materials (brochures, pamphlets or ads)	• Supportive Services Plan and Checklist *
• Qualified Non-Profit documentation*	• Copy of current file systems inspection
• Copies of other governmental agency inspection documentation	• Copies of any Fair Housing violations*
• IFA Compliance Review Form	** If applicable*

Tenant File Documents Required	
• Certification Packet: • Initial Move-In Income/Asset qualifications and verifications for 100% LIHTC Projects.	
• Most recent recertification of income/asset qualifications & verifications (HOME & Mixed-Income/Mixed Use projects only)	
• TIC -Tenant Income Certification Form (LIHTC & HOME)	
• Signed Lease	• Completed Application (each adult tenant) & Compliance Questionnaire
• Student Status Self Certification (each adult tenant)	• Zero Income Certification (each adult tenant, if applicable)
• Consent to release information forms (no signed blanket forms to be used)	• Under $5,000 Assets Certification (each adult tenant, LIHTC or Self-Certification for HOME)

Checklist of common issues IFA encounters

- ❑ White out used on files. This makes is difficult to determine who made any changes and what the changes were. Any changes or corrections made must be crossed out and initialed by all parties.
- ❑ Messy files which are hard to follow. This leads to things being missed and follow-up required by the property (See Chapter 3 – File Order).
- ❑ Stale verifications. Documentation must correspond to move-in date. If verification forms are received AFTER move-in date or are more than 120 days old this is a finding.
- ❑ Using forms not approved by IFA when an IFA required form is necessary.
- ❑ Verification forms must show a date received. This can be hand-written, but IFA prefers a date stamp. A fax or email with date information also acceptable.
- ❑ Not updating utility allowance figures annually, or as available from the local PHA as required.
- ❑ Exceeding maximum allowable rent as a result of using incorrect income limits or utility allowances
- ❑ In mixed-use projects, failure to rent the next unit available to a tax credit qualified household when an existing LIHTC household's income exceeds 140% of the maximum allowable income.

Monitoring Visit – Physical Inspection

IFA will:

- Check the property for proper signage to comply with Fair Housing requirements. Appropriate Equal Housing Opportunity (EHO) and handicapped accessible logo on building or project signage along with Fair Housing posters must be displayed in common areas where they are able to be seen by applicants and tenants.
- Perform physical site inspections covering the entire exterior and common areas of the project and the interiors of a percentage of low income restricted residential units selected by IFA.
- Perform a technical evaluation of the mechanical systems and structural aspects of the property. We will include in the technical evaluation a description of the actual systems and structures utilized in the construction of the property, their current age, life expectancy, and any indications that preventative or urgent maintenance is needed.

What you need to know:

- In most instances, the physical inspection will take approximately 1 to 2 hours unless a large number of units are being inspected.
- IFA contractors will NOT generally make any determinations concerning compliance, but will simply conduct and document the inspection (including photos), note any potential deficiencies and provide their findings to IFA for their review.
- IFA will be responsible for communicating with you the outcome of this inspection and file review.
    - If any critical violations are noted during the inspection, you will receive a written notice of the violation(s) at the time of inspection and be expected to provide documentation to IFA that the repair work is completed within 72 hours.

Initial Owner's Report Issued

Issuance of Initial Owner's Report

Issuance of Initial Owner's Report

Within 30 days of submission of tenant/project files to IFA, an initial owner's report will be issued to the owner and the designated management company contact.

If the physical inspection was conducted by a contractor, the contractor will submit the physical report, photos and recommendations to IFA for inclusion in one report.

The completed report will be sent to the owner designated contact. Please ensure that IFA has the most up to date contact information by verifying this information on the IFA Compliance Review Form or by contacting your IFA Compliance Officer.

The report will detail findings for the project, each building and all units selected for audit. Findings will be identified as a Section 42 violation, a HOME rule violations and/or a LURA-related violation.

- Initial findings will be listed as determined by IFA's review of information received from the project.
- The report may identify administrative or technical issues and recommendations for best practices and changes to improve future management of the project.
- Suggestions may be given to provide the project with corrective actions to remedy noted noncompliance issues.

Owner's Response

Owners Response to Initial Owners Report

The owner has 90 days from date of initial report to respond to any findings. The owner will submit documentation and/or an explanation to mitigate findings from IFA's initial report.

An additional 90-day extension may be granted, at IFA's discretion.

The request must be submitted in writing and received within 30 days of the date the initial report was issued. It must be approved by your IFA Compliance Officer. After the 30-day period, no extension will be granted without approval of the IFA Director of Compliance.

> **EXAMPLE**
>
> Work orders signed and dated by maintenance and property management, photographs or written narrative of issues and resolution will suffice as evidence of findings addressed.

The owner/manager must provide details on why an extension is necessary including estimates on when repairs/file corrections will be made. Your Compliance Officer will grant your extension based upon the following general guidelines:

- 30 days – file audits and minor physical issues.
- 60 days – more extensive physical issues
- 90 days max – Weather related physical issues or high cost items that require time to get funding and bids arranged.

Final Owner's Report Issued

Issuance of Final Owners Report

The final report will be issued to the owner within 30 days of the end of the 90-day correction period (or up to 180 days with an approved written request for extension). IFA's role is to determine whether the owner has provided:

- Clarification establishing that the owner was always in compliance.
- Documentation that the issue(s) of noncompliance have been remedied within the correction period (noncompliance corrected).
- No acceptable documentation that the issue(s) of noncompliance have been remedied within the correction period (out of compliance).
- Documentation that issue(s) of noncompliance have been remedied, but the noncompliance was not corrected until after the end of the correction period (back in compliance).

The Final Report will document:

- Issues that were cited and later determined to have never been out of compliance.
- Both corrected and non-corrected Section 42 and HOME issues.
- Both corrected and non-corrected LURA-related issues.

The issuance of this report is the Owner's indication that:

- 8823's will be issued shortly to the IRS for Section 42 findings.
- A separate State Notice of Noncompliance will be issued shortly to the owner detailing HOME or LURA-related findings.

8823 Submitted to the IRS
(LIHTC Only)

An 8823 is Issued for Each BIN or Building

Note: The below does not apply to projects after the initial 15-year Compliance Period. IFA will not submit Form 8823 for these projects, but will issue a *State Notice of Noncompliance* per project rather than per building.

- If it is determined that the owner was always in compliance, no 8823 will be issued. IFA will notify the owner that a specific issue is closed and no Form 8823 will be filed with the IRS.
- If it is determined that the owner either remedied the issue(s) of noncompliance or remains out of compliance, a Form 8823 must be filed with the IRS.

The owner is sent a copy of the filed 8823(s) concurrently with our submission to the IRS. 8823s are required to be filed with the IRS within 45 days of the end of the correction period (including any extension granted).

State Notice of Noncompliance (HOME & LIHTC)

- For LIHTC projects, this Notice relates to noncompliance with the property's filed Land Use Restrictive Agreement (LURA).
- For HOME only projects, this Notice relates to noncompliance with HOME rules or with the Regulatory Agreement or Contract.

This Notice will be issued to the owner within 90 days of the end of the correction period only if the project has not corrected reported noncompliance issues. These Notices carry equal weight to non-corrected issues reported to the IRS if the owner wishes to apply for future LIHTC or HOME allocation rounds or applies for funds from any other IFA program.

IRS Evaluation
(LIHTC Only)

IRS Actions Upon Receipt of Filed 8823

According to the IRS, they take the following steps upon receipt of each 8823 filed by IFA.

1. Noncompliance corrected Forms 8823 are processed at the Philadelphia Service Center (PSC) without contacting the owner.
2. Out of Compliance Forms 8823 are assigned to technicians to prepare owner notification letters. The letters are specific to the type of noncompliance reported and explain that noncompliance may result in the loss and recapture of the tax credit.
3. The taxpayer receives the notification letter.
4. The PSC processes the Forms 8823 and transcribes the information into a database.

5. Forms 8823 are routinely analyzed to determine whether an audit of the owner's tax return is needed. The taxpayer's three latest filed income tax returns and all Forms 8823 filed for the project are analyzed.
6. If it is determined that an audit is warranted, the case file is sent to the appropriate field office for examination.
7. The Taxpayer is notified that an audit has been scheduled.

Possible Owner Actions upon Receipt of an IRS Notification Letter

- The notification letter to the owner instructs the owner to contact IFA to resolve the noncompliance issue(s) reported on the filed Forms 8823.
- If the noncompliance is resolved within three years, a "back in compliance" Form 8823 must be filed with the IRS and a copy sent to the owner concurrently. Note: Some issues of noncompliance cannot be corrected. Contact your IFA Compliance Officer to see if this applies to your issues.

Correcting Specific State LIHTC Noncompliance

As discussed above, the IRS' 8823 Guide clarifies how to correct noncompliance with federal issues. The provided chart also references chapters to the Guide specific to many common compliance issues. Here we address findings on the chart relating to state covenant issues.

- **A household is above an applicable state agency covenant set-aside income limit upon move-in (but they are below the minimum set-aside income limit).**

  To correct the shortage of state set-aside units, the owner/manager should apply one of the following fixes:
  1. Establish if the household's income has decreased since move-in and they now qualify.
  2. Identify other in-place households that are currently below the IFA set-aside. Rent may need to be adjusted.
  3. Rent other comparable units to IFA-compliant households until the required state set-aside mix is restored.
- **Late or not-completed annual recertification (at 100% LIHTC properties for units with state set-asides)**

  Recertification should be conducted as soon as possible. Possible approaches are:
  1. Perform a recertification using information current to the time the cert is being conducted.
  2. A recertification can be conducted using information retroactive to when the recertification should have been conducted. The cert should be dated as of the date signed with a statement that the recertification is "true and accurate" as of the past effective date. Note: the benefit of this approach is that if household income has gone up since the time the recertification should have been conducted, this may help avoid having to apply state set-aside adjustments until the next recertification is due.
- **Physical deficiencies not covered by UPCS, but that IFA may require be fixed**

  Address the physical violation and submit proof to IFA, per IFA policy. Note: issues that IFA requires to be addressed will generally become worse with time and eventually become more serious UPCS violations. Addressing them when IFA requires will help avoid later federal noncompliance.
- **Failure to submit additional state-required reporting**

Submit the required reporting as soon as possible.

- **Rents charged that are over state set-aside rents (but below the minimum set-aside)**
  Adjust rents as soon as possible. Rebate any overcharges.

Note: IFA also requires that federal rents that are overcharged must be rebated to households who overpaid. The project file must be documented, including notification by the owner to the household of the overpayment and the amount to be rebated. This exceeds federal requirements, but it indicates due diligence to IFA.

Some noncompliance is very specific to a situation, property or LURA/HOME Contract. IFA Compliance Officers can provide specific advice beyond the scope of this manual. Feel free to seek their direction.

Correcting Specific HOME Noncompliance

- **Mix of High and Low HOME units not maintained.**
  To correct the mix of HOME units, the owner/manager should establish a plan to restore the mix.
  1. For floating HOME projects this can involve identifying in-place HOME and non-HOME residents who meet HOME requirements, renting to new qualified HOME households or a combination of both approaches.
  2. For fixed HOME, moving HOME households who meet the correct set-asides into HOME units, encouraging voluntary transfers of HOME-qualified households from non-HOME units or a combination of both approaches.
- **Lease for HOME units fails to meet HOME provisions.**
  Execute a correct lease and IFA Addendum.
- **Households over HOME limits at move-in.**
  - For floating HOME projects, other comparable units can be designated as HOME.
  - For fixed HOME, providing incentives for the household to voluntarily transfer to a non-HOME unit or move-out. IFA may also authorize changing fixed HOME units in a project.
- **Rents charged are above the HOME limits (including subsidy) or rents are calculated incorrectly for households over the 80% income limits.**
  Adjust rents as soon as possible. Rebate any overcharges.
- **Leasing of next units incorrect after increases of income.**
  Fix the HOME mix (as suggested above) depending on if the property is fixed or floating HOME.
- **A HOME unit contains an ineligible student household.**
  Treat the household as “over-income” (over the 80% income limit) per the HOME rules relating to increases of income. When charging rent based on adjusted income, include ineligible student parents’ income (see Chapter 4 for a detailed discussion of the HOME over income rule).

Record Retention

LIHTC

Records for each year of the Credit Period (including resident files) must be kept according to the following minimum timeframes:

- **Year 1 of the Credit Period:** At least 6 years beyond the deadline for filing the tax return the last year of the Compliance Period, for a total of 21 years.

- **Years 2-15:** 6 years beyond the deadline for filing the tax returns for each year.

IFA and the IRS allow copies of files to be stored electronically. However, extreme caution must be taken to ensure that the files are complete, remain uncorrupted over time and that hardware and software is maintained that can access the electronic files for 21 years.

HOME

HOME records must be kept for 5 years. If a project is both LIHTC and HOME, the LIHTC requirements are more restrictive (see above).

Chapter 7 - Post Year 15 issues for LIHTC Properties

The following Post Year-15 Monitoring Procedures apply to Tax Credit developments that have completed the initial 15-year Compliance Period and have an Extended Low-Income Housing Commitment defined in the development's LURA. The following rules are IFA-specific. Post year-15 rules may differ substantially in other states.

These procedures also apply to LIHTC developments that were financed with tax-exempt bonds, provided the bonds are no longer outstanding and the bond Qualified Project Period has expired.

Several procedures change in the compliance monitoring process previously discussed for the initial 15-year Compliance Period. Any procedures not addressed below will remain the same as previously discussed.

Managers should carefully track when buildings within a development transition from the Compliance Period to the Extended Use Period. Premature implementation of the Post Year-15 compliance and monitoring guidelines may result in noncompliance with IRC Section 42 for which IFA will be required to notify the IRS using Form 8823.

These procedures may be reviewed and modified periodically to facilitate better administration of the low income housing commitment of the LURA. IFA may waive or adjust any procedures, on a case-by-case basis, upon owner's written request and demonstration of good cause shown to address unforeseen circumstances.

After the initial 15-year Compliance Period has expired, there is no tax impact in the event of noncompliance. Therefore IFA will no longer file IRS Form 8823 with the IRS to report noncompliance. IFA has modified the IRS Form 8823 to serve as a reporting tool reflecting issues of noncompliance with the development's LURA. This notice, the *State Notice of Noncompliance*, will be issued only after the 90-day correction period and if the development has not taken effective measures to cure all observed LURA noncompliance items.

Important Note: Developments financed with other funding sources, such as HUD, HOME, RD or tax-exempt bonds that are still outstanding, may continue to be subject to the rules of their respective funding source beyond the LIHTC 15 year Compliance Period. Check with an IFA Compliance Officer and your other programs' regulatory monitor if you are unsure of the current status of your development in regards to other funding sources.

Initial Income Certification and Recertification Process

The initial *Tenant Income Certification* (TIC) with appropriate verifications (as previously discussed) will be completed only at the time of initial occupancy. Households must continue to have an initial lease term of no less than 6 months.

Annual recertification, with appropriate verifications, will continue to be required for existing households after year 15 of the Compliance Period for mixed-use and Deep Rent Skewed projects and for units with state covenant set-asides at mixed-income 100% LIHTC projects.

Annual Reports

Owners will continue to submit their *Owner Certification of Continuing Compliance* and supporting documentation as well as report tenant level data through the IFA Compliance-On-Line system.

Household Transfers & Available Unit Rule

As during the Compliance Period, households may change units, including moving to a unit in a different building within the development, without the submission of a new household income qualification. Owners should indicate all household transfers on the Annual Report.

The Available Unit Rule will no longer pertain to "comparable or smaller size", and will apply on a unit basis only, allowing one-for-one unit replacement to maintain building applicable fractions.

Student Status

LIHTC student status rules no longer apply after the Compliance Period. If a project is also HOME it will need to continue to certify student status during the HOME Affordability Period.

An important word of caution: If a property will be resyndicated and get more tax credits as a result of rehabilitation, or if that is a possibility, an owner should not discontinue applying the student status rules.

Special Needs Set-Asides

Generally, special needs set-asides will not change after year 15. Owners may submit a written request to the IFA Director of Compliance for changes to Special Needs Set-Asides in cases where they can demonstrate demographic changes have caused significant vacancy and/or turnover issues and are creating a financial hardship affecting the continued viability of the property.

Applicable Fraction and Agency Covenants

After year 15, it is required that the applicable fraction continues to be met the same as before. Generally, agency covenant set-asides also do not change after year 15. The original income restrictions set forth in the development's LURA will remain in effect through the term of the LURA. The following changes will apply, however:

- For properties with extreme hardship cases, an owner may request a waiver or changes that will improve the financial feasibility of the property. Waiver requests should be submitted to the IFA Director of Compliance and will be reviewed by a team at IFA on a case by-case basis.
- IFA cannot grant waivers for programs that they do not monitor such as Rural Development or HUD. IFA recommends the owner contact representatives of other funding sources for a determination of the impact on the other program prior to submission of a waiver request to IFA.

Record Retention

Beginning in year 16, owners must maintain a resident file for the entire term of residency plus one year after the household vacates the unit. Check with an IFA Compliance Officer if you have other funding sources and program rules that may still be in effect.

Compliance Monitoring Visits

Physical inspections and file reviews will be performed by IFA or its authorized representative at least once every 5 years. Please note that IFA may place a development on a more frequent inspection cycle if observed violations are numerous or severe in nature at the sole discretion of IFA. In projects that also contain HOME units, inspection frequency will continue to follow the HOME requirements throughout the HOME Affordability Period.

- **Physical Inspection** – a minimum of 4 units chosen at random or a maximum of 20% of the low income units, not to exceed 15 units in any development. Observation of systemic or chronic noncompliance may trigger additional unit inspections.
- **File Review** - a minimum of 4 units or a maximum of 20% of the low income units, not to exceed 15 units in any development. Observation of systemic or chronic noncompliance may trigger additional file reviews.

IFA will randomly select which low-income units and resident records are to be inspected and reviewed by IFA. IFA will continue to provide an owner 30-day advance written notice that an inspection of the building and low-income units or resident record review will occur so that the owner may notify residents of the inspection or assemble resident records for review.

Noncompliance

The same correction period process (90 days from date of owner notification from IFA) will be used as during the first 15 years; however, IFA will issue the *State Notice of Noncompliance* to owners for uncorrected issues. For systemic or chronic noncompliance, temporary suspension and/or debarment procedures may be implemented.

Qualified Contract Process

In 1989, the requirement was added for Extended Use Periods that lengthened the period of time that LIHTC developments are required to maintain affordability from 15 to 30 years. In an effort to ease concerns of program participants about the economic viability of maintaining affordability for the longer period, the Code provided an option for owners to exit the program after the end of the initial 15-year Compliance Period by requesting the state allocation agency to assist in finding a purchaser, willing to continue the affordability restrictions, at a “Qualified Contract Price” (QCP).

Even though the program provides owners with the Qualified Contract opt-out provision, many developers in Iowa waived their right to an early opt-out in exchange for additional points in the scoring and allocation process. IFAs Qualified Contract process applies only to those properties that are eligible for opt-out at some point after year 15 prior to the end of the Extended Use Period. Owners are encouraged to review their applications submitted to IFA when they originally applied for an allocation of credits, as well as the LURA, to determine if and when they are eligible to pursue the opt-out provision. If eligible for early opt-out, owners may request, in writing, that IFA find a buyer for the property using the appropriate procedures, forms and application found on the IFA website. If IFA is unable to find a buyer pursuant to a Qualified Contract after a year, the property may be converted to market rate, provided the property has no other use restrictions (such as subordinate loans, HUD Use Agreements, etc.).

Owners must notify IFA of their desire to sell the property using the current IFA policy found on the IFA website. For developments which consist of more than one building (as evidenced in the development's 8609(s)), ***all buildings*** must be in the last year of their initial Compliance Period or after in order to request the Qualified Contract.

The development and owner should be in compliance with all program requirements to be eligible to apply for the opt-out provision. The Qualified Contract may be suspended or terminated due to any mortgage defaults or encumbrances on the property or IRS audit or investigation that may adversely affect the sale of the property.

Foreclosure or Deed-in-Lieu

If a property is facing the prospect of either foreclosure or deed-in-lieu due to financial insolvency, IFA will make all efforts to maintain affordability by working with the owner/manager to seek a more positive solution. Please contact the IFA Director of Compliance if your project is facing the likelihood of foreclosure as soon as possible. The chances of obtaining an alternate solution may improve with early intervention.

Chapter 8 - Responsibilities

To provide a conclusion to this manual, this last chapter summarizes many of the topics discussed and how they translate to responsibilities conducted by IFA and owner/managers.

IFA Responsibilities

IFA allocates and administers compliance with the tax credit program for the State of Iowa. Additionally, IFA serves as the Participating Jurisdiction (PJ) for the HOME program funds allocated to the State of Iowa. The primary compliance-related responsibilities of IFA are as follows:

A. Prepare Regulatory Agreement/Restrictive Covenants

For LIHTC projects, IFA will prepare a Land Use Restrictive Agreement (LURA) prior to the issuance of the IRS Form 8609. The LURA is an encumbrance on the property. This document must be recorded before the end of the calendar year in which credits are first claimed.

For HOME projects, IFA issues the HOME Contract and master agreement.

B. Issue IRS Form 8609 (Low-Income Housing Certification), with Part I executed

When the original recorded LURA is returned to IFA and all fees have been paid, the IRS Form 8609 will be sent to the owner. An IRS Form 8609 is prepared by IFA for each building in the development.

Note: If rehabilitation and acquisition credits are claimed on the same building, the rehabilitation is treated by Section 42 as a separate building. Therefore, the acquisition and rehabilitation will receive separate 8609 forms.

The owner submits the original to the IRS when the owner's personal, partnership, or corporate tax returns are filed for the first taxable year in which the credit is claimed. Refer to the 8609 instructions to determine when and how a copy of the 8609 must be submitted with the tax return.

Owners should consult with their legal and/or tax advisors for advice on completing and filing the IRS tax forms. IFA cannot provide legal or tax advice on the filing or completion of tax forms.

Part 1 of IRS Form 8609 is prepared and filed by IFA only. If IFA becomes aware that a developer or agent filed a self-prepared 8609 with the IRS, IFA reserves the right to determine that all parties involved are ineligible for future participation in Iowa's LIHTC program for a period of up to five (5) years.

C. Review Annual Owner Certification of Continuing Compliance and other required reporting

IFA maintains and makes available to owner/managers the Certification On Line (COL) reporting web portal and works with third party vendors to ensure compatibility with management company software. For information on the Annual Owner Certification, see Chapter 6.

D. Conduct On-site Monitoring

IFA is required by the IRS to conduct in-depth, on-site inspections of all buildings in the development. For further information regarding on-site monitoring, see Chapter 6.

E. Notify IRS of Noncompliance

IFA will provide written notification to the owner for items of noncompliance. The correction period will not exceed 90 days from the date of notice of noncompliance. IFA may extend the correction period for up to six months, but only if IFA determines there is good cause for granting the extension. During the 90-day time period, or the extension thereof, the taxpayer must supply all documentation that verifies the development is back in compliance.

F. Record Retention

IFA will retain all owner certifications and records for not less than three years from the end of the calendar year in which they are received. IFA will retain records of noncompliance or the failure to certify compliance for six years after its filing IRS Form 8823.

G. Conduct Training and Provide Continuing Education

IFA will conduct or arrange compliance training and will disseminate information regarding the dates and locations of such training. From time to time, IFA will offer continuing education to assist the owner, the management company, and on-site personnel in complying with federal regulations and state rules.

H. Possible Future Subcontracting of Functions

Treasury Regulations allow IFA the right to delegate some or all of its compliance monitoring responsibilities. IFA may in the future, decide to retain an agent or private contractor to perform some of the responsibilities listed above. In this event, IFA shall use reasonable diligence to ensure that the agent or private contractor(s) properly perform(s) the delegated monitoring functions. IFA shall, however, at all times retain responsibility for notifying the IRS of any noncompliance of which it becomes aware via Form 8823.

I. Administration and Notification

Information regarding compliance is posted on the IFA website and updated regularly and includes the following:

- Annual Compliance Reporting Requirements & Documentation
- Current Income & Rent Limits (HOME, LIHTC, Fair Market)
- Historical Income & Rent Limits (HOME, LIHTC, Fair Market)
- Inspection Documents
- Required Forms
- Sample Forms
- Qualified Contract Process documents
- Certification On Line (COL) login in & training documentation

Program notices, news releases and notices of training opportunities are also posted on the website. Additionally, owners/managers and other interested parties may join the Compliance email listing by submitting contact information to the Director of Compliance. It is the responsibility of the owner/manager and other parties to notify IFA if changes in personnel or email addresses occur.

Owner/Manager Responsibilities

The owner has chosen to utilize the LIHTC and/or HOME program to take advantage of the tax and other benefits provided. In exchange for these benefits, the owner must adhere to certain requirements and accept responsibilities.

These responsibilities include, but are not limited to the following:

A. Allocation/Commitment Requirements

In the LIHTC and/or HOME application, the owner provides comprehensive development information with evidence of overall economic feasibility. Prior to the issuance of a final allocation of credits and commitment of HOME funds, the owner certifies to the total development costs and that all program requirements have been met. Any violation of the program requirements or misinformation represented in the application or certifications could result in the loss of the credit allocation and HOME funding.

B. Project Knowledge

At a minimum, the development owner should be knowledgeable about the following (as applicable):

1. The credit year of the development. (What is the date of allocation?)
2. The date of placed in service for each building. (The placed in service date is the date of first possible occupancy, not necessarily actual occupancy – generally; this is the date of the certificate of occupancy).
3. If a LIHTC acquisition rehabilitation development:
    a) Whether residents were required to move out during rehabilitation.
    b) Whether the building was occupied during the rehabilitation.
    c) Whether current residents are qualified households.
    d) Developers must track the relocation of residents during the rehabilitation process sufficient to complete the cost certifications and tax returns.
4. The number of buildings in the development.
5. The Building Identification Number (BIN) for each building in the development.
6. The minimum set-aside and other federal set asides elected:
    a) 20-50 or 40-60
    b) Deep Rent Skewing
    c) 40-50 election for HOME or
    d) Additional elections made in the application for additional points
7. Developers must track the relocation of residents during the rehabilitation process sufficient to complete the cost certifications and tax returns.
8. The HOME required mix of High and Low HOME units.
9. The HOME fixed or floating designation.
10. For each building, the percentage of the residential units and the percentage of residential floor space occupied by qualified residents.
11. The year that credit was first claimed.
12. The first year of the HOME Affordability Period.
13. The terms, under which the tax credit reservation or HOME Commitment was made, including statutory set asides, deeper targeting agreements, etc.
14. The terms and conditions stated in the LURA.

C. Proper Administration and Record Keeping

The owner is responsible for proper administration of the development, including the Code requirements that resident income and rent records be kept and retained for each building in the development for the Compliance Period.

Owners must maintain the records necessary for IFA to conduct a compliance monitoring review and for the IRS to conduct an audit. Maintain records for the first year of the Credit Period for a minimum of 21 years, and records for all other years in the 15-year Compliance Period for a minimum of 6 years following each year's end. HOME records must be kept for a minimum of five years.

The records must include the following:

1. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit).
2. The percentage of residential rental units in the buildings that are low income units.
3. The rent charged for each residential rental unit in the building, supporting documentation, and the applicable utility allowance.
4. The number of occupants in each low income unit.
5. The low income unit vacancies in the building and information that shows when and to whom the next available units were rented (this information must include the unit number, resident name, move-in dates and move-out dates for all residents, including market rate residents).
6. The annual income certification of each eligible resident (as applicable).
7. Documentation to support each eligible resident's income certification.
8. The eligible basis and qualified basis of the building at the end of the first year of the Credit Period.
9. The character and use of the nonresidential portion of any building included in the project's eligible basis under Section 42(d) of the code (e.g., resident facilities that are available on a comparable basis to all residents and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the development).

D. Maintain a Development File

Owners must maintain a development file that contains all pertinent documents for the development.

IFA retains the right to inspect the development file at any time. The development file must contain:

1. All approved tax credit and HOME applications together with applicable attachments.
2. A recorded copy of the Regulatory Agreement/Restrictive Covenant/LURA/HOME Contract.
3. IRS Forms 8609 and 8586 for each building for each year credit is claimed.
4. All applicable documents relating to any other form of housing or finance programs (i.e., HUD Section 8, RHS. etc.).
5. Documentation that the development complies with any statutory set-asides or Qualified Allocation Plan requirements.
6. Documentation for each utility allowance update or revision, which must occur at least once per year.

E. Maintain a Resident/Unit File for Each Unit in the Development

The resident/unit file requirements are outlined in Chapter 3 of this manual. Files may be paper or electronic, as discussed in Chapter 6.

F. Reporting and Certification Requirements

1. Owners must submit a copy of IRS Form 8609 (Part I & Part II), once signed dated.
2. Owners must submit and retain copies of the Owner's Annual Certification of Continuing Program Compliance, and related documents, for each year of the Compliance Period and corresponding documentation for the HOME Affordability Period. Initial Certifications are due April 1st and subsequent year's Certifications are due March 1st.
3. The owner must submit quarterly vacancy information through the IFA Asset Management Web Portal. The owner is responsible for reporting vacancies on a quarterly basis. Vacant units are counted on the last day of each month and reported to IFA on a quarterly basis by the 10th of the month following the end of each quarter (see further instructions on the IFA Asset Management Web Portal). Forms and instructions are located on our website.

G. Train On-Site Personnel

It is the owner's responsibility to ensure that the on-site management knows, understands, and complies with all applicable rules, regulations, and policies governing the development.

H. Ensure Proper Maintenance

The owner is responsible to maintain the development in a decent, safe, and sanitary condition. Failure to do so is a reportable act of noncompliance.

I. Administration and Notification

The owner must notify IFA immediately in writing of any anticipated changes in the ownership composition, general partner or managing member, or in the management agent, such as name, address, telephone number, and federal ID#. Depending upon language contained in the LURA, the owner may need to seek IFA's approval prior to the transaction taking place. A careful review of the project's LURA will provide guidance on the course of action that needs to take place.

Upon receipt of a request from the owner IFA will send a packet with instructions and forms or a list of documents that need to be completed and sent to us for approval prior to closing.

The owner is responsible for informing IFA of any event that might affect the development's credit or HOME funding throughout all phases of development, rent-up, and operation. This includes the initial phases of construction, the scheduled placed-in-service date and the completion of the development as outlined in the Code. Any delays or omissions in following this process may result in the issuance of an 8823 or a State Notice of Noncompliance and could also potentially void the sale or transaction in question.

All communications with IFA must include the IFA assigned development number, and, if appropriate, the affected Building Identification Numbers (BINs).

J. Compliance Training

Owner/managers of developments are required to attend compliance training that is either approved or conducted by IFA prior to receiving an IRS Form 8609 from IFA. IFA is committed to providing training opportunities in conjunction with the annual *HousingIowa* Conference and at other times. Training provided by an organization, one of whose primary purposes is to provide training in compliance with Section 42 of the IRC, will generally be approved. The training provider cannot hold a vested interest in the development seeking 8609 from IFA. IFA maintains a list of approved training vendors on our website. Projects are to contact IFA if they intend to use a company not listed.

K. Declaration of Land Use Restrictive Agreement (LURA)

Prior to claiming tax credits, the building owner must record an approved IFA Declaration of Land Use Restrictive Agreement (LURA) which must be in effect as of the end of the taxable year credits are claimed.

Management Company and On-Site Personnel Responsibilities

A. General

The management company and all on-site personnel are responsible to the owner for implementing the LIHTC and/or HOME program requirements properly. Anyone who is authorized to lease apartment units should be thoroughly familiar with federal and state laws, rules, and regulations governing certification and leasing procedures. It is also important that the management company provide information to IFA, as needed, and submit all required reports and documentation in a timely manner.

B. Noncompliance

If the management company determines that the development is not in compliance with the LIHTC or HOME program requirements, the management company should correct the noncompliance whenever possible.

Correction of LIHTC noncompliance matters prior to receiving notification from IFA of a pending scheduled file review and physical inspection is demonstration of proper due diligence and is not reportable to the IRS on form 8823.

C. Compliance Training

Management staff must remain up-to-date on all IRS Code regulation and procedure changes that are published. This may be accomplished through the IRS web site, several nationally known LIHTC training providers, IFA's web site, and our annual training.

NOTE: THE ULTIMATE RESPONSIBILITY FOR COMPLIANCE AND PROPER ADMINISTRATION OF THE LIHTC PROGRAM LIES WITH THE OWNER.

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Appendices

Required Forms

Combined Programs Chart

Verification Guidance from HUD (4350.3 Appendix 3)

IFA List of Required Forms

This is the list of forms that are currently considered ***required forms*** which are to be used in conjunction with either HOME or LIHTC programs under our purview.

	Form Name	Date Last Modified
1.	Alimony/Child Support Self-Certification	08-31-2015
2.	Compliance Monitoring Information Sheet	08-31-2015
3.	HOME Rent Approval Procedures	08-31-2015
4.	HOME Rent Approval Worksheet	08-31-2015
5.	IFA Compliance Questionnaire	08-31-2015
6.	IFA HOME Lease Addendum	08-31-2015
7.	IFA Self-Certification of Income	08-31-2015
8.	Student Status Certification	08-31-2015
9.	Tenant Income Certification (TIC)	08-31-2015
10.	Tenant Income Certification Instructions	08-31-2015
11.	Under $5,000 Asset Certification	08-31-2015
12.	Zero Income Certification	08-31-2015

ALIMONY/CHILD SUPPORT SELF-CERTIFICATION
(For All LIHTC and HOME Projects)

Complete one form per household member who is eligible to receive alimony and/or child support.
Please attach any court documentation you have that supports your position.

Property Name:	IFA Project #:
Household Name:	BIN & Unit #:

Case Number(s) ______________________________

List Covered Dependent(s) (if applicable) ______________________________

			Amount	**Frequency**
1.	☐	I certify that I have been *awarded* the following amount of alimony and/or child support:	________	☐ Weekly ☐ Monthly ☐ Annually
2.	☐	I certify that I *receive* the following amount of alimony and/or child support:	________	☐ Weekly ☐ Monthly ☐ Annually
3.	☐	I certify that I do not receive payments of awarded alimony and/or child support at this time and I do not expect to receive payments in the next 12 months. I have made reasonable attempts to collect the all support awarded.		

If either 2 or 3 are selected above, describe attempts to collect the full amount of alimony and/or child support awarded. Attach supporting documentation or narrative if necessary.

____

4. ☐ I certify that I have not been awarded alimony and/or child support and that I do not reasonably expect to receive payments in the next twelve months.

Under penalty of perjury I certify that the information presented in this certification is true and accurate to the best of my knowledge. The undersigned further understands that providing false information herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of a Lease Agreement.

______________________________ ______________________________
Applicant/Resident Signature Date

Compliance Monitoring Information Sheet

IOWA FINANCE AUTHORITY

Project Name:	**Project #:**
Physical Address:	
City:	**Zip Code:**
Project TIN (Tax ID#):	

Owner Name:		
Owner Contact:		
Mailing Address:		
City:	**State:**	**Zip Code:**
Contact Phone:	**Fax:**	
Owner TIN:	**E-mail:**	

Management Co.:		
Mgmt. Contact:		
Mailing Address:		
City:	**State:**	**Zip Code:**
Contact Phone:	**Fax:**	
Mgmt. TIN (Tax ID#):	**E-mail:**	

General Partner:		
General Partner Contact:		
Mailing Address:		
City:	**State:**	**Zip Code:**
Contact Phone:	**Fax:**	
GP - TIN (Tax ID#):	**E-mail:**	
☐ **All required documents have been submitted to IFA for change of Gen. Partner.**		

I certify that I am authorized to sign on behalf of the Project Owner and that the above information is true and correct.

Signature: ________________________________ Date: _______________________

Please return to: Iowa Finance Authority
Attn: Lisa Strait
2015 Grand Ave
Des Moines, IA 50312
or
E-mail: Lisa.Strait@iowa.gov

HOME Rent Approval Guidelines

New HOME regulations require that IFA, as the State of Iowa PJ, review and approve rents each year [see §92.252(f)(2)]. The reason is to ensure that the rents comply with the HOME limits and do not result in undue increases from the previous year that would be difficult for low income households. The Iowa Finance Authority is responsible for approving rents in all HOME Assisted units funded through the program currently being administered by IFA.

The legislative history of the HOME rule tells us that this is to ensure that the rents "comply with the HOME limits and do not result in undue increases from the previous year. Of course, decreases in HOME limits may also necessitate a PJ rejecting rents submitted, so a review of all HOME projects will be required.

Guidelines:

- All properties must report anticipated rents for their project and indicate whether they are requesting an increase, or reporting anticipated rent decreases or no changes to their current rents. They will submit the current version of the IFA form *HOME Rent Approval Worksheet*.
- The *Worksheet* will be submitted to IFA within 45 days after the release of the HOME income and rent limits so as to minimize projects having to make mid-year adjustments when limits decrease.
- The effective date of a proposed rent increase must be at least one year from the effective date of the property's last approved rent increase.
- A notice to residents of management's intention to submit a rent increase to IFA for approval must be made available to all households in HOME units at least 15 days prior to submitting the rent increase to IFA for approval.
- Existing residents must be given a 30-day notice before implementing any approved rent increase.
- HOME income and rent limits become effective immediately upon release, if rent decreases are required, they must be implemented immediately. Failure to do so will require repayment and put the project out of compliance until this is corrected.

Since the rents are tied to the budget, itemized operating income and expense budgets must be submitted. IFA will analyze the budget to determine if the property is projecting a surplus or shortfall. IFA considers a healthy property to be able to maintain a 1.20 to 1.50 Debt Coverage Ratio (DCR).

Since the rents are tied to the budget, it is imperative that the property submit an itemized operating income and expense budget. We analyze the revenue proposed under the rent increase and compare it to expenses approved in the budget to determine if the property is projecting a surplus/shortfall. We consider a healthy property to maintain a 1.20 to 1.50 DCR.

The HOME Rent approval worksheet will be submitted to IFA within 45 days after the release of the HOME income and rent limits so as to minimize projects having to make mid-year adjustments when limits decrease.

All documentation must be submitted to:

Laura Abbott, Asset & Grants Manager
2015 Grand Avenue
Des Moines, IA 50312
(515) 725-4875

Or by email to: laura.abbott@iowa.gov

HOME Rent Approval Worksheet

Changes in Rent. An Owner/manager may be able to raise a project's HOME rents, depending on the changes in the HUD-published HOME rent limits, changes in the PJ's Utility allowances, or changes in the tenant's income. PJ's must approve all rents for projects with HOME assisted units, in accordance with the approval process prescribed by IFA.

SECTION 1 –General Information

Project Name:	
Physical Address:	
City:	Zip Code:
HOME Agreement #:	LIHTC Project # (if applicable)

Owner Name:		
Owner Contact:		
Mailing Address:		
City:	State:	Zip Code:
Contact Phone:	Fax:	
E-mail:		

☐	I am reporting that my rents will remain unchanged with the release of the current limits.
☐	I am reporting that my rents will decrease with the release of the current limits.
☐	I am requesting an increase in rents with the release of the current income limits.

Total Number of Units in Project	
Total Number of HOME Units	
Date of Previous (last) Rent Adjustment	
Proposed Implementation Date of new Rents (if applicable)	

Proceed to Section 3 if you are not submitting a request for an increase in rents.

HOME Rent Approval Worksheet

SECTION 2 – Request for Rent Increase

Please provide a brief narrative outlining the need for the rent increase requested. Attach additional pages if necessary.

The following items must be submitted to IFA when requesting a HOME Rent Increase:

1. Financial Statement and Budget
2. Current Rent Roll
3. Current Utility Allowance
4. Occupancy at the property for the past six months
5. Current Fair Market Rents
6. Documentation that current residents have been notified of the proposed rent increase.

Please complete the following table only if you are requesting a rent increase:

Number of Bedrooms	Current Rent	Proposed Rent	% of Rent Increase Requested	Amount of Rent Increase Requested

The proposed effective date for the increase is:	

SECTION 3 – Signature of Owner/Representative

I certify that I am authorized to sign on behalf of the Project Owner and the above information is true and correct.

Signature: ______________________________________ Date: ______________________

Printed Name: ___________________________________

IFA Compliance Questionnaire
(For All LIHTC and HOME Projects)

IOWA FINANCE AUTHORITY

Complete one form per adult household member who will occupy the unit at time of move-in.

Property Name:	**IFA Project #:**

Applicant's Name *First, Middle Initial, Last*	Relationship to Head of Household	Marital Status	Birth Date *Month, Date, year*

Current Address:				
	Street Address (including Unit #, if applicable)	*City*	*State*	*Zip*
Daytime Tel #:		Evening Tel #:		
Email Address:				

Check either **YES** or **NO** to each question. If you respond "Yes" to any question, please provide a brief explanation in the space provided below the question. You may be required to supply additional documentation to verify your response.

HOUSEHOLD INFORMATION:

☐ (YES) ☐ (NO) 1. Do you expect any additions to the household within the next twelve months?

☐ (YES) ☐ (NO) 2. Is there anyone living with you now who won't be living with you at this property?

☐ (YES) ☐ (NO) 3. Do you have any minor children?

INCOME INFORMATION ***Do you receive or expect to receive income in the next 12 months from any of the following sources:***

☐ (YES) ☐ (NO) 4. Social Security, SSI or other payments from the Social Security Administration?

☐ (YES) ☐ (NO) 5. Employment pensions or retirement benefits, veteran's benefits or annuities?

☐ (YES) ☐ (NO) 6. Employment wages or salaries (including overtime, bonuses, tips, commissions and cash)?

☐ (YES) ☐ (NO) 7. Self-employment salaries (including overtime, bonuses, tips, commissions and cash)?

☐ (YES) ☐ (NO) 8. Unemployment benefits or workman's compensation?

☐ (YES) ☐ (NO) 9. Public assistance (General Relief, Aid to Families w/Dependent Children or other such support)?

☐ (YES) ☐ (NO) 10. Court ordered alimony or child support?

☐ (YES) ☐ (NO) 11. Alimony or child support paid directly from the payor that is not court-ordered?

☐ (YES) ☐ (NO) 12. Regular payments from a severance package from a previous employer?

☐ (YES) ☐ (NO) 13. Regular payments from any type of settlement (insurance settlement/award from lawsuit)?

☐ (YES) ☐ (NO) 14. Regular payments as a member of the Armed Forces?

☐ (YES) ☐ (NO) 15. Regular payments from disability, death benefits or life insurance dividends?

☐ (YES) ☐ (NO) 16. Regular gifts or payments from anyone outside of the household (including cash or goods)?

☐ (YES)	☐ (NO)	17.	Regular payments from lottery winnings or inheritances?
☐ (YES)	☐ (NO)	18.	Regular payments from rental property (land contracts or other real estate transactions)?
☐ (YES)	☐ (NO)	19.	Educational grants, scholarships or other student benefits?
☐ (YES)	☐ (NO)	20.	Any other sources of income not listed?
☐ (YES)	☐ (NO)	21.	Do you expect any changes to your income in the next twelve months?

ASSET INFORMATION: *An asset is defined as any lump sum amount that you hold and can currently access even though a financial penalty may be imposed.*

☐ (YES)	☐ (NO)	22.	Checking accounts?
☐ (YES)	☐ (NO)	23.	Savings accounts?
☐ (YES)	☐ (NO)	24.	Certificates of deposit (CDs), money market accounts or treasury bills?
☐ (YES)	☐ (NO)	25.	Stocks, bonds, mutual funds or securities?
☐ (YES)	☐ (NO)	26.	Any capital gains (assets sold in excess of purchase price) during the previous 12 months?
☐ (YES)	☐ (NO)	27.	Trust Funds?
☐ (YES)	☐ (NO)	28.	IRA, KEOGH or other retirement accounts?
☐ (YES)	☐ (NO)	29.	Cash on hand over $500 (other than money previously reported in checking or savings)?
☐ (YES)	☐ (NO)	30.	Real estate, rental property, (land contracts/contract for deed or other real estate holdings)?
☐ (YES)	☐ (NO)	31.	Have you sold, disposed or given away any property in the last two years? (such as large charitable contributions over $500 or real estate)
☐ (YES)	☐ (NO)	32.	Personal property held as an investment (such as paintings, coins, art work or antiques)?
☐ (YES)	☐ (NO)	33.	Whole or universal life insurance policies (not including term policies)?
☐ (YES)	☐ (NO)	34.	A safe deposit box with a monetary content of $500 or more?

OTHER INFORMATION:

☐ YES)	☐ (NO)	35.	Are you claiming ZERO Income?
☐ (YES)	☐ (NO)	36.	Have you been a student during the current calendar year?

☐ (YES)	☐ (NO)	37.	Are you currently a student or do you plan to be a student during the current calendar year?
☐ (YES)	☐ (NO)	38.	Will you or anyone in your household require a live-in care attendant?
☐ (YES)	☐ (NO)	39.	Will your household be receiving Section 8 rental assistance at the time of move-in?
☐ (YES)	☐ (NO)	40.	Will your household apply for Section 8 rental assistance in the next 12 months?
☐ (YES)	☐ (NO)	41.	Does your household have any needs that might be better served by an apartment that is accessible to persons with mobility or other impairments?

APPLICANT RESPONSIBILITIES:

All Questions that were answered "Yes" will need to be verified through the appropriate third-party sources. It will be your responsibility to provide management will all the necessary information to properly process your application and in the future, to verify your on-going eligibility as required. You will be asked to provide the names, addresses, phone number and fax numbers, account numbers (where applicable) and any other information that may be necessary in order to expedite the verification process.

Upon review of the information management receives, you will be provided with a separate verification form for each source that requires verification that you will need to sign and date. You will not be asked to sign a blanket verification form nor will you be asked to sign any blank verification forms.

SIGNATURE:

I understand that management is relying on this information to prove my household's eligibility which is required by the funding sources under which this property operates. I certify under penalty of perjury that all information and answers provided are true and complete to the best of my knowledge. I further understand that providing false information or making false statements may be grounds for denial of my application. I also understand that such action may also result in criminal penalties.

I authorize my consent to have management verify the information contained in this application questionnaire and to perform a credit check and criminal background check for purposes of proving my eligibility for occupancy. I understand that my occupancy is also contingent on meeting management's resident selection criteria and other program requirements.

_______________________________________ _______________________________

Applicant/Resident Signature Date

IFA HOME Lease Addendum

Property Name:			
Project/ HOME Agreement #		LIHTC Only: (BIN #)	
Tenant's Name (Head of Household)		Unit #	

- The lease term for a HOME-assisted unit must be for at least one year, unless the Tenant and the Owner mutually agree upon a shorter term.

- The rent is subject to the rent restriction of the HOME Program. The initial rent for this unit is $_____.

- The Owner retains the right to adjust rents, in accordance with the HOME Rent limits. The rent for Tenants whose incomes exceed the HOME 80% income limits may increase.

- The Tenant(s) understand that they must recertify their income eligibility on an annual basis. The Tenant's failure to cooperate in the income recertification process will constitute a violation of the lease. Deliberately providing false information can result in termination of the lease.

- The Owner may choose not to renew a Tenant's lease for good cause as defined in the Tenant's lease. The Owner must give the Tenant a written notice at least 30 days before the Tenant must vacate the unit.

- Owner retains the right to inspect, and permit the Iowa Finance Authority, and HUD to inspect HOME-assisted units annually during the affordability period. Tenants must receive at least a 24 hour notice prior to a scheduled inspection.

- For any building built prior to 1978, HUD's Lead Based Paint notification form must also be completed.

The Owner agrees to the following:

- The Tenant shall not be sued, be made to admit guilt, or agree to a judgment in favor of the Owner in a lawsuit brought in connection with the lease.

- The Owner may not seize or sell personal property of household members without written notice to the Tenant and a court decision on the rights of the parties. This does not apply to disposition of personal property left by a Tenant who has vacated a property which shall be disposed of in accordance with state law.

- The Tenant will not be asked to hold the Owner or Owner's agents legally responsible for any action or failure to act, whether intentional or negligent.

- The Owner will not institute a lawsuit without proper written notice to the Tenant.

- The Owner will not start proceedings to evict the Tenant and/or any household members without instituting a civil court proceeding in which the Tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.

- The Tenant will not be asked to waive the right to a trial by jury.

IFA HOME Lease Addendum

- The Tenant will not be asked to waive the right to appeal or to otherwise challenge in court a court decision in connection with the lease.
- The Tenant will not be required to pay Owner's attorney's fees or other legal costs if the Tenant wins in a court proceeding against the Owner. The Tenant, however, may be obligated to pay costs if the Tenant loses.
- The Tenant will not be required to accept supportive services unless the Property is a transitional housing project.

Tenant: ___________________________________ Date: ______________________________

Tenant: ___________________________________ Date: ______________________________

Owner/ Representative: ___________________________________ Date: ______________________________

Title: ___________________________________ Date: ______________________________

The HOME provisions listed in this Lease Addendum shall supersede any conflicting language contained in the lease.

Self-Certification of Income

Property Name:							Unit Number:		
HOUSEHOLD COMPOSITION									
Last Name	First Name	Middle Initial	Relationship to Head of Household*	Race	Ethnicity	Disabled	Date of Birth	F/T Student	Last 4 digits of SSN
1.			H						
2.									
3.									
4.									
5.									
6.									
7.									

*See instructions for guidance on filling out this Section.

GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)				
(A) Employment or Wages*	(B) Soc. Security/ Pensions	(C) Public Assistance	(D) Total Income from Assets	(E) Other Income
1.				
2.				
3.				
4.				
5.				
6.				
7.				
Add totals from (A) through (E), above			**TOTAL INCOME (F):**	

*See instructions for guidance on filling out this Section.

HOUSEHOLD SELF RECERTIFICATION & SIGNATURE

The information on this form will be used to determine maximum income eligibility. I agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I certify that the information presented in this Recertification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Head of Household Signature ______________________ Date ______________

HOUSEHOLD SELF CERTIFICATION OF CONTINUING ELIGIBILITY
Instructions

Household Composition
List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

H	Head of Household	**C**	Child
S	Spouse	**F**	Foster child(ren)/adult(s)
A	Adult co-tenant	**L**	Live-in caretaker
O	Other family member	**N**	None of the above

Enter the date of birth, student status and last four digits of the Social Security Number of each occupant. If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the re-certification document.

Race:

1	White	5	Native Hawaiian/Other Pacific Islander
2	Black/African American	6	Other
3	American Indian/Alaska Native	8	Choose not to respond
4	Asian		

Ethnicity:		**Disabled*:**	
1	Hispanic or Latino	1	Yes
2	Not Hispanic or Latino	2	No
3	Chose not to respond	3	Chose not to respond

*See Fair Housing Act for definition of handicap (disability)
http://www.fairhousing.com/index.cfm?method=page.display&pagename=regs_fhr_100-201

Gross Annual Income

Income is determined on the annual gross income a household anticipates it will receive during the next 12 month re-certification period. All household members age 18 and older, persons under the age of 18 who are treated as adults because they are the head of household, or co-head/spouse, and unearned income of minor children must be included in order to establish annual income. For each household member list their income by HH Member # the table at the top of Page 1.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.)
Column (D)	Enter the anticipated annual income from assets (i.e. savings account balance multiplied by the annual interest. Possible types of assets include, but are not limited to: checking accounts, savings accounts, cash on hand, money market accounts, certificates of deposit, stocks, bonds, 401(k) and real estate.
Column (E)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.

Self-Certification of Income
Calculation & Certification Of Owner/Rep

TENANT INCOME SELF-RECERTIFICATION		Effective Date:	
☐ TC Recertification (1st Year Income Test Only for mixed use projects only) ☐ HOME ONLY Recertification ☐ Other		Move in Date:	
DEVELOPMENT DATA			
Property Name:			
Project/ Agreement #		LIHTC Only: (BIN #)	IA
HH Full Name		Unit #	

DETERMINATION OF CONTINUING INCOME ELIGIBILITY

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: $_____

Household Meets Income Restriction* at:
☐ 80% (HOME) ☐60%
☐ 50% ☐ 40%
☐ 30% ☐ __%

Current Income Limit x 140% (170% for Deep Rent Skew): $_____

Household Income exceeds 140% (170% for Deep Rent Skew) at recertification: ☐ Yes ☐ No

Current Income Limit per Family Size: $_____

Household Income at Move-in: $_____

Household Size at Move-in: __

**For HOME only projects -If income at recertification is over 80% full recertification must be done and appropriate income allowances made to arrive at the adjusted income used to determine eligibility.*

UNIT RENT

Tenant Paid Rent $_____ Rent Assistance: $_____

Utility Allowance $_____ Other non-optional charges $_____

GROSS RENT FOR UNIT*: (Tenant paid rent + Utility Allowance & other non-optional charges) $_____

Unit Meets Rent Restriction at: ☐ 80% ☐ 60% ☐ 50% ☐ 40% ☐ 30% ☐ Other __%

HOME units must include subsidy in the gross rent.* **Maximum Rent Limit for this unit: $_____

STUDENT STATUS –LIHTC ONLY	
Are all household members considered full-time students as defined by Section 42?	☐ Yes ☐ No
STUDENT STATUS –HOME ONLY	
Are any household members considered students as defined by the Section 8 Student Rule?	☐ Yes ☐ No

PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this recertification.

a. ☐Tax Credit	b. ☐ HOME	c. ☐ Tax Exempt	d. ☐ AHDP	e. ☐_____ *(Name of Program)*
	Income Status	*Income Status*	*Income Status*	*Income Status*
	☐ ≤ 50% AMGI	☐ 50% AMGI	☐ ≤ 50% AMGI	☐ ___ % AMGI
	☐ ≤ 60% AMGI	☐ 60% AMGI	☐ ≤ 80% AMGI	☐ ___ % AMGI
	☐ ≤ 80% AMGI	☐ 80% AMGI	☐ OI**	☐ OI**
	☐ OI**	☐ OI**		

*****Upon recertification, household was determined over-income (OI**) according to eligibility requirements of the program(s) marked above.***

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Self Certification of Income is/are eligible under the provisions of the Program under which they are governed, the Land Use Restriction Agreement (if applicable), and/or HOME Contract to live in a unit in this Project.

_______________________________ _______________

Signature of Owner/Representative Date

Student Status Certification

Property Name:	
Household Name:	

Instructions for Use:

Pages 1and 2 are to be used when qualifying a household for eligibility with the **HOME program**. **Page 3** pertains to eligibility with the LIHTC program. You must use all three pages of the document if you are qualifying a tenant for a unit that is both a HOME and an LIHTC unit as the requirements are different for each. The household must qualify under both programs in order to be eligible to occupy a HOME/LIHTC unit.

Part 1: (If LIHTC project only, skip to Page 3)

Are any household members under age 24 and students (full- or part-time) at an institute of higher learning? ☐ (YES) ☐ (NO)

If "NO," sign and return the form to management. *No further action is necessary.*

If "YES," and list all students in the table below, then sign. Have EACH student or their parent/guardian complete PART 2. Complete PART 3 and 4 as the form directs.

	Student Name	Age	Name of Educational Institution	Date Range Attended or Planning to Attend	Full or Part-time
1.					☐ FT ☐ PT
2.					☐ FT ☐ PT
3.					☐ FT ☐ PT
4.					☐ FT ☐ PT
5.					☐ FT ☐ PT
6.					☐ FT ☐ PT

Applicant/Resident Signature Date

Applicant/Resident Signature Date

Applicant/Resident Signature Date

Applicant/Resident Signature Date

Student Status Certification

Household Name:	
Student Name:	

Part 2

A. I live with my parent(s) in the unit ☐(YES) ☐ (NO)

B. I am a veteran of the U.S. Military ☐(YES) ☐ (NO)

C. I am married ☐(YES) ☐ (NO)

D. I have a dependent child living with me in the unit ☐(YES) ☐ (NO)

E. I am disabled and was receiving Section 8 assistance as of 11/30/2005 ☐(YES) ☐ (NO)

If "YES" to any of the above, sign the form and return to management. *No further action is necessary.*
If "NO" to all of the above, continue to Part 3:

Part 3

A. I am of legal contract age in the State of Iowa ☐(YES) ☐ (NO)

B. I have lived separate from my parents for at least a year in a home or apartment for which I am a leaseholder (not a dorm/student housing). ☐(YES) ☐ (NO)

OR

I meet any one of the following conditions:

1. I am an orphan or ward of the State through Age 18
2. I have a dependent other than a spouse (for example, an elderly dependent parent)
3. I am a graduate or professional student

C. I am not claimed as a dependent on any parent's tax returns ☐(YES) ☐ (NO)

D. My parents will supply an affidavit that they do not claim me on their returns and will disclose any student financial assistance that they supply to me. ☐(YES) ☐ (NO)

If "YES" to all 4 of the above, sign the form and return to management. *No further action is necessary.*
If "NO" to any of the above, continue to Part 4:

Part 4

A. I will complete an income certification, and my parents will also submit proof of income. Please provide contact information for all parents below. ☐(YES) ☐ (NO)

	Parent Name	Address	City, State, Zip Code	Phone #	Email Address
1.					
2.					
3.					
4.					

Applicant/Resident Signature Date

Student Status Certification

IOWA FINANCE AUTHORITY

Property Name:	
Household Name:	

This page is to be used when qualifying households for eligibility with the LIHTC program (one document per household)

Check A, B, C or D, as applicable (note that "student(s)" include those attending public or private elementary schools, middle or junior high schools, senior high schools, colleges universities, technical, trade, or mechanical schools, but does not include those attending on-the-job training courses):

A. ☐ Household contains at least one occupant who is not a student, has not been a student, and will not be a student during the current and/or upcoming calendar year. A student is defined as someone who attends school full time for any part of five or more months in a calendar year (months need not be consecutive). If this item is checked, no further information is needed.

B. ☐ Household contains all students, but the following occupant(s) is/are a part-time student(s). Documentation of part time student status is required for at least one member of the household.

	PT Student Name:
1.	
2.	
3.	
4.	

C. ☐ Household contains all full-time students for five or more months during the current and/or upcoming calendar year (months need not be consecutive). If this item is checked, questions 1-5, below must be completed:

1. Is at least one student receiving assistance under Title IV of the Social Security Act (known as TANF in Iowa –provide TANF award letter or 3rd party verification)? ☐(YES) ☐ (NO)
2. Was at least one student previously under the care and placement responsibility of the state agency responsible for administering foster care? (provide documentation of participation) ☐(YES) ☐ (NO)
3. Does at least one student participate in a program receiving assistance under the Job Training Partnership Act, Workforce Investment Act, or under other similar, federal, state or local laws? (attach documentation of participation) ☐(YES) ☐ (NO)
4. Is at least one student a single parent with child(ren) and this parent is not a dependent of another individual and the child(ren) is/are not dependent(s) of someone other than a parent? ☐(YES) ☐ (NO)
5. Are the students married and entitled to file a joint tax return (provide marriage certificate or tax returns)? ☐(YES) ☐ (NO)

D. ☐ No member of this household has been a student during the current calendar year or plans on becoming a student in the current or upcoming calendar year.

Under penalty of perjury I certify that the information presented in this certification is true and accurate to the best of my/our knowledge. The undersigned further understands that providing false information herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of a Lease Agreement.

Applicant/Resident Signature Date Applicant/Resident Signature Date

Tenant Income Certification

☐ Initial Certification ☐ Recertification ☐ Other	Effective Date:	
	Move in Date:	

PART I.– DEVELOPMENT DATA

Property Name:	County:		BIN #IA	
Address:	Unit Number:		#Bedrooms:	

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name	Middle Initial	Relationship to Head of Household	Race	Ethnicity	Disabled	Date of Birth	F/T Student	Last 4 digits of SSN
1				Head						
2										
3										
4										
5										
6										

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
	$	$	$	$
	$	$	$	$
	$	$	$	$
	$	$	$	$
TOTALS	$	$	$	$

Add totals from (A) through (D), above TOTAL INCOME (E): $

PART IV. INCOME FROM ASSETS

HH Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
			$	$
			$	$
			$	$
			$	$
		TOTALS:	$	$

Enter Column (H) Total If over $5000 $_____ X Passbook Rate 0.06% = (J) Imputed Income $

Enter the greater of the total of column I, or J: imputed income **TOTAL INCOME FROM ASSETS (K)** $

(L) Total Annual Household Income from all Sources [Add (E) + (K)] $

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature ______ *(Date)* ______ Signature ______ *(Date)* ______

Signature ______ *(Date)* ______ Signature ______ *(Date)* ______

PART V. DETERMINATION OF INCOME ELIGIBILITY

RECERTIFICATION ONLY:

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 $_____

Household Meets Income Restriction at:
☐ 60% ☐ 50%
☐ 40% ☐ 30%
☐ _____%

Current Income Limit x 140%: $_____
Current Income Limit x 170% $_____
(Deep Rent Skew Units Only)
Household Income exceeds 140% at recertification: ☐ Yes ☐No

Current Income Limit per Family Size: $_____

Household Income at Move-in: $_____

Household Size at Move-in: _____

PART VI. RENT

Tenant Paid Rent $

Utility Allowance $

GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges) $

Maximum Rent Limit for this unit: $

Rent Assistance: $_____

Other non-optional charges: $_____

Unit Meets Rent Restriction at:

☐ 60% ☐50% ☐ 40% ☐ 30% ☐ Other _____%

PART VII. STUDENT STATUS

LIHTC: Are all Occupants full time students? ☐ Yes ☐ No	**HOME**: Are any occupants students at an institute of higher learning? ☐ Yes ☐ No
If yes, Enter student explanation* (attach documentation) 1-6 _	If yes, Enter student explanation* (attach documentation) 1-7 _
1 - TANF assistance 2 - Job Training Program 3 - Single parent/dependent child 4 - Married/joint return 5 - Previous Foster Care 6 – Project in Extended Use Period	1 - A dependent of the household living with a parent 2 - Over age 23 3 - A veteran 4 - Married 5 - A parent with a dependent child 6 - A disabled individual who was receiving Section 8 assistance prior to 11/30/2005 7. – Independent from parents or have parents who would income qualify for HOME

PART VIII. PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.

a. ☐ Tax Credit	b. ☐ HOME	c. ☐ Tax Exempt	d. ☐ AHDP	e. ☐ _____ *(Name of Program)*
See Part V above.	*Income Status* ☐ ≤ 50% AMGI ☐ ≤ 60% AMGI ☐ ≤ 80% AMGI ☐ OI**	*Income Status* ☐ 50% AMGI ☐ 60% AMGI ☐ 80% AMGI ☐ OI**	*Income Status* ☐ ≤ 50% AMGI ☐ ≤ 80% AMGI ☐ OI**	*Income Status* ☐ _____ ☐ _____ ☐ OI**

Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE ____________ DATE ____________

Privacy Act Information: This collection is authorized by 42 USC § 1437z–8. The collection of partial social security numbers is permitted by 42 U.S.C. § 3543 and 3544. The information collected on these forms is protected by the Privacy Act of 1974, Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), and the Fair Housing Act (42 U.S.C. 3601-19). This collection is mandatory, but disclosure by the tenant of race, ethnicity and disability status is optional.
For information, assistance, or inquiry about the existence of records, contact the Privacy Act Officer at the Department of Housing and Urban Development, 451 7th Street S.W., Washington, D.C. Written requests must include the full name, Social Security Number, date of birth, current address, and telephone number of the individual making the request.

INSTRUCTIONS

General Instructions: The purpose of this form is to enable reporting of federal low income housing tax credit data. The definitions for all fields are to be understood in that context. All fields below must appear on the state TIC. States are free to include other fields on their TICs that are designed to collect other data.

PART I. –DEVELOPMENT DATA

Check the appropriate box for "Initial Certification" (move-in), "Recertification" (annual recertification) or "Other". If "Other", designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required certification).

Effective Date:	*Enter the effective date of the certification.*
Move-In Date:	*Enter the date that the tenant has or will take occupancy of the unit.*
Property Name:	*Enter the name of the development.*
County:	*Enter the county in which the building is located.*
BIN:	*Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).*
Address:	*Enter the physical address of the building including street number and name, city, state and zip code.*
Unit Number:	*Enter the unit number.*
# Bedrooms:	*Enter the number of bedrooms in the unit.*

PART II. –HOUSEHOLD COMPOSITION

Name:	*List first name, middle initial and last name of all occupants of the unit. For unborn child or pregnant household member, enter "unborn"*
Relationship to Head of Household:	*Enter each household member's relationship to the head of household by using one of the following coded definitions: H- Head of Household; S –Spouse; A –adult co-tenant; O –Other family member; C – Child; F –Foster Child(ren); L – Live-in caretaker; or N –none of the above.*
Race:	*Enter each household member's race by using one of the following coded definitions: 1 –White; 2 –Black/African American; 3 –American Indian/Alaska Native 4 – Asian; 5 –Native Hawaiian/Other Pacific Islander; 6 –Other; or 8 –tenant did not respond.*
Ethnicity:	*Enter each household member's ethnicity by using one of the following coded definitions: 1 –Hispanic or Latino; 2 –not Hispanic or Latino; or 3 –tenant did not respond.*
Disabled:	*Check yes ("Y"=yes; "N"=no"; or "NR"=Tenant did not respond if any member of the household is disabled according to the Fair Housing definition for handicap (disability) found at:* *http://www.fairhousing.com/index.cfm?method=page.display&pagename=regs_fhr_100-201*
Date of Birth:	*Enter each household member's date of birth.*
Last Four Digits Of SS Number:	*for each tenant over 18 years of age, enter the last four digits of the social security number or the last four digits of the alien registration number. If tenant does not have a SSN or alien registration number, enter "0000".*

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the income verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Total Annual Household Income from All Sources, Box (L) in Part IV, is required. If individual household member income is provided, list the respective household member number from Part II.

Column (A):	Enter the annual amount of wages, salaries, tips, commissions, bonuses and other income from employment; distributed profits and/or net income from a business.
Column (B):	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.

Column (C): Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).

Column (D): Enter the annual amount of alimony, child support, unemployment benefits or any other income regularly received by the household.

Line (E): Add the totals from columns (A) through (D), above. Enter this amount.

PART IV. – INCOME FROM ASSETS

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. Total Annual Household Income from All Sources, Box (L), is required. If individual household member income is provided, list the respective household member number from Part II.

Column (F): *List the type of asset (i.e., checking account, savings account, etc.)*

Column (G): *Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification. ("1" = C; "2" = I)*

Column (H): *Enter the cash value of the respective asset.*

Column (I): *Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).*

TOTALS: *Add the total of Column (H) and Column (I), respectively.*

Line (J): *If the total in Column (H) is greater than $5,000 you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by the current passbook rate listed and enter the amount in (J), Imputed Income.*

Box (K): **Enter the greater of the total in Column (I) or (J).**

Box (L): *Total Annual Household Income From all Sources. Add (E) and (K) and enter the total. THIS INFORMATION IS REQUIRED.*

Effective Date of LIHTC Income Certification: *If the current Tenant Income Certification (TIC) did not update the tenant's income information and the TIC is reporting previous income, enter the effective date of the income qualification corresponding to the total annual household income entered in Box L. If annual income certification is not required, this may be different from the effective date listed in Part I.*

Household Size at LIHTC Certification*: If the current Tenant Income Certification (TIC) did not update the tenant's household size information and the TIC is reporting previous information, enter the number of tenants corresponding to the total annual household income entered in Box L. If annual income certification is not required, this may be different from the number of tenants listed in Part II.*

PART V. DETERMINATION OF INCOME ELIGIBILITY

Total Annual Household Income from all Sources: Enter the number from item (L).

Household Meets LIHTC Income Restriction at: *Indicate the income restriction that the household meets according to what is required by the LIHTC federal set-aside(s) for the project. If the income restriction for this unit is set-aside below elected ceiling, enter the percent required. If this unit has an income restriction set below the elected federal maximum, enter the percent required.*

Current LIHTC Income Limit per Family Size: *Enter the Current Maximum Move-in Income Limit for the household size. The income limit must be the IRS Section 42 income limit associated with the federal tax credit set-aside.*

For Recertifications Only:

Current Income Limit x 140%: For recertifications only, multiply the Current Maximum Move-in Income Limit by 140% and enter the total Household Income

Current Income Limit x 170% (Deep Rent Skewed Units Only): For recertifications only, multiply the Current Maximum Move-in Income Limit by 170% and enter the total Household Income

Exceeds 140% at Recertification: Indicate whether the household income exceeds 140% of the current income limit.

Household Income at LIHTC Qualification Date (Move-in): For recertifications, only, enter the household income at the time of LIHTC qualification.

Household Size at LIHTC Qualification Date (Move-in): For recertifications only, enter the household income at the time of LIHTC qualification. On the adjacent line, enter the number of household members at the time of program qualification.

PART VI. RENT

Tenant Paid Monthly Rent: *Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).*

Monthly Utility Allowance: *Enter the utility allowance. If the owner pays all utilities, enter zero. Other Monthly non-optional charges: Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.*

Gross Monthly Rent for Unit: *Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges. The total may NOT include amounts other than Tenant Paid Rent, Utility Allowance and other non-optional charges. In accordance with the definition of Gross Rent in IRC §42(g)(2)(B), it may not include any rent assistance amount.*

Total Monthly Rent Assistance: *Enter the amount of total rent assistance received, if any (does not include HOME units).*

Federal Rent Assistance: *Enter the amount of rent assistance received from a federal program, if any (i.e. Tenant Based Rental Assistance (TBA), Section 8 Voucher, Project Based Section 8)*

Other Rent Assistance*: Enter the amount of non-federal rent assistance received, if any. (local government, church based)*

Source of Federal Rent Assistance*: If federal rent assistance is received, indicate the program source.*

Maximum LIHTC Rent Limit for this Unit: *Enter the maximum allowable gross rent for the unit. This amount must be the maximum amount allowed by the Current Income Limit per Family Size—specifically, the max rent limit for the federal 50% or 60% set aside.*

Unit Meets LIHTC Rent Restriction at*: Indicate the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project. If your agency requires a rent restriction lower than the federal limit, enter the percent required. If rent for this unit is set-aside below elected ceiling, enter the percent required.*

If this unit has a rent level set below the elected federal maximum, enter the percent required.

PART VII. STUDENT STATUS

LIHTC: Are all Occupants Full-Time Students*?: If all household members are full-time students, check "yes". Full-time status is determined by the school the student attends. If at least one household member is not a full-time student, check "no".*
Student Explanation: *If all occupants are full-time students, indicate the appropriate exemption as listed in the box to the right.*

HOME: Are any occupants students at an institute of higher learning?: If any household members are attending an institution of higher learning, check "yes." If no household members attend an institution of higher learning, check "no".
Student Explanation: *If any occupants are institution of higher learning, indicate the appropriate exemption as listed in the box to the right.*

PART VIII. PROGRAM TYPE

Mark the program(s) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by the certification/recertification. If the property does not participate in the HOME, Tax-Exempt, Affordable Housing Disposition Program (AHDP) or other housing program, leave those sections blank.

Tax Credit: Mark the appropriate box indicating the household's designation. If the property does not have any occupancy requirements in addition to those required by Section 42, mark the box that corresponds to the property's minimum set aside. Upon re-certification, if the household's income exceeds 140% of the income limitation imposed by Section 42, mark "OI".

HOME: If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set asides, mark the appropriate box indicting the household's designation.

Tax Exempt: If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household's designation.

AHDP: If the property participates in the Affordable Housing Disposition Program (AHDP) program, and this household's unit will count towards the set aside requirements, select the appropriate box to indicate if the household is a VLI, LI or OI (at re-certification) household.

Other: If the property participates in any other affordable housing program, complete the information as appropriate.

Under $5,000 Asset Certification
(For LIHTC Projects or Self-Certification for HOME*)

For households who combined NET assets DO NOT exceed $5,000.
Complete one form per household; include assets from children of the household

Property Name:	**IFA Project #:**
Household Name:	**BIN & Unit #:**

1. My/our assets include:

(A) Cash Value*	(B) Int. Rate	(AxB) Annual Income	Source	(A) Cash Value*	(B) Int. Rate	(AxB) Annual Income	Source
			Savings Account				Checking Account
			Cash on Hand				Safety Deposit Box
			Certificates of Deposit				Money Market Funds
			Stocks				Bonds
			IRA Accounts				401K Accounts
			Keogh Accounts				Trust Funds
			Equity in Real Estate				Land Contracts
			Lump Sum Receipts				Capital Investments

				(Name of Asset)
			Whole Life Insurance Policies	
			Other Retirement/Pension Funds	
			Personal Property held as an Investment**	
			Any account only accessed through a debit card***	
			Other (Attach list if necessary)	

PLEASE NOTE: Certain Funds (e.g. Retirement, Pension, Trust) may or may not be (fully) accessible to you. Include only those amounts which are:

* Cash value is defined as market value minus the cost of converting the asset to cash, such as broker's fees, settlement costs, outstanding loans, early withdrawal penalties, etc.

** Personal property held as an investment may include, but is not limited to, gems or coin collections, art, antique cars, etc. DO NOT include necessary personal property such as, but not necessarily limited to, household furniture, daily use of autos, clothing, assets of an active business, or special equipment for use of the disabled.

***Do not count food stamp accounts or checking accounts already listed. Example: Payroll, Social Security or Welfare Accounts

2. Disposed Assets

☐ (YES) ☐ (NO) I/We have disposed of assets for less than fair market value in the last 2 years. Examples would include such items as charitable donations or giving/selling assets (such as real estate) to family.

3. No Assets

☐ (YES) I/We DO NOT have any assets at this time.

The Net Family Assets (as defined in CRF 813.102) above do not exceed $5,000 AND the Annual Income from the Net Family asset is: $0.00. This amount is included in the total Gross Annual Income.

Under penalty of perjury I certify that the information presented in this certification is true and accurate to the best of my/our knowledge. The undersigned further understands that providing false information herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of a Lease Agreement.

Applicant/Resident Signature Date | Applicant/Resident Signature Date

Applicant/Resident Signature Date | Applicant/Resident Signature Date

*May not be used for HOME Full Recertification Requirements

ZERO INCOME CERTIFICATION
(For All LIHTC and HOME Projects)

IOWA FINANCE AUTHORITY

Complete one form per adult household member reporting zero income during the Application Process

Property Name:	**IFA Project #:**
Household Name:	**BIN & Unit #:**

1. I hereby certify that I **do not** receive income from any of the following sources. (Check each box as you review each statement):

a.	Wages from employment (including commissions, tips, bonuses, fees, etc.)	☐
b.	Income from the operation of a business	☐
c.	Rental income from real or personal property	☐
d.	Interest or dividends from assets	☐
e.	Social Security payments, annuities, insurance policies, retirement funds, pensions, or death benefits	☐
f.	Unemployment or disability payments	☐
g.	Public assistance payments	☐
h.	Periodic allowances such as alimony, child support, or gifts received from persons not living in my household	☐
i.	Sales from self-employed resources (Avon, Mary Kay, Shaklee, etc.);	☐
j.	Any other source not named above	☐

2. Which of the following descriptions best describes your current situation? (select only one response)

a.	I currently have no income of any kind and no change in my financial status or employment status is likely to occur during the next 12 month period. **OR**	☐
b.	I currently am actively looking for employment, although I have no source of employment at this time	☐

Please provide information on the sources of funds to be used to pay for rent and other necessities while residing in the unit.

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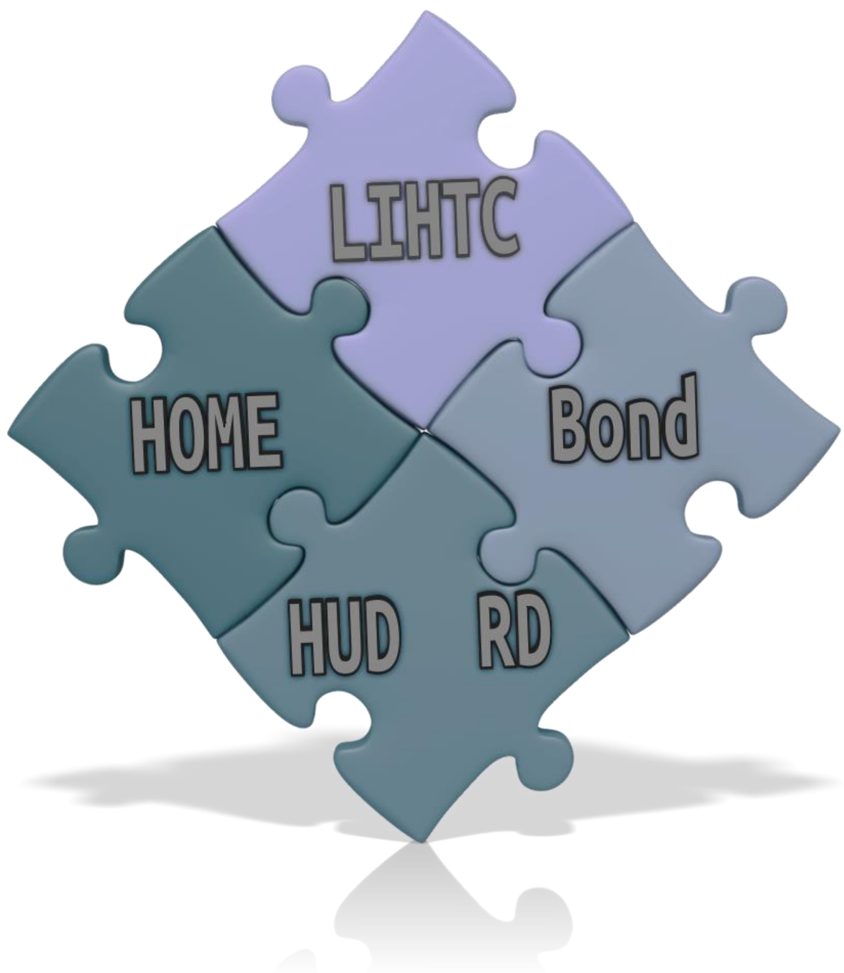
Under penalty of perjury I certify that the information presented in this certification is true and accurate to the best of my knowledge. The undersigned further understands that providing false information herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of a Lease Agreement.

____

Applicant/Resident Signature Date



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COMBINED PROGRAMS CHART

Affordable Housing Programs Quick-Comparison Chart

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In Alphabetical Order by Topic

Table of Contents by Topic

Student Eligibility

	Student Eligibility	References
LIHTC	In general, households made up of full-time students of any age do not qualify. There are five exceptions to this general rule. They are commonly referred to as: **1)** married and ENTITLED to file a joint tax return, **2)** single parents-dependent children, **3)** Title IV welfare recipients (TANF in many states), **4)** former foster care recipients. and **5)** Job Training Partnership Act (JTPA) or similar program. Note: the "Workforce Investment Act" has replaced JTPA. Same-sex couples qualify for "married and entitled" if legally married under any state law.	**§ 42 (i)(3)(D) & 8823 Guide 17-1&2 & Exhibit 17-1 on page 17-5. 4350.3 Exhibit 5-1 Rev. Rul. 2013-17**
HUD	"To be eligible for **Section 8** assistance, any individual who attends an institute of higher learning (full OR part-time) who is under age 24 must be one of the following: **1)** a dependent of the household living with a parent, **2)** over age 23, **3)** a veteran, **4)** married, **5)** a parent with a dependent child in the unit, **6)** a disabled individual who was receiving assistance prior to 11/30/2005, **or 7)** be independent from parents or have parents who are income eligible. For **non-Section 8** programs, each student at an institute of higher learning must meet ALL of the following requirements **1)** be of legal contract age under state law, **2)** have established a separate household from parents for at least a year OR meet the U.S. Dept. of Education definition of an independent student, **3)** not be claimed on a parent's tax return, and **4)** must disclose if they get financial assistance from parents."	**4350.3 3-13/3-40 through 43**
RD	**Same as HUD Section 8 Rule** - To be eligible for assistance, any individual who attends an institute of higher learning full OR part-time, must be one of the following: **1)** a dependent of the household living with a parent, **2)** over age 23, **3)** a veteran, **4)** married, **5)** a parent with a dependent child in the unit, **6)** a disabled individual who was receiving assistance prior to 11/30/2005, **or 7)** be independent from parents or have parents who are income eligible.	**Unnumbered letter dated 1/11/2007**
HOME	**Same as the HUD Section 8 Rule** - with the regulation revision in 2013, the Section 8 student rules (from 24 CFR 5.612) apply to the HOME program. The Census Long Form definition was removed with the 2013 regulation revision. Applies to all projects regardless of funds commitment date.	**HOME Reg 2013 §92.2**
BOND	In general, households made up of full-time students of any age do not qualify. Prior to HERA, the only exception that qualified a full-time student household was 'married, entitled to file a joint tax return'. Per HERA, the same five student exceptions that apply for LIHTC apply to bond qualification. These are commonly referred to as: **1)** married and ENTITLED to file a joint tax return, **2)** single parents with dependent children, **3) T**itle IV welfare recipients (TANF in many states), **4)** former foster care recipients, and **5)** Job Training Partnership Act (JTPA) or similar program. Note: the "Workforce Investment Act" has replaced JTPA.	**§42 (i)(3)(D) §142 (d)(2)(C)**

Income Eligibility Determinations

	Income Eligibility Determinations	References
LIHTC	Determination of eligibility is made in accordance with the Section 8 method for determining annual income found in Chapter 5 of the HUD Handbook 4350.3. No deductions to annual income apply to the Tax Credit Program.	**IRS Notice 88-80, Treas. Reg. 1.42-5(b)(1)(vii), 8823 Guide Chapter 4**
HUD	Determination of eligibility is made in accordance with the HUD method for determining annual income found in Chapter 5 of the HUD Handbook 4350.3.	**4350.3 Chapter 5 and Exhibits 5-1 & 5-2**
RD	Determination of eligibility is made in accordance with the rules set forth in the RD HB-2-3560 Chapter 6. These rules are based on the HUD regulations.	**HB-2-3560 Chapter 6**
HOME	HUD allows PJs to choose one of two methods for determining income: **1)** Tax Returns or **2)** Section 8 method - This is the most commonly used, likely because it is the only option available to LIHTC/HOME properties. The Census Long Form was removed with the 2013 regulation revision.	**HOME Guide 3.2 D/45 Home Reg 2013 § 92.203(b)(2)**
BOND	Determination of eligibility is made in accordance with the Section 8 method for determining annual income found in Chapter 5 of the HUD Handbook 4350.3. The LURA will specify the method of verification of income (see verification).	**§ 142 (d)(2)(B)**

	Income Limits	References
LIHTC	Uses HUD Multifamily Tax Subsidy Program (MTSP) income limits. 50% or 60% MTSP limits apply, depending on the minimum set-aside. Income limits are property specific and never have to go down from one year to the next for a specific property. Households must qualify based on gross annual income.	**Treas. Reg. 1.42-5(b)(1)(vii), 8823 Guide 4-2**
HUD	Uses HUD program income limits based on area median income (AMI). These vary depending on the HUD program, are county or MSA specific and may go up or down any given year. Households must qualify based on gross annual income. For Section 8, the very-low 50% AMI limits generally applies, but 40% of new move-ins must be at the extremely low (30% AMI) limits.	**4350.3 3-6/3-4 through 12**
RD	Uses RD program income limits based on area median income (AMI). These vary depending on the RD program, are county or MSA specific and may go up or down any given year. Applicants are given priority based on whether they are very-low (50% AMI), low (80%) or moderate (low limit + $5,500) income. Households must qualify based on adjusted annual income.	**HB-2-3560 6.2/6-1**
HOME	The program uses HUD HOME income limits based on area median income (AMI). Whether households must qualify based on gross or adjusted annual income depends on which of two methods of income determination are required by the PJ (see “Income Eligibility Determination”). HOME limits are county or MSA specific and may go up or down any given year.	**HOME Guide 3.2 A-/40-44**
BOND	Uses HUD Multifamily Tax Subsidy Program (MTSP) income limits. 50% or 60% MTSP limits apply, depending on the minimum set-aside. Income limits are property specific and never have to go down from one year to the next for a specific property. A household must qualify based on gross annual income.	**§ 142 (d)(2)(B)**

	Anticipated Children for Income Limits (Unborn & in Process of Adoption)	References
LIHTC	Included when determining household size (pregnancy “as self-certified by the woman”).	**8823 Guide 4-3 4350.3 Appendix 3, Page 20**
HUD	Included when determining household size (pregnancy can only be verified by self-affidavit).	**4350.3 Appendix 3, Page 20**
RD	Included when determining household size.	**HB-2-3560 Attachment 6-C, page 1**
HOME	Not to be included when determining household size, per online guidance based on older manuals. This advice is questionable, especially in light of other inaccuracies included in the same section of the webpage. Check with PJ to determine if they employ this policy, or the more commonly accepted 4350.3 interpretation.	**www.hud.gov/offices/cpd/affordablehousing/training/web/calculator/requirements/determine.cfm**
BOND	Included when determining household size.	**N/A**

Zero Income Households/Unsecured Income

Program	Zero Income Households/Unsecured Income	References
LIHTC	Although HUD allows for zero income households, it also has an option for interim certifications when there are changes. The LIHTC program does not have an interim option, and certification must establish a household's income for the next 12 months as accurately as possible. This crucial difference between the HUD and LIHTC programs leaves an area which state HFAs and owners must interpret. Some HFAs require the estimating of future unsecured income based on history. Others strictly apply HUD rules and only count income that is imminent and verifiable. The 8823 Guide suggests using last 12 months of history for zero or sporadic income households, but seems to indicate that changes in income that were not known or verifiable at certification time do not need to be included. This may suggest that zero-income households are a concern, but that not all unsecured income is necessarily an issue.	**8823 Guide 4-33**
HUD	HUD allows zero income households. Changes to this status must be reported immediately and an interim certification conducted.	**4350.3 5-5A/5-3, Appendix 3, page 22**
RD	RD does not consider zero-income households to qualify. Basic expenses that the household will have to meet are verified and counted as income.	**HB-2-3560 6.9A4/6-9, Attachment 6B**
HOME	HOME guidance does allow for zero-income households, requiring that the past 12 months average income (if any) be used.	**HOME GUIDE 6.2E/46**
BOND	The bond regs do not speak to this issue. Generally, it is handled as per the LIHTC program.	**N/A**

Employment Income Calculations (Range of Hours)

Program	Employment Income Calculations (Range of Hours)	References
LIHTC	HUD instructs that we are to gather "average hours" when determining income (e.g., 38 hours for 36-40 hours). By regulation, we count LIHTC income as does the Section 8 program. However, it has generally been accepted as best practice by most states that the LIHTC program should use the more conservative approach of using the HIGHEST in a range (e.g., 40 for the 36-40 hours). Some states apply the HUD method, however. The IRS has not addressed this issue.	**N/A**
HUD	Use average hours (e.g., if verification list 30-40 hours, use 35).	**4350.3 Appendix 6-C**
RD	RD does not directly address this issue. However, the HUD approach is generally considered to apply (e.g., if verification list 30-40 hours, use 35).	**N/A**
HOME	HUD consistently refers to "average hours" in its technical guidance for the HOME program (e.g., if verification list 30-40 hours, use 35).	**HOME Technical Guide page 6**
BOND	HUD mandates the use of average hours when an employer lists a range of hours when determining income (e.g., 38 hours for 36-40 hours). By regulation, we count bond program income as does the Section 8 program. However, as with the LIHTC program, it has generally been accepted as best practice by many bond issuers that the bond program should implement the more conservative approach of using the HIGHEST in a range (e.g., 40 for the 36-40 hours).	**N/A**

Verifying Assets

		References
LIHTC	Assets may be verified via self-affidavit if total household assets do not exceed $5,000. If they exceed $5,000, they must be verified (see also "Verifying Income"). The current Multi-family HUD passbook rate applies when asset income must be imputed.	**8823 Guide 4-7, 4350.3 5-18B/5-61, Rev. Proc. 94-65**
HUD	Assets must be 3rd-party verified. The current HUD Multi-family HUD passbook rate applies when asset income must be imputed.	**4350.3 5-13/5-54 through 57, Appendix 3**
RD	Assets must be 3rd-party verified. The current HUD Multi-family HUD passbook rate applies when asset income must be imputed.	**HB-2-3560 6.11 A/6- 15 through 17**
HOME	Assets must be verified using 3rd-party "source documents" for initial eligibility and every 6th year of the affordability period. Income may be self-certified or program assistance verification (such as from a rental assistance voucher provider) may be used for other years. HOME technical guidance indicates that the HUD passbook rate set for HUD PIH applies when asset income must be imputed.	**HOME Guide 3.2 E2 & 5/47, F3/48, Attachment 3-5 HOME Tech Gd 15**
BOND	The bond regulations do not explicitly speak to verification requirements. See project LURA for verification requirements. Some BOND LURAs may also stipulate that the use of a sworn affidavit is acceptable to certify the household's assets when total household assets do not exceed $5,000, but this is not specifically allowed on a federal level, like it is for the LIHTC program.	**N/A**

Section 8 Voucher Household Certification
(in Lieu of Individually Verifying Each Income/Asset Source)

		References
LIHTC	If the state permits, a letter from a Section 8 issuing agency stating that the household is at or under the applicable income limits can be used to verify income for voucher holders as third party verification.	**IRS Reg 1.42-(b)(1)(vii)**
HUD	Not permitted	**N/A**
RD	Not permitted	**N/A**
HOME	Not permitted for initial certification. May be used for recertifications that do not require full 3rd-party verification (see "recertifications").	**HOME Guide 3.2 D3/47 & F3/48**
BOND	Not explicitly permitted federally. A property's LURA may allow for this.	**N/A**

Change in Income/Household Size

	Change in Income/Household Size	References
LIHTC	There are no interim certifications in the LIHTC program. Individuals added to households during a certification year are income-certified individually and their income is added to the most recent TIC. The total income is then tested to determine if the available unit rule has been triggered (see "Increases in Income"). The household is considered the same household as long as one original member remains. Increases in income do not require a household to move out.	**8823 Guide 4-4**
HUD	Increases in income of $200 a month or more must be reported and an interim certification conducted. Changes in household members also trigger interim certification. Increases in income do not require a household to move out.	**4350.3 7-11A/7-23**
RD	Increases in income of $100 a month or more must be reported and recertification conducted. Changes in household members also trigger a recertification. Increases in income above the moderate limit (low (80% AMI) limit + $5,500) require a household to move out.	**HB-2-3560 6.28B/38, 6.30/40**
HOME	The HOME program does not require interim certification. Increases in income may result in changes to a unit's HIGH or LOW HOME status. Increases in income do not require a household to move out.	**HOME Guide 3.5 & 6/65-82**
BOND	There are no interim certifications in the bond program. The regulations do not speak to handling changes in household composition. Increases in income do not require a household to move out (see "Increases in income").	**N/A**

Certification Form

	Certification Form	References
LIHTC	Tenant Income Certification. "TIC" is an informal, but commonly used abbreviation.	**N/A**
HUD	50059	**4350.3 5-31B/5-80**
RD	3560-8	**HB-2-3560 6.11 A/6-15**
HOME	Program has no specifically mandated certification form.	**N/A**
BOND	Tenant Income Certification (TIC) or Certificate of Tenant Eligibility (CTE). These are informal, but commonly used abbreviations.	**N/A**

	Effective Dates	References
LIHTC	**Move-in:** Effective date is the date the tenant actually moves into the unit. **Initial Certification for in-place residents in Acq/Rehab properties:** The effective date is the date of acquisition for households that are certified within 120 days of the acquisition date. After that time, the effective date is the date of the last signature. **Recertification date:** Effective date is the anniversary of the effective date of the original tenant income certification (for less than 100% LIHTC projects where recertification is required).	**8823 Guide 4-22, 4-25, 5-1**
HUD	**Move-in date:** Effective date is the date of move-in. **Initial Certification where an in-place resident gets rental assistance:** Effective date is the date that subsidy is available to be assigned to the tenant. **Interim Certification:** ***Income increases reported in a timely fashion:*** The effective date will be the first of the month commencing after the end of a 30-day notice period. ***Rent Decreases:*** Effective date is the 1st of the month after the date of action that causes the interim certification. ***Income increases not reported in a timely fashion:*** rent increases retroactive to the first of the month following the date that the increase occurred. ***Rent decreases:*** Rent decrease is implemented effective the first rent period following completion of the recertification. **Annual Recertification:** Effective date is the first of the anniversary month of the original tenant move-in or initial certification. HUD may approve alternative anniversary dates.	**4350.3 7-5/7-6 to 8, 7-13/7-27&28, 7-5C/7-7**
RD	**Move-in date:** Effective date is the 1st of a month. If the household moves in after the 1st of the month, the effective date is the first of the full month after the actual date of move-in. **Recertification**: The effective date is the anniversary of the effective date of the last certification.	**HB-2-3560 6.28 page 6-37 & 38**
HOME	The HOME program does not mandate effective dates. Income certification must be completed before and within 6 months of move-in. Recertification must be completed annually, but not necessarily on the anniversary of move-in.	**HOME Guide 3.2 E1/46, F6/49**
BOND	The bond program does not mandate initial or recertification effective dates. Tax credit rules generally are used as a model.	**N/A**

	Recertification	References
LIHTC	Projects that are less than 100% LIHTC must recertify each household's income and student status annually. 100% projects must recertify student status annually. IRS guidance is that the recertifications should be conducted using an effective date of the anniversary of the initial certification.	**§142(d)(3)(A) (see §42(g) (4), Treas. Reg. 1.42-5(b)(1)(vi), 8823 Guide Chapter 5**
HUD	Assisted households must be certified at move-in and annually based on the anniversary date. Interim certifications must be conducted for certain income and household changes. Only income items that have changed since the annual certification need to be re-verified at interim certification time.	**4350.3 Chapter 7**
RD	Assisted households must be certified at move-in and at least annually. If certain income and household changes occur, a new certification is conducted 3rd-party verifying all factors. A new certification must then be completed no later than a year from the last certification.	**HB-2-3560 6.28/6-37 through 39**
HOME	HOME households must be certified at move-in and annually. The HOME program does not mandate dates for the annual cycle, allowing all recertifications to be conducted at once for a year. Interim certifications are not required.	**HOME Guide 3.2F6/49**
BOND	Projects that have less than 100% of the residents meeting the minimum set-aside limits must recertify each household's income and student status annually. The code does not speak to this, but it appears that, as is true with LIHTC projects, 100% projects must recertify student status annually for bond households.	**§142(d)(3)(A)**

Eligibility and Increases in Income

		References
LIHTC	For less than 100% LIHTC properties, household income that is over 140% of the current income limit at recertification is "over-income." Over-income households continue to qualify as LIHTC households as long as the next available unit of the same or smaller size IN THE BUILDING is rented to LIHTC households until the applicable fraction is restored not counting the over income households. Once the applicable fraction is restored, the household may be raised to market rent, but cannot be required to vacate the unit. The IRS refers to this rule as the "Available Unit Rule" (AUR) or "Next Available Unit Rule" (NAUR). It is also commonly referred to as the "140% rule."	**§42(g)(2)(D)(ii), Treas. Reg. §1.42-15, 8823 Guide Chapter 14**
HUD	As household income increases, rent simply increases up to the maximum rents. Households no longer receiving assistance may not be required to vacate the unit.	**4350.3 Chapter 8**
RD	As household income increases, rent increases up to the maximum rents. Households that exceed the moderate income limits must vacate the unit.	**HB-2-3560 6.30/40**
HOME	Increases in income at recertification may result in re-classification from LOW to HIGH HOME rents. Rents switch to 30% of adjusted income (not to exceed market rents in the area) once household income exceeds the 80% limit. LOW HOME households that exceed the HOME 50% limits and HIGH HOME households that exceed the HOME 80% limits are "over income." Specific actions are then mandated by the program that differs depending on whether the project is "fixed" or "floating" HOME as determined in the HOME agreement. For HOME/LIHTC projects, the HOME program adopts the LIHTC rent limits for rent calculated using adjusted income. Increases are never grounds for eviction.	**HOME Guide 3.5 & 6/65-82, Attachment 3-4/91 & Attachment 3-5/93 §92.25 3 (c)**
BOND	For properties where less than 100% of the households meet the minimum set aside limit, household income that is over 140% of the current income limit at recertification is "over-income." Over-income households continue to qualify as bond households as long as the next available unit of the same or smaller size IN THE PROJECT is rented to a bond household. For bond/LIHTC projects, this rule becomes a BUILDING rule to conform to the LIHTC program.	**§142(d)(3)(B) & (C)**

Deductions/Allowances

		References
LIHTC	The LIHTC program does not use deductions to income. Rent is not directly based on family income.	**N/A**
HUD	HUD has 5 types of deductions used to determine adjusted income and rent. Open to all applicable households are: **1)** dependent deduction -$ 480 per dependent per year, **2)** child care expenses, and **3)** disability assistance expenses. Available to households where the head, spouse or co-head is elderly or disabled are: **4)** medical expenses and **5)** elderly household deduction ($400 per elderly household per year).	**4350.3 Chapter 5 section 2/5-40 through 51**
RD	RD has the same 5 types of deductions as HUD uses to determine adjusted income and rent. Open to all applicable households are: **1)** dependent deduction - $480 per dependent per year **2)** child care expenses and **3)** disability assistance expenses. Available to households where the head, spouse or co-head is elderly or disabled are: **4)** medical expenses and **5)** elderly household deduction - $400 per elderly household per year.	**5.9C/5-9 through 12**
HOME	For households where rent is based on income, the HOME program uses HUD's 5 types of deductions used to determine adjusted income and rent (see HUD in this section above).	**HOME Guide Attachment 3-4/91**
BOND	The bond program does not allow for deductions to income. Rent is not directly based on family income.	**N/A**

Transferring Households

	Transferring Households	References
LIHTC	Tenants who have gone above the 140% limit at properties that are less than 100% LIHTC are only allowed to transfer between units within their building. Residents who are below the 140% limits at these projects and all tenants at a 100% project, may transfer between buildings (as defined by form 8609s) without having to qualify at current income limits. When tenants transfer between units within a project the units "switch status."	**Treas. Reg. 1.42-15(d), Rev. Rul. 2004-82, Q&A #8, 8825 Guide 4-24**
HUD	Eligibility is determined at the time of entrance to the project. Transfers are allowed between buildings within a project without requalifying at current income limits. Households that overcrowd or under occupy a unit may be required to move to an appropriately sized unit or stay and pay contract rent, if an appropriate unit is available. The anniversary date remains based on the original move-in date to the property.	**4350.3 Chapter 7 section 3**
RD	Transfers are allowed between buildings. Households that are under or over-housed in a unit may be required to move to an appropriately sized unit, if available. If an appropriate unit is not available, tenancy will be terminated. A full recertification is done at transfer and the transfer date becomes the new anniversary date.	**HB-2-3560 6.21/6-31, 6.30A/6-41**
HOME	HUD guidance does not discuss unit transfers. Units never change designation in a "fixed" HOME property.	**N/A**
BOND	Bond rules do not discuss unit transfers.	**N/A**

Subsidy and Rent Limits

	Subsidy and Rent Limits	References
LIHTC	Subsidy from Section 8 and similar programs is not included in rent when determining compliance with gross rent requirements. Tenant rent may exceed the LIHTC max rents for tenants who are receiving assistance and whose income has increased. Tenant rents may also exceed the LIHTC limit for households receiving RD assistance for which RD "overage" is paid.	**§42(g)(2)(B)(i) & (iv), 8823 Guide 11-5&6**
HUD	Not applicable	**N/A**
RD	Not applicable	**N/A**
HOME	Subsidy is included in rent when determining compliance with HOME rent requirements. There is an exception for project-based subsidy in LOW HOME units where tenants pay 30% of their income toward rent. For these units the full subsidy program rents may be collected.	**HOME Guide 3.3C/54**
BOND	The bond program does not impose rent requirements.	**N/A**

Utility Allowances

	Utility Allowances	References
LIHTC	Projects with RHS or HUD funding use the UA for those programs. There are 5 additional choices for other properties. The UA for voucher holding households is the UA that their rent calculation is based on.	**Treas. Reg. 1.42-10, 8823 Guide Chapter 18**
HUD	UA for a property is calculated based on HUD policy.	**N/A**
RD	UA for a property is calculated based on RHS policy.	**N/A**
HOME	The PJ establishes a UA. With the 2013 Change in HOME regs, UAs provided by Public Housing Authorities are no longer acceptable. UAs must now be project specific and use the HUD Utility Model or other method based on actual utilities at a property (only applicable to HOME projects committed funds after January 24, 2015).	**HOME Guide 3.3D/55 24 CFR 92.252 (d) CPD HOME FAQ 11-13**
BOND	The bond program does not impose rent limits, a utility allowance is irrelevant. The LURA may impose further rent restrictions.	**N/A**

Rent Limits

	Rent Limits	References
LIHTC	Rent limits are calculated based on income limits. As income limits never go down for a specific property from year to year, neither do rent limits. They assume an imputed 1.5 persons per bedroom.	**§ 42 (g)(2)(C), 8823 Guide 11-2 Example 1**
HUD	Market (or contract) rents are calculated for a specific property and will be spelled out in regulatory and HAP agreements.	**N/A**
RD	Basic and market rents are calculated for a specific property and will be spelled out in regulatory and other agreements.	**N/A**
HOME	HUD publishes the HOME HIGH and LOW rent limits. The 2013 HOME regulation requires that PJs explicitly approve all rents annually at HOME projects that they monitor.	**HOME Guide 3.3/51-56 §92.2 52(f)(2)**
BOND	The bond program does not have rent limits. Specific LURAs may impose limits.	**N/A**

	Handbook Guidance (4350.3, HB-2-3560, Section 42 etc.)	References
LIHTC	**Legal authority and formal guidance:** Internal Revenue Code §42, Treasury Regulation (Treas. Reg. 1.42-(1-17)), various revenue rulings (Rev. Rul.), revenue procedures (Rev. Proc.), IRS Notices and others. **Other Guidance:** "The Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition" (8823 Guide). Newsletters, Private Letter Rulings (PLRs).	**Available online at: www.irs.gov**
HUD	**Formal guidance:** HUD Handbook 4350.3 - "Occupancy Requirements of Subsidized Multifamily Housing Programs"	**Available online at: www.hud.gov**
RD	**Formal guidance:** HB-2-3560 - "Multi-Family Housing Asset Management Handbook"	**Available online at: www.rurdev.usda.gov /Handbooks.html**
HOME	**Formal guidance:** 24 CFR Part 92. HUD, "Compliance in HOME Rental Projects: A Guide for Property Owners" (HOME Guide)	**Available online at: www.hud.gov**
BOND	**Legal authority and formal guidance:** Internal Revenue Code §142, various revenue rulings (Rev. Rul.), revenue procedures (Rev. Proc.), IRS Notices and others.	**Available online at: www.irs.gov**

	Vacancies	References
LIHTC	Vacant units may be counted as LIHTC units as long as **1)** the last resident was LIHTC-qualified, **2)** the unit is made ready in a reasonable time and **3)** the owner can demonstrate that the vacant LIHTC units were marketed before any units of the same size or smaller in the project were rented to non-LIHTC households. The IRS refers to this as the "Vacant Unit Rule" (VUR).	**Treas. Reg. 1.42-5(c) (1) (ix), Rev. Rul. 2004-82, Q&A #9, 8823 Guide Chapter 15**
HUD	Vacancies that are not excessive in number or duration have no direct impact on program compliance.	**N/A**
RD	Vacancies that are not excessive in number or duration have no direct impact on program compliance.	**N/A**
HOME	Vacancies that are not excessive in number or duration have no direct impact on program compliance. Per the 2013 regulation change, HOME units that are not rented within 6 months of project completion create a concern with HUD. After 18 months, the HOME funds will need to be paid back for units that have not housed HOME qualified households.	**§92.525**
BOND	Vacant units previously occupied by a qualified household remain qualified until the next household moves in and then the qualification is re-determined.	**IRS Reg. 103.8 (b)(5)(ii)**

Units in Program (Minimum Set-Aside)

	Units in Program (Minimum Set-Aside)	References
LIHTC	Properties must meet one of 3 "minimum set-asides": 20-50, 40-60 or 25-60 (New York City projects only). The first number represents the percentage of units in the project that must be LIHTC (i.e. 20% at a 20-50 project) and the next represents the income and rent limit for all LIHTC units at that type of property (50% MTSP limits at a 20-50 project). This is a MINIMUM. Actual tax benefits claimed will be based on the number of units actually occupied by LIHTC households (the applicable fraction).	**§42(g)(1), 8823 Guide Chapter 10, IRS form 8609(s) line 10C (for the MSA for a specific property)**
HUD	Number of units in-program will be determined based on the regulatory agreement and program type.	**N/A**
RD	Number of units in-program will be determined based on the regulatory agreement and program type.	**N/A**
HOME	The number of HOME units is determined based on the amount of HOME funding proportionate to project cost. If there are 5 or more HOME units, at least 20% of them must be "LOW" HOME rent units for very-low income households. The remainder may be HIGH HOME units.	**HOME Guide 1.8/7**
BOND	Properties must meet one of 3 "minimum set-asides": 20-50, 40-60 or 25-60 (New York City projects only). The first number represents the percentage of units in the project that must be LIHTC (i.e. 20% at a 20-50 project) and the next represents the income rent limit for all LIHTC units at that type of property (50% MTSP limits at a 20-50 project). This is a MINIMUM. Federal bond rules only apply to the units meeting the minimum set-aside. During lease-up, the set-aside must be met among all occupied units once a project reaches 10% occupancy.	**§142(d)(1) Rev. Proc. 04-39**

Initial Lease Term

	Initial Lease Term	References
LIHTC	The initial lease term must be at least 6 months. It cannot be terminated for other than good cause.	**8823 Guide Chapter 20**
HUD	The initial lease term must be at least 12 months. HUD mandates specific lease formats. They cannot be terminated or nonrenewal for other than good cause.	**4350.3 Chapter 6, Appendix 4 A-G**
RD	The initial lease term must cover a year. Owner-developed, the lease must be certified by an attorney and approved by RD.	**HB-2-3560 Attachment 6-E & 6-F**
HOME	The initial lease term must be at least 12 months, unless a lesser term is agreed upon. In no case can it be less than 30 days. The program does not mandate a specific lease, but it forbids 8 specific lease clauses. The PJ must approve the lease used. Leases cannot be terminated or non-renewed for other than good cause. The 2013 HOME regs change added an additional, 9th prohibited clause.	**HOME Guide 4.3B/103 through 106, Attachment 4-1 24 CFR 92.253 (b)**
BOND	The bond program does not directly speak to leases.	**N/A**

Period in Program

		References
LIHTC	Most tax benefits are claimed over a 10-year "**credit period.**" For a 15-year "**compliance period,**" all IRS rules must be followed, and tax benefits may be disallowed or recaptured. Since 1990, an agreement must be in place with the state HFA that extends the program an additional 15 years (often called an "extended use agreement"). This makes the "**extended use period**" a total of 30 years.	**§42(i)(1), (f)(1), (h)(6)(D), 8823 Guide Chapter 16**
HUD	Financing arrangements, program type and regulatory agreements will establish compliance periods.	**N/A**
RD	Financing arrangements, program type and regulatory agreements will establish compliance periods.	**N/A**
HOME	HOME properties have an "**affordability period.**" The affordability period can be 5, 10, 15, or 20 years, depending on the type of HOME project and the average per unit HOME investment. It will be defined in the HOME agreement.	**HOME Guide 7.1/7**
BOND	A bond project has a "**qualified project period.**" This is the period beginning on the Bond Issuance Date and ending on the **later** of **(a)** the date which is **15 years** after the date on which at least fifty percent (50%) of the residential units in the Project are first occupied, **(b)** the first day on which no tax-exempt private activity bond issued with respect to the Project is outstanding, or **(c)** the date on which any assistance provided with respect to the Project under the Section 8 of the United States Housing Act of 1937 terminates. Note that at least 15 years is involved.	**§142(d)(2)(A)**

Residency Application Fees

		References
LIHTC	Application fees may be charged to cover the actual cost of checking a prospective tenant's income, credit history, and landlord references. The fee is limited to recovery of the actual out-of-pocket costs.	**8823 Guide 11-3**
HUD	Owners may not charge application fees or require applicants to reimburse them for the cost of screening.	**4350.3 4-7E2/4-22**
RD	Application fees are discouraged, but when used, any fee charged to an applicant must be limited to the cost of actual services incurred for obtaining necessary information associated with completing a tenant certification.	**HB-2-3560 6.18B/6-27**
HOME	All mandatory fees, if allowed, must be approved by the PJ. The 2013 revision of the regulation requires that fees must not create an undue burden on low-income households, and that those charged must be reasonable or customary.	**Home Guide 3.3D4/55 HOME Regs 2013 § 92.214(b)**
BOND	Application fees are not addressed in the federal tax code or guidance.	**N/A**

Criminal Background Checks

		References
LIHTC	The program does not speak to specific background checks, but guidance allows for criminal background checks.	**8823 Guide 8-5**
HUD	Owners must develop screening and occupancy restrictions for those with certain violent or drug-related criminal pasts. New move-ins of persons subject to lifetime sex offender registration are prohibited. Each new move-in must be checked against a national registry of sex offenders.	**4350.3 4-7B2/4-18, C/4-19 through 21**
RD	Owners may, but are not required to, screen for criminal background.	**HB-2 3560 6.19/6-29**
HOME	The program does not speak to specific background checks, but guidance allows for criminal background checks.	**HOME Guide Exhibit 4-1/102**
BOND	The program does not speak to specific background checks.	**N/A**

Release of Information Forms

	Release of Information Forms	References
LIHTC	There is no specific form mandated federally.	**N/A**
HUD	HUD has a packet that must be signed by the applicant or resident at initial and annual certifications. This includes the 9887 and 9887-A.	**4350.3 3-11 / 3-23 & 24**
RD	There is no specific form mandated federally, but an owner is required to develop one.	**HB-2-3560 6.11 B2/6-17**
HOME	There is no specific form mandated federally.	**N/A**
BOND	There is no specific form mandated federally.	**N/A**

Citizenship

	Citizenship	References
LIHTC	Code does not impose any citizenship requirements. An owner may, but is not required to, choose to implement restrictions relating to noncitizens.	**8823 Guide 13-2**
HUD	Only U.S. citizens or eligible noncitizens may receive assistance under most HUD programs. Each person must sign an affidavit as to their citizenship status. Noncitizens must provide documentation as to their status and it will be verified through DHS' SAVE internet-based system. Assistance will be pro-rated for families with non-eligible members.	**4350.3 3-5F/3-4, 3-12/3-25 through 39, Exhibit 3-5 "Sample Citizenship"**
RD	RD regulations state that a resident must be a United States citizen or qualified alien. In 2005, the agency decided to indefinitely delay implementation of this requirement in order to harmonize their procedures with HUD.	**§3560.152 (a)(1) FR Vol. 70, No. 34 Feb 22, 2005**
HOME	The HOME regs and guidance do not speak to citizenship requirements.	**N/A**
BOND	The bond regs and guidance do not speak to citizenship requirements.	**N/A**

Race/Ethnicity

	Race/Ethnicity	References
LIHTC	Among other information, race and ethnicity information for each household must be reported by the HFA to HUD. The HFA must establish data collection and reporting procedures.	**The Housing and Economic Recovery Act of 2008 (HERA) section 2835**
HUD	Applicants must be given the option of completing HUD form HUD-27061-H - "Race and Ethnic Data Reporting Form." They must not be required to complete it and management should not complete the form on behalf of the applicant. This data should not be placed on the waiting list.	**4350.3 2-11A/2-10, 4-14A4/4-34, Exhibit 4- 3, 4-16D4/4-42**
RD	Owner designed application forms must ask for certain data, including race and ethnicity. If the applicant does not supply information, management is required to complete it based on observation. This data is to be placed on the waiting list.	**HB-2-3560 6.18A/6-25 through 6-27, Exhibit 6-5/6-26**
HOME	Since the success of affirmative marketing efforts must be evaluated by the PJ each year, there is generally a practical need to collect household race and ethnicity data as part of the application process.	**HOME Guide 4.2B5/99**
BOND	The bond program has no race or ethnicity data gathering or reporting requirements.	**N/A**

Affirmative Marketing

	Affirmative Marketing	References
LIHTC	Affirmative marketing is not addressed in the federal LIHTC code or guidance.	**N/A**
HUD	HUD requires having an Affirmative Fair Housing Marketing (AFHM) Plan in place, using HUD form 935.2A. It must be updated at least every 5 years and approved by HUD or CA.	**HUD form and instructions can be downloaded at: www.HUD.gov**
RD	RD requires having an Affirmative Fair Housing Marketing (AFHM) Plan in place, using HUD form 935.2A. It must be approved by RD.	**HB-2-3560 6.17/6- 25, HUD form and instructions can be downloaded at: www.HUD.gov**
HOME	HOME does not require a specific affirmative marketing plan format, but a PJ must establish affirmative marketing procedures and ensure that an owner has an affirmative marketing plan in place and that it is followed.	**HOME 4.2B/98&99**
BOND	Affirmative marketing is not addressed in the federal tax code or guidance.	**N/A**

Online System Used by Program

	Online System Used by Program	References
LIHTC	None at federal level. State HFAs may have online systems.	**N/A**
HUD	Tenant Rental Assistance Certification System (TRACS), with Enterprise Income Verification (EIV) system	**N/A**
RD	Management Agent Interactive Network (MINC)	**N/A**
HOME	The PJ uses the Integrated Disbursement and Information System (IDIS).	**N/A**
BOND	None	**N/A**

Administering Agency

	Administering Agency	References
LIHTC	The IRS and state agencies that they contract with commonly referred to as Housing Finance Agencies (HFAs).	**www.irs.gov and individual state HFA websites**
HUD	Housing and Urban Development and agencies they contract with ("Contract Administrators").	**www.HUD.gov and individual contract administrator sites**
RD	Rural Development (RD), or Rural Housing Services (RHS) of the United States Department of Agriculture (USDA).	**www.rurdev.usda.gov**
HOME	Housing and Urban Development (CPD division) and the agencies they work with, "Participating Jurisdictions (PJs)."	**www.HUD.gov and individual participating jurisdiction sites**
BOND	The IRS and bond issuers.	**www.irs.gov**

Inspection Cycle and Percentages Inspected

	Inspection Cycle and Percentages Inspected	References
LIHTC	Inspections will be conducted at least every 3rd year. 100% of buildings and at least 20% of LIHTC units are inspected.	**Treas. Reg. §1.42-5(c)(1)(vi) & (2)(ii)(B)**
HUD	**Management Occupancy Reviews** (MORs) are conducted on varying schedules depending on several factors. **REAC physical** inspections are conducted every three years if the last REAC inspection score was 90 or higher, every two years if the last REAC inspection score was 80-89, and every year if the last REAC inspection score was 79 or below.	**4350.1 Chapter 5, see also: www.hud.gov for further REAC information**
RD	There are annual inspections and in-depth tri-annual supervisory visits. **Annual Physical Inspection**: 5% of the occupied units (minimum of 2) and 5% of the vacant units (minimum of 2) are inspected. **Supervisory Visit: Physical and file inspections are conducted. If a project has** 0-5 units - all units will be inspected, 6-30 units - 6 units, 31-74 units - 10 units, 75 or more units - 15 units. If a project has vacancies, 5% (minimum of 2) vacant units will be inspected.	**HB-2-3560 9.9F/9-15, 9.10F/9-18&9**
HOME	At a minimum, properties with 1–4 units will be inspected every three years, 5–25 units every two years and 26 or more units every year. This is determined based on the total units in a project, not just HOME units. The inspector must select a "reasonable sample." The 2013 HOME regs now mandates a 3-year inspection cycle.	**HOME Guide Exhibit 6-1, 6.2C7/123**
BOND	No inspection regime is defined in code.	**N/A**

Physical Inspection Protocol

	Physical Inspection Protocol	References
LIHTC	HUD's Uniform Physical Conditions Standards (UPCS) or local standards. LIHTC funding does not trigger Section 504 requirements.	**8823 Guide 6-1 & Exhibit 6-1**
HUD	HUD's Uniform Physical Conditions Standards (UPCS) with REAC inspections. Some programs use Housing Quality Standards (HQS) protocols. Disability accessibility is reviewed per UFAS (Section 504).	**See: www.hud.gov for further UPCS and HQS information**
RD	"Form RD 3560-11 - Multi-Family Housing Physical Inspection report." Disability accessibility is reviewed per UFAS (Section 504).	**HB-2-3560 9.9F/9-15, 9.10F/9-18&9**
HOME	Various factors influence which of several protocols the PJ will choose. Disability accessibility is reviewed per UFAS (Section 504). The 2013 HOME regs mandate HUD's UPCS standard for Rehab projects and it replaces HQS as a default standard, if local or state codes are not used for ongoing rental housing inspections.	**HOME Guide Exhibit 5-1/112, 24 CFR 92.504 (d)**
BOND	None mandated. Bond funding does not trigger Section 504 requirements.	**N/A**

Appendix 3

Acceptable Forms of Verification

Important note: this HUD document provides best practice guidance on verifying eligibility factors for affordable housing programs. References to EIV and Forms HUD-9887 and 9887-A are specific to HUD multi-family housing programs and are not applicable to the LIHTC and HOME programs.

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Age. *(See Chapter 3, Paragraph 3-28.C)*	• None required.	• None required.	• None required.	• Birth Certificate • Baptismal Certificate • Military Discharge papers • Valid passport • Census document showing age • Naturalization certificate • Social Security Administration Benefits printout		

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d]*__NOTE:__ For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c]*__NOTE:__ See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Alimony or child support. *(See Chapter 5, Paragraphs 5-6.F and 5-10.F)*	• Copy of separation or divorce agreement provided by ex-spouse or court indicating type of support, amount, and payment schedule. • Written statement provided by ex-spouse or income source indicating all of above. • If applicable, written statement from court/attorney that payments are not being received and anticipated date of resumption of payments.	• Recent original letters from the court.	• Telephone or in-person contact with ex-spouse or income source documented in file by the owner.	• Copy of most recent check, recording date, amount, and check number.	• Notarized statement or affidavit signed by applicant indicating amount received. • If applicable, notarized statement or affidavit from applicant indicating that payments are not being received and describing efforts to collect amounts due.	• Amounts awarded but not received can be excluded from annual income only when applicants have made reasonable efforts to collect amounts due, including filing with courts or agencies responsible for enforcing payments.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Assets disposed of for less than fair market value. *(See Chapter 5, Paragraph 5-7.G.8)*	• None required.	• None required.	• None required.	• None required.	• Certification signed by applicant *and/or tenant* that no *family* member has disposed of assets for less than fair market value during *the* preceding two years. • If applicable, certification signed by the owner of the asset disposed of that shows: - Type of assets disposed of; - Date disposed of; - Amount received; and - Market value of asset at the time of disposition.	• Only count assets disposed of within a two-year period prior to *certification or recertification.*

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Auxiliary apparatus. *(See Chapter 5, Paragraph 5-10.C)*	• Written verification from source of costs and purpose of apparatus. • Written certification from doctor or rehabilitation agency that use of apparatus is necessary to employment of any family member. • In a case where the disabled person is employed, statement from employer that apparatus is necessary for employment.	• Copies of receipts.	• Telephone or in-person contact with these sources documented in file by the owner.	• Evidence of periodic payments for apparatus.	• Not appropriate.	• The owner must determine if the expense is to be considered a medical or disability assistance.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Care attendant for disabled family members. *(Paragraph 5-10.C)*	• Written verification from attendant stating amount received, frequency of payments, hours of care. • Written certification from doctor or rehabilitation agency that care is necessary to employment of family member.	• Copies of receipts.	• Telephone or in-person contact with source documented in file by the owner.	• Cancelled checks indicating payment amount and frequency.	• Notarized statement or signed affidavit attesting to amounts paid.	• The owner must determine if this expense is to be considered a medical or disability assistance.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Child care expenses (including verification that a family member who has been relieved of child care is working, attending school, or looking for employment). *(Paragraph 5-10.B)*	• Written verification from person who provides care indicating amount of payment, hours of care, names of children, frequency of payment, and whether or not care is necessary to employment or education. • Verification of employment as required under Employment Income. • Verification of student status (full or part-time) as required under Full-Time Student Status.	• Copies of receipts	• Telephone or in-person contact with these sources (child care provider, employer, school) documented in file by the owner.	• Cancelled checks indicating payments. • For school attendance, school records, such as paid fee statements that show that the time and duration of school attendance reasonably corresponds to the period of child care.	• For verification of "looking for work," details of job search effort as required by owner's written policy.	• Allowance provided only for care of children 12 and younger. • When same care provider takes care of children and disabled person, the owner must prorate expenses accordingly. • Owners should keep in mind that costs may be higher in summer months and during holiday periods. • The owner must determine which family member has been enabled to work. • Care for employment and education must be prorated to compare to earnings. • Costs must be "reasonable."

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources: Third Party[a]: Written [b and d]	Acceptable Sources: Third Party[a]: *Provided by Applicant[e]	Acceptable Sources: Third Party[a]: Oral[c]	Acceptable Sources: *Provided by Applicant	Acceptable Sources: Self-Declaration	Verification Tips
• Citizenship *(See Chapter 3, Paragraph 3-12)*					• Citizens must sign declaration certifying U.S. Citizenship.	• Owners may require applicants/residents to provide verification of citizenship.
• Current net family assets. *(See Chapter 5, Paragraph 5-7.C)*	• Verification forms, letters or documents received from financial institutions, stock brokers, real estate agents, employers indicating the current value of the assets and penalties or reasonable costs to be incurred in order to convert nonliquid assets into cash.	• Passbooks, checking, or savings account statements, certificates of deposit, property appraisals, stock or bond documents, or other financial statements completed by financial institution. • Copies of real estate tax statements, if tax authority uses approximate market value. • Copies of real estate closing documents that indicate distribution of sales proceeds and settlement costs.	• Telephone or in-person contact with appropriate source, documented in file by the owner.	• Quotes from attorneys, stockbrokers, bankers, and real estate agents that verify penalties and reasonable costs incurred to convert asset to cash.	• Notarized statement or signed affidavit stating cash value of assets or verifying cash held at applicant's home or in safe deposit box.	• Use current balance in savings accounts and average monthly balance in checking accounts for last 6 months. • Use cash value of all assets (the net amount the applicant would receive if the asset were converted to cash). • **NOTE:** This information can usually be obtained simultaneously when verifying income from assets and employment (e.g., value of pension).

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Disability status. *(Paragraph 3-28.B)*	• Verification from *appropriate source of information* stating that individual qualifies under the definition of disability.	• Not appropriate.	• Telephone or in-person contact with medical professional verifying qualification under the federal disability definition and documentation in the file of the conversation.	• Not appropriate.	• Not appropriate.	• If a person receives Social Security Disability solely due to a drug or alcohol problem, the person is not considered disabled under housing law. A person that does not receive Social Security Disability may still qualify under the definition of a person with disabilities. • Owners must not seek to verify information about a person's specific disability other than obtaining a professional's opinion of qualification under the definition of a person with disabilities.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

	Acceptable Sources					
	Third Party[a]					
Factor to be Verified	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	Verification Tips
• Dividend income and savings account interest income. *(See Chapter 5, Paragraph 5-7)*	• Verification form completed by bank.	• Copies of current statements, bank passbooks, certificates of deposit, if they show required information (i.e., current rate of interest). • Copies of Form 1099 from the financial institution, and verification of projected income for the next 12 months. • Broker's quarterly statements showing value of stocks/bonds and earnings credited to the applicant.	• Telephone or in-person contact with appropriate party, documented in file by the owner.		• Notarized statement or signed affidavit stating dividend income and savings account interest income.	• The owner must obtain enough information to accurately project income over next 12 months. • Verify interest rate as well as asset value.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Employment Income including tips, gratuities, overtime. *(See Chapter 5, Paragraph 5-5.A and C and Paragraph 5-6.)*	• *EIV Income Report (mandatory)* • Verification form completed by employer. See Paragraph 9-10 for situations when this method of verification must be used prior to verifying through an original or authentic document generated by a third-party source.	• W-2 Forms, if applicant has had same employer for at least two years and increases can be accurately projected. • Paycheck stubs or earning statements.	• Telephone or in-person contact with employer, specifying amount to be paid per pay period and length of pay period. Document in file by the owner.		• Notarized statements or affidavits signed by applicant that describe amount and source of income.	• *It is mandatory that the EIV Income Report be used as third-party verification of employment and income (24 CFR 5.233).* • Always verify: frequency of gross pay (i.e., hourly, biweekly, monthly, bimonthly); anticipated increases in pay and effective dates; overtime. • Require most recent *4-6* consecutive pay stubs; do not use check without stub. • For a fee, additional information can be obtained from The Work Number 800-996-7556; First American Registry 800-999-0350; and Verifax 800-969-5100. Fees are valid project expenses. Information does not replace third-party verification.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d]***NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c]***NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Family composition. *(See Chapter 3, Paragraph 3-27)*	• None required.	• None required.	• None required.	• Birth certificates • Divorce actions • Drivers' licenses • Employer records • Income tax returns • Marriage certificates • School records • Social Security Administration records • Social service agency records • Support payment records • Utility bills • Veterans Administration (VA) records		• An owner may seek verification only if the owner has clear written policy.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources: Third Party[a] – Written [b and d]	Third Party – *Provided by Applicant[e]	Third Party – Oral[c]	*Provided by Applicant	Self-Declaration	Verification Tips
• Family type. (Information verified only to determine eligibility for project, preferences, and allowances.) *(See Chapter 3, Paragraph 3-28)*	• Disability Status: statement from physician or other reliable source, if benefits documenting status are not received. See paragraph 3.25 B.1 for restrictions on this form of verification. • Displacement Status: Written statement or certificate of displacement by the appropriate governmental authority.		• Telephone or in-person contact with source documented in file by the owner.	• Elderly Status (when there is reasonable doubt that applicant is at least 62): birth certificate, baptismal certificate, social security records, driver's license, census record, official record of birth or other authoritative document or receipt of SSI old age benefits or SS benefits. • Disabled, blind: evidence of receipt of SSI or Disability benefits.	• Elderly Status: Applicant's signature on application is generally sufficient.	• *When* the applicant receives income or benefits for which elderly or disabled status is a requirement, such status must be verified. • Status of disabled family members must be verified for entitlement to $480 dependent deduction and disability assistance allowance. • Owner may not ask the nature/extent of disability.
• Full-time student status (of family member 18 or older, excluding head, spouse, or foster children). *(See Chapter 5, Paragraph 5-6.A.3)*	• Verification from the Admissions or Registrar's Office or dean, counselor, advisor, etc., or from VA Office.		• Telephone or in-person contact with these sources documented in file by the owner.	• School records, such as paid fee statements that show a sufficient number of credits to be considered a full-time student by the educational institution attended.	• Not appropriate.	

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d]***NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c]***NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Immigration Status. *(See Chapter 3, Paragraph 3-12)*	• Verification of eligible immigration status must be received from DHS through the DHS SAVE system or through secondary verification using DHS Form G-845.		• None.	• Applicant/resident must provide appropriate immigration documents to initiate verification.	• Noncitizens must sign declaration certifying the following: Eligible immigration status; or Decision not to claim eligible status.	• Owners must require noncitizens requesting assistance to provide verification of eligible immigration status.
• *Immigration Status (SSN) Individuals who do not contend eligible immigration status under the Section 221(d)(3) BMIR, Section 202 PAC, Section 202 PRAC, Section 811 PRAC programs (See Chapter 3, Paragraph 3-9.A)*					• *Self-certification that they do not contend eligible immigration status.*	• *This verification is for exemption of the requirement to disclose and provide verification of a SSN when an individual does not contend eligible immigration status only for the programs listed in the Factor to be Verified column.*

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d]***NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[e]***NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Income maintenance payments, benefits, income other than wages (i.e., welfare, Social Security [SS], Supplemental Security Income [SSI], Disability Income, Pensions). *(See Chapter 5, Paragraph 5-6)*	• * EIV Income Report for Social Security benefits (mandatory) * • Award or benefit notification letters prepared and signed by authorizing agency.	• Current or recent check stubs with date, amount, and check number recorded by the owner. • Award *or benefit* letters or computer printout from court or public agency. • Most recent quarterly pension account statement.	• Telephone or in-person contact with income source, documented in file by the owner. • **NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of third party.	• Copies of validated bank deposit slips or bank statements, with identification by bank.	• Notarized statement of income received other than wages.	• *It is mandatory that the EIV Income Report be used as third-party verification of the Social Security benefit income received (24 CFR 5.233).* • Checks or automatic bank deposit slips may not provide gross amounts of benefits if applicant has deductions made for Medicare Insurance. • Pay stubs for the most recent four to six weeks should be obtained. • Copying of U.S. Treasury checks is not permitted. • Award letters/printouts from court or public agency may be out of date; telephone verification of letter/printout is recommended.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d]***NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c]***NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Interest from sale of real property (e.g., contract for deed, installment sales contract, etc.) *(See chapter 5, Paragraph 5-7.G.7)*	• Verification form completed by an accountant, attorney, real estate broker, the buyer, or a financial institution which has copies of the amortization schedule from which interest income for the next 12 months can be obtained.	• Copy of the contract.	• Telephone or in-person contact with appropriate party, documented in file by the owner.	• Copy of the amortization schedule, with sufficient information for the owner to determine the amount of interest to be earned during the next 12 months. • **NOTE:** Copy of a check paid by the buyer to the applicant is not acceptable.	• Notarized statement of interest from sale of real property.	• Only the interest income is counted; the balance of the payment applied to the principal is merely a liquidation of the asset. • The owner must get enough information to compute the actual interest income for the next 12 months.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Medical expenses. *(See Chapter 5, Paragraph 5-10.D)*	• Verification by a doctor, hospital or clinic, dentist, pharmacist, etc., of estimated medical costs to be incurred or regular payments expected to be made on outstanding bills which are not covered by insurance.	• Copies of income tax forms (Schedule A, IRS Form 1040) that itemize medical expenses, when the expenses are not expected to change over the next 12 months. • Receipts, or pay stubs, which indicate health insurance premium costs, or payments to a resident attendant. • Receipts or ticket stubs that verify transportation expenses directly related to medical expenses.	• Telephone or in-person contact with these sources, documented in file by the owner.	• Copies of cancelled checks that verify payments on outstanding medical bills that will continue for all or part of the next 12 months. • Cancelled checks which indicate health insurance premium costs, or payments to a resident attendant.	• Notarized statement or signed affidavit of transportation expenses directly related to medical treatment, if there is no other source of verification.	• Medical expenses are not allowable as deduction unless applicant is an elderly or disabled family. Status must be verified.
• Need for an assistive animal. *(See Chapter 3, Paragraph 3-29)*	• Letter from *appropriate third party unless the need is readily apparent or already known*.					• If the owner's policy is to verify this need, owner must implement policy consistently.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources: Third Party[a] – Written[b and d]	Acceptable Sources: Third Party[a] – *Provided by Applicant[e]	Acceptable Sources: Third Party[a] – Oral[c]	Acceptable Sources: *Provided by Applicant	Acceptable Sources: Self-Declaration	Verification Tips
• Net Income for a business *(See Chapter 5, Paragraph 5-6.H).*	• Not applicable.	• Form 1040 with Schedule C, E, or F. • Financial Statement(s) of the business (audited or unaudited) including an accountant's calculation of straight-line depreciation expense if accelerated depreciation was used on the tax return or financial statement. • For rental property, copies of recent rent checks, lease and receipts for expenses, or IRS Schedule E.	• Not applicable.	• Any loan application listing income derived from business during the preceding 12 months.	• Notarized statement showing net income for a business.	
• Recurring contributions and gifts. *(See Chapter 5, Paragraph 5-6.G)*	• Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates, and value of gifts.	• Not applicable.	• Telephone or in-person contact with source documented in file by the owner.	• Not applicable.	• Notarized statement or affidavit signed by applicant stating purpose, dates, and value of gifts.	• Sporadic contributions and gifts are not counted as income.

[a]**NOTE**: Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[e*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Self-employment, tips, gratuities, etc. *(See Paragraph 5-5.C and Paragraph 5-6.H)*	• None available.	• Form 1040/1040A showing amount earned and employment period.	• None available.		• Notarized statement or affidavit signed by applicant showing amount earned and pay period.	

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[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Social security number. *(See Chapter 3, Paragraph 3-31)*	• None required.		• None Required	• Original Social Security card • *Original document issued by a federal or state government agency which contains the name, SSN, and other identifying information of the individual* • Driver's license with SSN • Identification card issued by a medical insurance provider, or by an employer or trade union. • Earnings statements on payroll stubs • Bank statement • Form 1099 • Benefit award letter • Retirement benefit letter • Life insurance policy • Court records	• N/A	• Individuals who have applied for legalization under the Immigration Reform and Control Act of 1986 will be able to disclose their social security numbers but unable to supply cards for documentation. Social security numbers are assigned to these persons when they apply for amnesty. The cards go to DHS until the persons are granted temporary lawful resident status. Until that time, their acceptable documentation is a letter from the DHS indicating that social security numbers have been assigned.

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[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d]***NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c]***NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]			*Provided by Applicant	Self-Declaration	
	Written [b and d]	*Provided by Applicant[e]	Oral[c]			
• *Student Status (Section 8 only) (See Chapter 3, Paragraphs 3-13.A and 3-33.A)*	• *Enrolled full-time and/or part-time at an institution of higher education • Verification of independence from parents • Financial assistance received*				• *Signed declaration and certification of income from parents • Certification of income provided by parent or from persons not living in the unit with the student*	• *May also need to verify age; dependent children; marital status; tuition; veteran status and /or disability status.*
• *Student status (Section 221(d)(3) BMIR, Section 202 PAC, Section 202 PRAC and Section 811 PRAC) See Chapter 3, Paragraph 3-13.B and 3-33.B)*	• *Enrolled full-time and/or part-time at an institution of higher education • Verification of independence from parents • Financial assistance received*				• *Certification of income provided by parent or from persons not living in the unit with the student*	
• Unborn children.	• None required.		• None required.	• None required.	• Applicant/tenant self-certifies to pregnancy.	• Owner may not verify further than self-certification.

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[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Unemployment compensation. *(See Chapter 5, Paragraphs 5-5.A, 5-6.J and Q)*	• *EIV Income Report (mandatory) * • Verification form completed by source.	• Copies of checks or records from agency provided by applicant stating payment amounts and dates. • Benefit notification letter signed by authorizing agency.	• Telephone or in-person contact with agency documented in a file by an owner.		• Notarized statement of unemployment compensation received.	• *It is mandatory that the EIV Income Report be used as third-party verification of employment and income (24 CFR 5.233).* • Frequency of payments and expected length of benefit term must be verified. • Income not expected to last full 12 months must be calculated based on 12 months and interim recertification completed when benefits stop.

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[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
[c]**NOTE**: For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	Acceptable Sources					Verification Tips
	Third Party[a]					
	Written [b and d]	*Provided by Applicant[e]	Oral[c]	*Provided by Applicant	Self-Declaration	
• Welfare payments (as-paid states only). *(See Chapter 5, Paragraph 5-6.K)*	• Verification form completed by welfare department indicating maximum amount family may receive. • Maximum shelter schedule by household size with ratable reduction schedule.		• Telephone or in-person contact with income source, documented in file by the owner.	• Maximum shelter allowance schedule with ratable reduction schedule provided by applicant.	• Notarized statement of welfare payments received.	• Actual welfare benefit amount not sufficient as proof of income in "as-paid" states or localities since income is defined as maximum shelter amount.
• Zero Income. *(See Chapter 9, Paragraph 9-11.D)*	• Not applicable.	• Not applicable.	• Not applicable.	• Not applicable.	• Applicant/Tenant self-certifies to zero income.	• Owners may require applicant/tenant to sign verification release of information forms for state, local, and federal benefits programs, as well as the HUD 9887 and HUD 9887-A. • Owners may require the tenant to reverify zero income status at least every 90 days.

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[b]**NOTE**: If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
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[d*]**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
[c*]**NOTE:** See examples and requirements found in Paragraph 5-13.B.1