

NORTH CAROLINA

HOUSING

FINANCE

AGENCY

2020

Advanced Training

Presented by NCHFA Staff



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Raleigh, NC 27611-8066

Web Site:
www.nchfa.com

Asset Management Contact List

Main Agency Telephone Number (919) 877-5700
Rental Investment Business Group Fax Number (919) 877-5701
Susan Westbrook, Manager of Rental Assets sewestbrook@nchfa.com (919) 877-5647

Asset Management and Compliance Teams:

If you have a general or specific question regarding tax credits or an RPP funded property, contact any of the following:

Tanya Burnett Clark, tbclark@nchfa.com (919) 877-5665
Team Leader
Lisa Alston lnalston@nchfa.com (919) 877-5669
Erica Hopkins elhopkins@nchfa.com (919) 981-5233
Carlos McLeod clmcleod@nchfa.com (919) 877-5639
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Keisha Purvis kppurvis@nchfa.com (919) 877-5713

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Supervisor – Rental Subsidy Administration & Activities
Amy Barnes aebarnes@nchfa.com (919) 850-2869
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Deborah Simmons dlsimmons@nchfa.com (919) 981-4471
Lisa White lawhite@nchfa.com (919) 431-2008

If you have a question about the online reporting system (RCRS), contact:
Tanya Clark tbclark@nchfa.com (919) 877-5665

If you have questions on RPP rent increases or reserve withdrawals, contact:
Randa McCauley rjmccauley@nchfa.com (919) 981-2691

If you have general questions about audited financial statements, contact:
Erica Hopkins elhopkins@nchfa.com (919) 981-5233

If you have a question about utility allowances, contact:
Theresa McSorley tamcsorley@nchfa.com (919) 877-5664

If you have a question about the KEY Program payments, contact:
Louise Gardner rlgardner@nchfa.com (919) 877-5663

If you have questions about our training workshops or workshop schedules contact:
Steven James spjames@nchfa.com (919) 981-2654

If you have questions about our training workshop registration, contact:
Karen Williams kwilliams@nchfa.com (919) 877-5711

If you have a general or specific question about a Supportive Housing property or shelter, contact:
Keisha Purvis kppurvis@nchfa.com (919) 877-5713

If you have general questions about physical inspections, contact:
Carlos McLeod clmcleod@nchfa.com (919) 877-5639

If you have a question regarding accessible routes for playgrounds or common areas, contact:
Russ Griffin rsgriffin@nchfa.com (919) 877-5643

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Hot Topics & Reminders



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COVID -19

Information and Resources available on our website

www.nchfa.com

Check often for updates



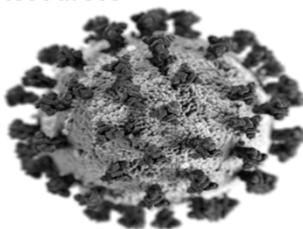
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- Mission and Values
- COVID-19 Information and Resources
- Hurricane Resources
- Leadership
- Housing Partnership
- Our Financing
- Investments and Impact
- Research, Reporting and Policy
- Housing North Carolina Awards

COVID-19 Resources



The North Carolina Housing Finance Agency is committed to the health and well-being of all North Carolinians and has assembled a list of resources to help residents navigate the COVID-19/Coronavirus situation. The Agency will update this page as new resources become available.

> Español Recent News

Agency Update
May 11, 2020

\$4.5 Million in Funding Awarded for Repairs, Accessibility Modifications for Low-Income Citizens
April 14, 2020



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2019 Annual Owner's Certification (AOC)

- Due February 10, 2020
- If not uploaded into RCRS by February 10, 2020, the property is in noncompliance, and subject to 8823

Home Property List Property Menu ▾

9002710 -> Windchase Apartments -> Documents

AOC/Owner Affidavit Documents

Description	Status	Date Submitted
View 2019 AOC	Accepted	02/03/2020
View 2018 AOC	Accepted	02/05/2019
View 2017 AOC	Accepted	02/09/2018
View 2016 AOC	Accepted	02/09/2017
View 2015 AOC	Accepted	02/03/2016

Page size: 5

8 items in 2 pages



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Possible Sample Size Change - 2021

- Beginning 2021, the sample size will increase for file audits and physical inspections
- Properties with less than 150 units is considered a “small” property and warrants a larger sample size. This is approximately 90% of our portfolio

Example:

- On a 28-unit TC/RD deal, we are currently required to monitor 6 units. Under the new regulations, we must monitor either 14 units, or all 28 units if not part of a multiple building election
- On a typical 48-unit deal, we are currently required to monitor 10 units. That is going up to 18 units, and possibly all 48 units



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Possible Sample Size Change - 2021

Minimum Unit Sample Size Reference Chart

Units on the Property	Minimum Unit Sample Size	Units on the Property	Minimum Unit Sample Size
1	1	26 - 29	14
2	2	30 - 34	15
3	3	35 - 40	16
4	4	41 - 47	17
5 - 6	5	48 - 56	18
7	6	57 - 67	19
8 - 9	7	68 - 81	20
10 - 11	8	82 - 101	21
12 - 13	9	102 - 130	22
14 - 16	10	131 - 175	23
17 - 18	11	176 - 257	24
19 - 21	12	258 - 449	25
22 - 25	13	450 - 1461	26
1462 - 9999	27		



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Possible Sample Size Change - 2021



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What does this mean for management?

- Longer inspections
- Sample size will apply to files as well
- Must provide 8609s for each property – make sure Part II is completed!

Using 2016-2018 as a baseline period for comparison:

- NCHFA was required to monitor a minimum of 29,282 units annually using previous IRS requirements
- NCHFA typically monitors more than what is required by the IRS under the old rules due to RPP Loan requirements
- Under the new requirements, NCHFA will monitor 46,395 units annually, an increase of 45%



File Monitoring Change Work Force Housing Loan Program

Work Force Housing Loan Program (STC)

Files – Every year (*NEW – Effective 1/1/2020 – Frequency Changed*)

Physicals – Every year (*No Change*)



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8609 Project



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- Email sent on 10/17/2019 requesting 8609s with Part II completed and signed by the owner uploaded to the Documents tab for each LIHTC (tax credit) property in RCRS.
- This will help the Agency prepare for the monitoring requirements that must be in effect no later than 1/1/2021
- Deadline to upload the 8609s is 6/30/2020
- Having the applicable elections reported by the owner to the IRS will enable us to use the smallest valid samples size and stop reporting to the IRS at the earliest possible date
- If you fail to upload the 8609s with Part II complete, we will monitor 100% of the property and report noncompliance to the IRS for the longest length of time allowed based on the placed in service date



Revised Forms/Documents



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About Us Home Buyers

- Program Compliance
- Policies and Procedures
- Income Limits

Forms and Resources

LOW-INCOME HOUSING TAX CREDIT

Required Forms

Annual Student Certification
Approval to Change Management
Employment Verification

- Revised forms effective 2/1/2020, available on the Agency website
- Move-ins 2/1/2020 and there after should use the new forms
- Recertifications effective 6/1/2020 and there after should use the new forms

Revised documents include:

- Tenant Income Certification (TIC) *updated on Agency website; RCRS generate form will be updated 1/1/2021*
- Under \$5,000 Asset Verification
- Employment Verification
- Zero Income Affidavit
- Student Status/Financial Aid Verification
- Annual Student Certification
- Physical Inspection Notification Letters & Grey Areas
 - *look for revised copies generated in RCRS when Physical Inspection Notification Letters generated*

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Inspection Protocol Change – NSPIRE



- UPCS (Uniform Physical Conditions Standards) is changing to NSPIRE (National Standards for the Physical Inspection of Real Estate)
- Prioritizes health, safety, and functional defects over those of appearance
- Focus is on the areas that impact residents
- Three inspectable areas instead of five
- Implemented timeline – 2021 or later
- More information to come

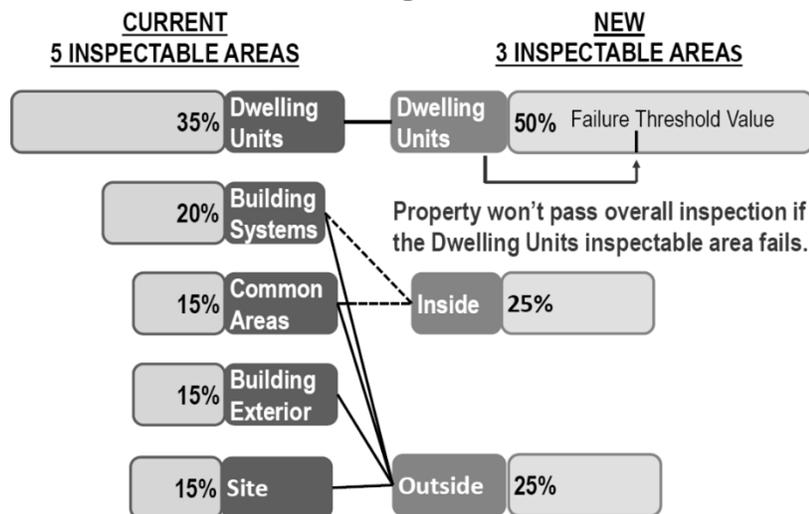


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Inspection Protocol Change – NSPIRE

- 5 Inspectable areas will feed into the 3 new inspectable areas
- Simplified, intuitive approach based on the inspectable item's physical location



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Mandatory Tax Credit Lease Addendum

TENANT: _____ LANDLORD: _____ UNIT NO.: _____

LIHTC LEASE ADDENDUM

This lease addendum adds the following paragraphs to the lease between the tenant and landlord referred to above.

Conflict with Other Provisions of the Lease. In case of any conflict between the provisions of this addendum and other sections of the lease, or other lease addendums, the provisions of this addendum shall prevail, with the exception of the following:

- If a property is regulated by HUD and using the HUD model lease, the HUD model Lease shall prevail.
- If a property is regulated by USDA and using the lease mandated by RD, the RD lease shall prevail.
- If a property is subject to HUD HOME regulations, the HOME lease addendum shall prevail.

- New leases executed on or after 1/1/2019, must include the addendum
- Lease renewals that occur on or after 1/1/2019, must include the addendum.
- Actual lease does not need to be approved because the provisions of the required addendum indicate what takes priority under the law.
- Provisions made to allow HUD or RD lease to prevail in areas of conflict.



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HOME Lease Addendum

TENANT: _____ LANDLORD: _____ UNIT NO.: _____

HOME LEASE ADDENDUM

This lease addendum adds the following paragraphs to the Lease between the Tenant and Landlord referred to above.

- A. Purpose of the Addendum.** The lease for the above-referenced unit is being amended to include the provisions of this addendum because the apartment project has received funding under the federal HOME Investment Partnerships Program ("HOME Program").
- B. Conflict with Other Provisions of the Lease.** In case of any conflict between the provisions of this Addendum and other sections of the Lease, the provisions of this Addendum shall prevail.
- C. Term of Lease.** Notwithstanding anything herein to the contrary, the initial Lease term shall be for a period of not less than 12 months. Subsequent lease terms shall be for a period of no less than 12 months, unless the Landlord and Tenant mutually agree in writing to a shorter term, but in no event, can the Lease term be less than 30 days.
- D. Income Eligibility.** The Landlord has the right to recertify the Tenant's income on an annual basis to verify Tenant's continuing eligibility to reside in a HOME unit. The Tenant's failure to cooperate in the income recertification process will be a violation of the lease. Deliberately providing false information can result in the termination of the Lease.

- Released 6/1/2019, by announcement in RCRS
- New leases executed on or after 6/1/2019, must include the addendum
- Lease renewals that occur on or after 6/1/2019, must include the addendum.
- Actual lease does not need to be approved because the provisions of the required addendum indicate what takes priority under law, the lease itself or the addendum
- Our attorney drafted this lease addendum and we are confident that it complies with the HOME regulations
- If a property has Tax Credits and Home from the NCHFA, then the property must use the Tax Credit Lease Addendum and the HOME Lease Addendum



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VAWA Requirements



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- HUD 5381 – Model Emergency Transfer Plan
 - Requirement - posted publicly & available upon request
- HUD 5380 - Notice of Occupancy Rights under VAWA
 - Requirement - provided to existing tenants, applicants placed on waiting list and denied applicants; provided again with any notice of eviction or termination
- HUD 5382 – Certification of Domestic Violence, Dating Violence, Sexual Assault or Stalking
 - Requirement – same as HUD 5380
- HUD 5383 – Emergency Transfer Request for Certain Victims of Domestic Violence, Dating Violence, Sexual Assault or Stalking
- Must utilize VAWA lease addendum describing specific protections for VAWA victims or contain VAWA language in main lease
- Do not upload VAWA forms in RCRS, they will be reviewed at the physical inspections
- VAWA and other HUD forms can be found on the HUD website in English, Spanish and other languages as needed.



Loss of Key Payment – Timely Submissions

Household Size	Percent of Income (Resident pays gov utilities)	Percent of Income (Owner pays all utilities)
One (1) Bedroom	25%	30%
minimum of 2 persons **	20%	30%
minimum of 4 persons	15%	30%
minimum of 6 persons	10%	30%

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- New Policy Effective January 1, 2019
- DHHS will no longer pay Key Subsidy for unit events that exceed 12 months
- Example: If the requisition is submitted January 2020 for 14 months of Key Payments (from November 2018 – December 2019), the Management Company will not receive payment for November or December 2018 because these months are outside of the 12 month payment window





Notes



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Tax Credit Specific Requirements & State Requirements



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Low Income Housing Credit (LIHC) Program



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Tax Credit Developments may involve:

- New Construction
- Substantial rehabilitation of existing units
- Acquisition and Rehabilitation
 - NCHFA requires at least \$15,000/unit of rehabilitation costs



LIHC Program



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Internal Revenue Service (IRS)

- Regulates and acts as the enforcement arm for the program
- Sets program requirements
 - Section 42
 - 8823 Audit Guide
 - Treasury Regulations 1.42
 - Revenue Rulings
 - Procedures, and Notices
- Process tax returns
- Recaptures credits



LIHC Program



- Credits are allocated based on competitive application
- Projects are awarded under the state's Qualified Allocation Plan (QAP)
- States are required to allocate at least 10% of the annual credits to projects sponsored by non-profit organizations

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LIHC Program

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Qualified Allocation Plan (QAP)

- Published Annually
- Sets priorities for awarding credits
- Address state's housing goals
- Establishes minimum threshold requirements
- Establishes selection criteria to competitively score
- Limits the amount of credits awarded projects, and development entities

Rental Development
Financing Options

How Do I Apply for
Funding?

Qualified Allocation
Plan

2020 QAP

2019 QAP

Qualified Allocation Plan

The Qualified Allocation Plan (QAP) details the selection criteria and application requirements for Housing Credits and tax-exempt bonds. It lists all deadlines, application fees, restrictions, standards and requirements for rental developers to be eligible for funding.

The Agency proposes a new QAP each year and holds a public forum before adopting a final plan. For the most updated information about qualifications and your ability to meet them, see this year's QAP. You can also view previous QAP's by year.

2020 QAP

Recent News

North Carolinians With Special
Housing Needs Gain More Options
December 20, 2019

Notice of Funds Available: Essential
Single-Family Rehabilitation Loan
Pool
December 10, 2019

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Each property must follow the QAP that was in place at the time the credits were allocated, regardless of how the QAP has evolved

Lets look at an example of how specific housing issues can change and evolve from one year to another in the QAP

Allocation Year	Supportive Services	Targeted Units	Key Program
1987 - 1994	N/A	N/A	N/A
1995	Optional Points Awarded	N/A	N/A
1996 - 1999	Mandatory for Elderly Optional Points for Family	N/A	N/A
2000 - 2001	Mandatory for Elderly and for Special Populations	N/A	N/A
2002	Mandatory for Elderly Optional Points for Family	Optional Points Awarded	N/A
2003	N/A	Optional Points Awarded	N/A
2004 - Ongoing	N/A	Mandatory for All	Available



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Supportive Services

- If a supportive Services Plan was originally required, the property must continue to follow the approved services plan
- If the plan is not relevant or needs to be updated to reflect current activities, submit a copy of the services plan to NCHFA for approval
- Documentation must be maintained to show compliance with the plan

Examples include:

- Services notebook
- Flyers
- Sign-in sheets
- Calendars



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What is the Targeting Program?

- Partnership between DHHS, NCHFA, and local communities
- Annually, 10% of newly funded Low Income Housing Credit (LIHC) units targeted to person with disabilities
- Targeting Unit Agreements (TUA)
- Persons must be referred by a service provider who has made a commitment to participate
- Housing with access to supports and services (on-site services not required)



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Key Assistance

- State funded operating assistance to subsidize rent of tenants referred by DHHS through the Targeting Program
- Limited to households headed by persons with disabilities, verified by income based upon disability (SSI, SSDI, etc.)
- Key Payment standard set by NCHFA and DHHS
- Owners must sign Agreement of Participation

Property Management responsible for:

- Verifying eligibility
- Sending NCHFA monthly Key requisitions via RCRS
- Transition to Section 8 voucher, if available



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LHC Program

Credit Period

- The 10-year period that credits are claimed
- Under certain circumstances the credits are claimed over a 15 year period

IRS Compliance Period

- The first 15 years of the affordability period
- The property must comply with regulations or be subject to recapture (pay the credits back)
- The credit period and compliance period start the first year the credits are claimed



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LHC Program

Extended Use Period

- Additional 15-year extended use period (after the Compliance Period)
- Property must comply with the Deed Restrictions
- State enforcement; no recapture
- Early termination of minimum 30-year period only if:
 - Foreclosure
 - Qualified Contract Process

Extended Use Period Compliance Policy

- Must fully document eligibility at move-in and first annual recert; no additional recerts are required
- Must continue to report activity in RCRS
- Student Rules no longer apply
- Compliance reviewed project-wide, not building-by-building
- Smaller sample size (10%) when monitored



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LIHC Program

Unit Mix		
	Required	Reported
Market Rate Units	0	0
Employee Units	0	0
Low Income Units	42	42
Total Units	42	42
DHHS Targeting Units	5	5
Key Program Units	5	5
Home Units	0	0

A minimum percentage of units must be set aside and rent restricted to Low Income (LI) households to qualify for credits



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LIHC Program

Minimum Set Aside – Options

- 20/50 selection – 20% of the units must be affordable to and occupied by households whose income is 50% or less of the Area Median Income (AMI)
- 40/60 selection – 40% of the units must be affordable to and occupied by households whose income is 60% or less of the AMI
- Average Income – 20%, 30%, 40%, 50%, 60%, 70%, 80% (AMI) - Max of 4 Chosen
- 25/60 (New York City Only)



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Income Averaging

- Only allowed for allocations in 2019 and forward!
- All requirements are spelled out in the Qualified Allocation Plan (QAP)

The following slides contain the basics:



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Income Averaging

Applicants electing to use income averaging must comply with the following:

- The income average for the property cannot exceed 60%,
- The income average for any bedroom type cannot exceed 60%,
- Market rate units are prohibited,
- For projects with more than one building, Owners must select each building is part of a multiple building set-aside on line 8b in part II of IRS Form 8609.



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Income Averaging

- No project can have more than four (4) income bands consisting of: 20%, 30%, 40%, 50%, 60%, 70%, 80% area median income.
- Any project utilizing income averaging:
 - Must pay a monitoring fee of \$1,200 per unit in 2019
(\$1,500 per unit in 2020)
 - Includes all units, qualified, unrestricted, and employee
 - Must be paid prior to issuance of the project's IRS Form 8609.



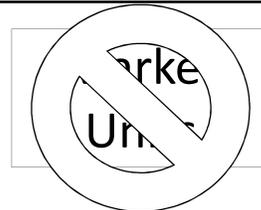
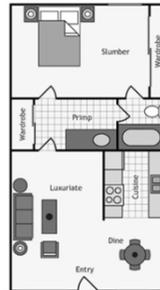
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What does "average" look like?

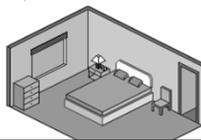


All buildings must be part of a multiple building project



Income designation of all units must average 60%

Income designation of each size must average 60%



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What does “average” look like?



100 unit property:

- 30 units at 30% AMI
- 20 units at 50% AMI
- 20 units at 60% AMI
- 30 units at 80% AMI

Average = 55%



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What does “average” look like?

100 unit property:

1-Bedroom units:

- 15 units at 30% AMI
- 6 units at 50% AMI
- 6 units at 60% AMI
- 6 units at 80% AMI

Average = 49%

2-Bedroom units:

- 10 units at 30% AMI
- 10 units at 50% AMI
- 10 units at 60% AMI
- 15 units at 80% AMI

Average = 58%

3-Bedroom units:

- 5 units at 30% AMI
- 4 units at 50% AMI
- 4 units at 60% AMI
- 9 units at 80% AMI

Average = 60%



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Income Averaging Compliance Monitoring Requirements

- Designations must FLOAT:** Income and rent designations are required to float to maintain compliance with set-asides specified in the application.



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Floating Example:

Building A 12/31/2019		
Unit 101	MI	30%
Unit 102	MI	50%
Unit 103	MI	50%
Unit 104	MI	70%
Unit 105	MI	80%

Building A 12/31/2020		
Unit 101	R	50%
Unit 102	R	70%
Unit 103	MI	30%
Unit 104	R	80%
Unit 105	MI	50%



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Income Averaging Compliance Monitoring Requirements

- 2. All tenants must be recertified annually:** All households must be certified annually in accordance with B(1)(vi) to confirm the appropriate unit set-aside. No exception is allowed for one hundred percent (100%) low income projects using Average Income as the minimum set-aside. If household income has increased to the next set-aside, the next available unit of comparable or smaller size must be rented to a household at the lower set-aside until the appropriate unit mix is restored. If household income decreases, it is acceptable to move the unit to the lower set-aside if a slot is available, but this is not mandatory.



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Annual Recertification Example



Move In Income:
\$18,500 = 30%

1st Recert Income:
\$23,500 = 50%

**Next unit must be rented at
30% AMI**



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Income Averaging Compliance Monitoring Requirements

3. **Annual Tenant File Reviews by NCHFA:** Low-income certification review frequency under C(2)(ii) will be increased to annual review to monitor compliance with this set-aside.
4. **Lower Income & Rent Limits:** Lower set-asides must follow the Multifamily Tax Subsidy Program (MTSP) income and rent limits as published by HUD annually. Any units where income or rent exceeds the limit for the set-aside specified on the low-income certification will be reported to the IRS.



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Income Examples

**Beaufort County Property -
1 Person Income Limits**

Average Income Min Set-Aside	
30%	\$11,610
40%	\$15,480
50%	\$19,350
60%	\$23,220

**Beaufort County Property –
1 Person Income Limits**

40/60 Min Set-Aside With income bands	
30%	\$12,510
40%	\$16,680
50%	\$20,850
60%	\$23,220



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Rent Examples

Beaufort County Property – 1 BR Rent Limits

Average Income Min Set-Aside	
30%	\$310
40%	\$414
50%	\$518
60%	\$621

Beaufort County Property – 1 BR Rent Limits

40/60 Min Set-Aside With income bands	
30%	\$334
40%	\$446
50%	\$558
60%	\$621

Loss of Rent Per Unit Per Year Caused By Selecting Average Income

Beaufort County Property – 1 BR Rent Loss

Average Income Min Set-Aside		
30%	\$24/mo	\$288 pupy
40%	\$32/mo	\$384 pupy
50%	\$40/mo	\$480 pupy
60%	N/A	N/A

Income Averaging Compliance Monitoring Requirements

- 5. Noncompliance reported to IRS:** As part of the annual review of the certification required under C(1), the Agency will test compliance with the Average Income requirements. Units out of compliance at year end, regardless of whether attributable to a low-income certification issue or a physical inspection issue, will be removed from the applicable fraction to determine whether the Average Income is acceptable and meets program requirements. If the minimum number of compliant units falls below forty percent (40%), or if the average income designation of compliant units is above sixty percent (60%) Area Median Income (AMI), the entire project will fail to meet the required minimum set-aside and will be reported to the IRS.



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8823 Example – One Unit

- Unit 101 is designated as 30%
- 30% Income Limit is \$11,610
- Household at move-in is \$12,100

- Unit 101 is out of compliance and will be reported to IRS as over-income
- Unit 101 is counted as the next highest set-aside for calculating the Average Income for the entire property



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8823 – Minimum set-aside violation

Building A 12/31/2019 – Average		Building B 12/31/2019 – Average	
Unit 101	MI	MI	30%
Unit 102	MI	MI	70%
Unit 103	MI	MI	50%
Unit 104	MI	MI	70%
Unit 105	MI	MI	80%

Average Actually = 60%

Minimum Set-Aside is OK!



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8823 – Minimum set-aside violation

Building A 12/31/2019 – Average		Building B 12/31/2019 – Average	
Unit 101	MI	MI	50%
Unit 102	MI	MI	70%
Unit 103	MI	MI	50%
Unit 104	MI	MI	70%
Unit 105	MI	MI	80%

Average Actually = 64%

**8823!
Loss of credits
on ALL units!**



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8823 – Minimum set-aside violation

Building A 12/31/2019 – Average		Building B 12/31/2019 – Average	
Unit 101	MI	MI	30%
Unit 102	MI	MI	50%
Unit 103	MI	MI	50%
Unit 104	MI	MI	70%
Unit 105	MI	MI	Market

Minimum Set-Aside is OK!

Average Actually = 50%

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8823 – Minimum set-aside violation

Building A 12/31/2019 – Average		Building B 12/31/2019 – Average	
Unit 101	MI	MI	30%
Unit 102	MI	MI	50%
Unit 103	MI	MI	Market
Unit 104	MI	MI	Market
Unit 105	MI	MI	Market

**8823!
Loss of credits
on ALL units!**

Average Actually = 40%, but less than 40% of units are low income

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LIHC Program

The minimum set aside

- Establishes the maximum income limit for low income residents
- Establishes a threshold number of low income units in the project required before any credits can be claimed
- Establishes the maximum rent for low income units

Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

7	Eligible basis of building (see instructions)	7	
8a	Original qualified basis of the building at close of first year of credit period	8a	
b	Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
9a	If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low-income units under section 42(d)(3)(B)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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))	<input type="checkbox"/> Yes	<input type="checkbox"/> No
b	Elect not to treat large part of building as temporary (section 42(g)(5))	<input type="checkbox"/> Yes	
	Elect minimum set-aside requirement (section 42(g)) (see instructions):		
	<input type="checkbox"/> 20-50 <input type="checkbox"/> 40-60 <input type="checkbox"/> Average income <input type="checkbox"/> 25-60 (N.Y.C. only)		

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- Owner selects the minimum set aside on Form 8609
- The minimum set aside is irrevocable
- Must be maintained
- Tested at the end of each taxable year
- Set aside met across the property or building by building based on the election made on 8b of the 8609

Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

7	Eligible basis of building (see instructions)	7	
8a	Original qualified basis of the building at close of first year of credit period	8a	
b	Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

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IRS Form 8609

- Official notification to the IRS of the allocation of credits
- Form issued for each low income building
- Owner makes required elections on Part II of the form
- Schedule A of the form is filed annually with the owner's tax return

SCHEDULE A
(Form 8609)
(Rev. November 2003)
Department of the Treasury
Internal Revenue Service

Annual Statement

OMB No. 1545-0988

▶ Attach to Form 8609 and file with owner's Federal income tax return.

Attachment
Sequence No. **36a**

A Building owner's name	B Identifying number ▶
	C Building identification number ▶

- D** Do you have in your records the original Form 8609 issued by the housing credit agency (or a copy thereof) for the above building? Yes No. If "No," see instructions.
- E** Did the above building qualify as a part of a qualified low-income housing project and meet the requirements of section 42 as of the end of your tax year? Yes No. If "No," see instructions and stop here.
- F** Was there a decrease in the qualified basis of the above building for this tax year? Yes No. If "Yes," see instructions. If "No" and the entire credit has been claimed in prior tax years, **stop here.**



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IRS Form 8609 Contains:

- The amount of credits awarded to the building
- The Qualified basis
- Placed in service date
- Name, address and Tax Payer Identification Number (TIN) of the owner
- Building Identification Number (BIN)

Part I Allocation of Credit

Check if: Addition to Qualified Basis Amend Form

A Address of building (do not use P.O. box) (see instructions)

B Name and address of housing credit agency

C Name, address, and TIN of building owner receiving allocation

D Employer's housing credit agency

E Building identification number (BIN)

TIN ▶

1a Date of allocation ▶	1b Maximum housing credit dollar amount allowable	
2 Maximum applicable credit percentage allowable (see instructions)	2	%
3a Maximum qualified basis	3a	
b Check here <input type="checkbox"/> if the eligible basis used in the computation of line 3a was increased under the high-cost area provisions of section 42(d)(5)(B). Enter the percentage to which the eligible basis was increased (see instructions)	3b	1 %
4 Percentage of the aggregate basis financed by tax-exempt bonds. (If zero, enter -0-.)	4	%
5 Date building placed in service ▶		



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Important elections made on the 8609

- Minimum set aside
- The year the owner elects as the first year of the credit period
- Whether the project is operated as part of a multiple building project or whether each building is treated as a separate project

Part II First-Year Certification—Completed by Building Owners with respect to the First Year of the Credit Period

7	Eligible basis of building (see instructions)	7	
8a	Original qualified basis of the building at close of first year of credit period	8a	
	b Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?		<input type="checkbox"/> Yes <input type="checkbox"/> No
	9a If box 6a or box 6d is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?		<input type="checkbox"/> Yes <input type="checkbox"/> No
	b For market-rate units above the average quality standards of low-income units in the building, do you elect to reduce eligible basis by disproportionate costs of non-low-income units under section 42(d)(3)(B)?		<input type="checkbox"/> Yes <input type="checkbox"/> No
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))		<input type="checkbox"/> Yes <input type="checkbox"/> No
	b Elect not to treat large partnership as taxpayer (section 42(j)(5))		<input type="checkbox"/> Yes
	c Elect minimum set-aside requirement (section 42(g)) (see instructions):		
	<input type="checkbox"/> 20-50	<input type="checkbox"/> 40-60	<input type="checkbox"/> Average income
	<input type="checkbox"/> 25-60 (N.Y.C. only)		
	d Elect deep rent skewed project (section 142(d)(4)(B)) (see instructions)		<input type="checkbox"/> 15-40



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IRS Form 8609

- Copies of form 8609 with Part II completed must be provided to NCHFA at the end of the first credit period
- The form was revised 5/2018

Form 8609 (Rev. May 2018)
Department of the Treasury
Internal Revenue Service

Low-Income Housing Credit Allocation and Certification

OMB No. 1545-0988

Go to www.irs.gov/Form8609 for instructions and the latest information.

Part I Allocation of Credit

Check if: Addition to Qualified Basis Amended Form

A Address of building (do not use P.O. box) (see instructions)	B Name and address of housing credit agency
C Name, address, and TIN of building owner receiving allocation	D Employer identification number of agency
E Building identification number (BIN)	

TIN ▶



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LIHC Program

- 100% of the units in the project can be targeted to low income households or a smaller percentage
- The percentage is the Applicable Fraction and is recorded in the LURA
- Projects are subject to IRS and State regulations for a 30 year (or more) affordability period
- Prohibits eviction or termination of tenancy (other than good cause)
- Prohibits the refusal to lease to section 8 voucher holders based on being a voucher holder
- Requires rents to comply with limits for three years after termination of agreement



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Vacant Unit Rule



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- Project-based rule
- Focus is on mixed-income properties
- Noncompliance reported as category 11c on the 8823
- Owner fails to make reasonable attempts to rent low-income units before renting market-rate units. This can be documented using:
 - Marketing efforts
 - Timely processing of LI applications



140% Rule



Department of the Treasury
Internal Revenue Service

§42(g)(2)(D) and
Treasury Regulation 1.42-15:

- When a household's income exceeds 140% of the current income limit at recertification, the unit is Over-Income (OI) and the Available Unit Rule MUST be followed.

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140% Rule

- Recertification income limit is 140% of the current tax credit limit

Current 60%, 2 person income limit is \$24,720

The recertification limit would be \$34,608 (\$24,720 X 140%)

- If the household's income exceeds \$34,608, the unit is re-designated as Over Income (OI) and the next available unit rule must be followed

Part V - Determination of Income Eligibility		Recertification Only:	
Total Annual Household Income From All Sources: From item (L) on page 1	\$31,250	Household Meets Income Restriction at:	Current Income Limit x 140% \$34,608
Current Income Limit per Family Size:	\$ 24,720	<input checked="" type="checkbox"/> 60% <input type="checkbox"/> 50%	Household Income exceeds 140% at Recertification:
Household Income at Move-in:	\$ 23,125	<input type="checkbox"/> 40% <input type="checkbox"/> 30%	<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No
		<input type="checkbox"/> %	Household Size at Move-in: _____

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What is the Next Available Unit (NAU) Rule?

When a household is OI at recertification, the unit remains eligible for credits as long as:

- The unit remains rent restricted
- Units of comparable or smaller size in the building (building rule) are rented to eligible households until the building's applicable fraction is restored

If a unit of comparable or smaller size in the building is rented to an ineligible household, ALL OI units in the building lose their low-income status and are not eligible for credits



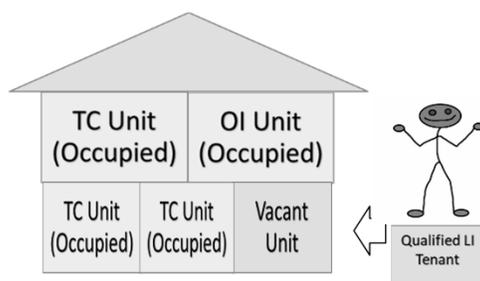
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Next Available Unit (NAU) Rule

100% Tax Credit Property

- Owners must have policies and procedures in place to ensure that all units are initially occupied by eligible households



Example – 5 unit property
100% @ 60% AMI

→ 60% Income Limit = \$32,640

→ 140% Limit = \$45,696



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How does the NAU Rule work with multiple set-asides?

- The 140% rule only applies to units at the highest set-aside (typically 60% units)
- Units with deeper targeting (30%, 35%, 40%, etc.) will use the state-mandated income limit at recertification

NAU and Deeper Targeting

- For all deeper-targeted income set-asides, when the household's income exceeds the next higher limit, the unit designation is changed to that set-aside, along with an increase in rent to the next level
- The next available unit must be rented at the lower set-aside
- This policy is to address displacement of households cause by previous policy



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NAU & Deeper Targeting Example

35% unit:

- Income limit = \$19,215
- 140% limit = N/A
- 50% limit = \$29,450
- Household income at recertification = \$19,500

What is the income set-aside at recertification?

Household remains at the 35% set-aside until income reaches \$29,450

Example 5 unit property
(2 units @ 30% & 3 units at 60%)

→ 30% income limit = \$16,350

→ 60% income limit = \$32,640

→ 140% limit = \$45,696



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Employee Units



- Units occupied by full-time resident managers, who are also tax credit qualified, are treated just like any other eligible household
 - Agency permission not required
 - Unit is included in unit mix
 - Rent can be charged
 - Households must follow property rules, including recertification and student status

Employee Units under Revenue Ruling 92-161

- Units occupied by full-time resident managers, who would not otherwise qualify to live at the property, are eligible if:
 - Resident manager must be considered reasonably required by the property
 - The unit is no longer classified as a residential unit
 - The unit is not included in the numerator or denominator of the applicable fraction
 - Agency approval IS required
 - Rent should NOT be charged

Student Rules...Yay!!!



- Households consisting entirely of full-time students are not eligible unless they meet an exception
- Exceptions are covered in Compliance 101

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Transfers



- Same building transfers are okay regardless of the households income
- The units swap designations
- Households transferring from one project to another project must be low income qualified

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Transfers

What is meant by “same project”?

- The owner election on Part II of the 8609 indicates whether the building is part of a multiple building project for section 42 purposes
 - If the owner elects to operate the building as part of a multiple building project, then:
 - The minimum set-aside is met across all the buildings
 - Transfers from one building to another is okay regardless of income if the project is 100% Low Income
 - For a mixed income building:
 - Income must be below 140% of the current income IF the project is treated as part of a multiple building project

Transfers



- If the owner chooses NOT to treat the building as part of a multiple building project, then:
 - The minimum set-aside is met building by building
 - Transfers from one building (project) to another building (project) must be treated as a new move-in

Additional Rules

- One household cannot qualify two units
- Recertification is required when transferring to another unit

DHHS Targeting/Key Transfers

- Contact DHHS prior to the transfer
- No additional deposits paid
- Process as transfer out/transfer-in for RCRS



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Acquisition & Rehab



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Acquisition/Rehab Rules



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Households occupying units prior to acquisition:

- If initial tax credit income certification is completed within 120 days after acquisition, the effective date is the acquisition date. Use income & rent limits effective on acquisition date
- If tenant income certification is complete more than 120 days after acquisition, the household is treated as a new move-in. Use income & rent limits on effective date of TIC

Acquisition/Rehab Rules

Households who move-in after the acquisition, but before the first year of the compliance period:

- The income certification is completed using the income and rent limits in effect on the move-in date

Test for purpose of the Next Available Unit Rule:

- Within 120 days before the beginning of the first year of the credit period, income of existing households must be “tested”
- The “test” consists of confirming with the household the sources & amounts of income on the initial TIC are still current. It is not necessary to complete third party documentation
- If household is over-income based on the current income limits, apply the next available unit rule



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Let's put it all together...



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Property acquired on 4/1/2019

- TIC effective on 4/1/2019 for all in-place tenants certified as eligible by 7/30/2019
- TIC effective on MI date for all new move-ins

Rehab complete by 12/31/2019 and owner plans to begin taking credits as of 1/1/2020

- Must complete TIC between 9/3/2019 – 12/31/2019 based on Info provided by tenant (3rd party verification not required)



Previously Qualified Households

Acquisition & Rehab – New owner receives Credit for Acquisition & Rehabilitation during the Extended use Period:

- Any household determined to be income-qualified at the time of move-in will be considered income-qualified for any subsequent allocation of credits
- However, vacant units at the time of acquisition are not qualified units. Credits may be claimed on these units in accordance with the procedures for new property placing in service. See IRC 42(f)(2)



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Income Limits

U.S. DEPARTMENT OF HUD
STATE: NORTH CAROLINA

----- 2019 ADJUSTED HOME INCOME LIMITS -----

PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Raleigh, NC MSA								
30% LIMITS	19500	22250	25050	27800	30050	32250	34500	36700
VERY LOW INCOME	32450	37100	41750	46350	50100	53800	57500	61200
60% LIMITS	38940	44520	50100	55620	60120	64560	69000	73440
LOW INCOME	51950	59350	66750	74150	80100	86050	91950	97900
Rocky Mount, NC MSA								
30% LIMITS	11600	13250	14900	16550	17900	19200	20550	21850
VERY LOW INCOME	19350	22100	24850	27600	29850	32050	34250	36450
60% LIMITS	23220	26520	29820	33120	35820	38460	41100	43740
LOW INCOME	30950	35350	39750	44150	47700	51250	54750	58300



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LIHC Income Limits



Issued by HUD every year –
New changes will now be
published annually following
release of federal poverty
guidelines by DHHS

Two sets of charts issued

- HUD Section 8 Income Limits
- MTSP & HERA Special Income Limits



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Income Limits

HUD Section 8 Limits

- Used by properties with Project-based Section 8 rental assistance
- Income limits may decrease
- Adopted by HOME program; however, cannot be used for HOME purposes until released by CPD and labeled as HOME Income Limits

HOME rent limits are published separately

- MTSP & HERA Special Income Limits
- MTSP = Multifamily Tax Subsidy Program
- For use with the tax credit and tax exempt bond programs
- Whether to use MTSP or HERA Special Income are determined by placed in service date



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MTSP & HERA Special Income Limits

- All properties that placed in service prior to 1/1/2009 use the HERA Special Income and Rent Limits, if any
- All properties that placed in service on or after the effective date of the current income limit chart use the MTSP Income Limits; they are not eligible for HERA Special Income Limits
- Properties that PIS between 1/1/2009 and effective date of the current charge will use the highest MTSP chart applicable for income limits; these properties are not eligible for HERA Special Income Limits
- Income limits are held harmless (won't decrease after a project places in service)



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Compliance to be aware of...

- If property is in a rural area, the property is eligible to calculate income and rent limits using the National Non-Metro median income, if higher
- Much of NC falls into this category
- Rent limits for properties that PIS **prior** to 1/1/2009 are determined using the PIS date
- Rent limits for properties that PIS **after** 1/1/2009 are determined using the Carry-Over date rather than using the PIS date
- If a property has multiple funding sources, you must use the most restrictive income limits
- For example, if the property is HOME and tax credit, the tax credit income limits will likely be higher than the HOME income limits



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Important to Remember



- To make compliance easier, NCHFA publishes property-specific income limits in RCRS
- If you follow the income and rent limits in RCRS, the property will not have a compliance finding for using the incorrect income limits even if RCRS is wrong
- Please print the income and rent limits from RCRS and keep in your property file



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Filter by Set-Aside

LIHTC Income and Rent Limits

LIHTC Effective Date 04/24/2019 ▾

Income

Percent Median	Median Income	One Person	Two Person	Three Person	Four Person	Five Person	Six Person	Seven Person	Eight Person
50	\$50,200	\$21,950	\$25,100	\$28,250	\$31,350	\$33,900	\$36,400	\$38,900	\$41,400
60	\$50,200	\$23,220	\$26,520	\$29,820	\$33,120	\$35,820	\$38,460	\$41,100	\$43,740

Rent

Percent Median	Median Income	1/BR	2/BR
50	\$50,200	\$588	\$706
60	\$50,200	\$621	\$745



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Rent, Fees, and Utility Allowances



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Rents

Rent

Percent Median	Median Income	1/BR	2/BR	3/BR
35	\$79,000	\$519	\$623	\$720
50	\$79,000	\$741	\$890	\$1,028
60	\$79,000	\$890	\$1,068	\$1,234

- Rent is defined as a periodic charge for the right to occupy or use someone else's property
- The term "gross rent" includes the cost of any utilities paid by the resident
- For tax credit developments, gross rent does not include rental assistance payments made on behalf of the tenant under the Section 8 program or similar programs
- Rent limits are determined by bedroom size
- Calculations based on the income limits
- 1.5 person per bedroom

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Rents

- With RPP loans and other agency financing, NCHFA must approve rent increases
- Rents are generally set under the applicable rent limits
- Rents charged cannot exceed the NCHFA approved amounts even if the rental charged complies with the rent limit

Instructions for Rent Increase Submission in RCRS

Posted: 03/07/2014 12:00:00 AM

**If this is your first request via RCRS, you will need to enter your current approved rents (without entering the Budget items) and submit via RCRS. We will approve and then you can submit your Rent Increase Request.



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Email rjmccauley@nchfa.com for assistance/questions



Rents

- Rent limits include a utility allowance for tenant paid utilities
- Mandatory fees and services are included in rent
- Maximum Allowable Rent Calculation

Tent Paid Rent

+ Allowance for utilities paid by tenant

+Mandatory fees

= Gross Rent

Gross Rent must be equal to OR lesser than the rent limit



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Fees



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Fees in addition to rent must be:

- Optional and not a condition of the lease
- Reasonable
- Available to market and low income households
- Reasonable alternative available
- Cannot charge fee for facilities included in the eligible basis

***“Clubhouse for Rent...
see management”***



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Fees

Example of acceptable fees:

- Non-mandatory fees for meals
- Late fees
- Pet fees
- Cleaning fee for use of community facility
- Application fees that do not exceed the average out of pocket cost



Fees



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Examples of unacceptable fees

- Covered parking where the cost was included in eligible basis and there is no other place to park
- Re-decorating fees
- Transfer fees
- Washer/dryer hook up fees
- Separate fees charged for tenant facilities such as pool, laundry rooms, garage and storage when the cost of those facilities is included in eligible basis



Fees



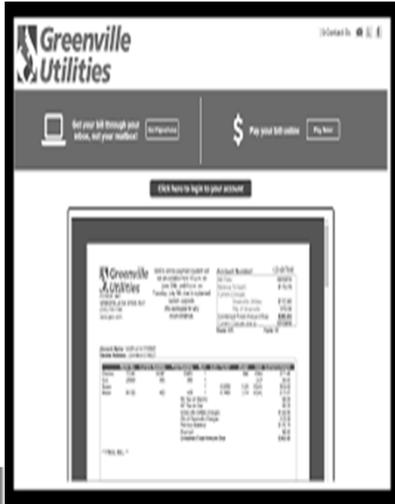
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Required fees, such as renter's insurance, are allowed; however, the fee must be included with the rent & UA to determine if gross rent is below acceptable limits



Utility Allowances



- The utility allowance includes all utilities paid directly by the tenant and not by or through the owner
- Owner cannot bill tenants for utilities based on unit size, number of HH members, or other general allocations where conservation efforts by HH do not reduce the bill
- The owner can separately bill the tenant for utility if units are sub-metered

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Utility Allowances

USDA
United States Department of Agriculture

NOTICE OF APPROVED RENT (OCCUPANCY CHARGE) AND UTILITY ALLOWANCE CHANGE

Dear Borrower:

November 28, 2018

You are hereby notified that Rural Development has reviewed the request for a change in shelter costs for Ulico Bluffs Apartments, and considered all justifications provided by project management (and comments provided by the tenants). Rural Development has approved the following rent (occupancy change) and/or utility allowance rates listed below. The changes for all units will become effective on January 1, 2019 or later effective date in accordance with state or local laws. The change is needed for the following reasons:

Changes in operating, maintenance and administrative expenses.

THE APPROVED CHANGES ARE AS FOLLOWS:

	Present Basic Rent	Present Note Rent	Proposed Basic Rent	Proposed Note Rent	Amount Changed Basic	Amount Changed Note
1 BR	\$442	\$472	\$457	\$487	\$15	\$15
2 BR	\$526	\$546	\$541	\$561	\$15	\$15
2 BR TH	\$551	\$581	\$566	\$596	\$15	\$15

The approved utility allowance changes are as follows:

	Present Utility Allowance	Proposed Utility Allowance	Amount Changed
1 BR	\$72	\$72	\$0
2 BR	\$97	\$97	\$0
2 BR TH	\$97	\$97	\$0

Should you have any questions or concerns, you may contact Rural Development. The Rural Development Servicing Office address is:

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Requirements for all methodologies

- Utility Allowance must be updated annually
- With each request, all utility allowance types must be uploaded into RCRS with a cover letter indicating the utility type and effective date
- NCHFA staff will enter the UA for use by property
- We do not have the ability to enter different UA effective dates based on type
- For assistance contact Theresa McSorely at tamcsorely@nchfa.com



Utility Allowances



NCHFA reviews, evaluates, approves and executes the Utility Allowance Certification within 30 days of the receipt of the information



Requests can be submitted at any time during the year



Rent increases will not be approved without proper Utility Allowance Certification



Utility Allowances

- UA regulation can be found in 1.42-10
<http://www.irs.gov/pub/irs-drip/n-09-44.pdf>
- NCHFA Guidance can be found at the www.nchfa.com under policies and procedures
- Owners are not required to update, or implement utility allowances until the building has achieved 90% occupancy for a 90 day period, or the end of the first year of the credit period (whichever is first)
- UA changes prior to the final cost cert must be approved by the development underwriters



Utility Allowances

- Owners are allowed to switch utility allowance methodologies from year to year
- Owners must pay all cost incurred in obtaining and providing the estimates to residents and the Agency
- With the exception of HUD regulated and RHS buildings, owners are allowed to mix and match the options
 - For example, the PHA utility allowance for water and sewer can be used with the Agency estimate for electricity
- UA estimates and supporting documentation must be retained in compliance with the program's record keeping provisions



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Utility Allowance Methodologies

1. RHS Utility Allowance 1.42-10(b)(1) & (2)

- If the building or its tenants receive assistance from RHS, the applicable utility allowance for all rent-restricted units in the building is the applicable RHS utility allowance
- No fee

2. HUD Utility Allowance 1.42-10(b)(3)

- If the rents and utility allowance are reviewed by HUD on an annual basis (HUD regulated buildings), the applicable utility allowance is the applicable HUD utility allowance (Project-Based Section 8)
- The HUD UA is utilized for the entire building
- No fee



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Utility Allowance Methodologies

3. Public Housing Authority (PHA) 1.42-10(b)(4)(i) & (ii)(A)

- The local PHA allowance may be used for all units
- Must use PHA allowance for any unit occupied by a voucher holder
- Changes in the PHA utility allowance must be implemented within 90 days of the effective date
- PHA utility allowances that have not changed from year to year must provide documentation that UA has not changed
- RCRS will not allow two PHA utility allowances for one property
- Upload all applicable schedules
- Largest of the two PHA utility allowances will be entered as PHA utility allowance for the property
- No fee



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Utility Allowance Methodologies

4. Written Local Estimate 1.42-10(b)(4)(ii)(B)

- Any interested party may obtain, estimate must be available to residents
- Request must be sent in writing for the local utility provider
- Estimated cost of the utility for a unit of similar size and construction in the geographic area
- Estimate should include all component service charges
- \$150 fee

5. HUD Utility Schedule Model 1.42(b)(4)(ii)(D)

- Developed by HUD for tax credit properties
- Must obtain utility rates from utility companies to input into the model
- www.huduser.org/datasets/lihtc.html
- \$150 fee



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Utility Allowance Methodologies

6. Energy Conservation Model 1.42(b)(4)(ii)€

- Owners can calculate allowance using an energy, water, and sewer consumption and analysis model
- The consumption estimates must be calculated by a properly licensed engineer or qualified professional approved by the Agency
- \$150 fee

What documentation is required by NCHFA for this method?

- Properly licensed engineer – certification only, no backup documentation required
- Qualified professional – all backup used to calculate allowance must be submitted. If back up documentation does not meet requirements, UA will not be approved. (i.e., Duke Power letter is not sufficient for Qualified Professional)



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Firms Approved by NCHFA

- Licensed engineer: 2rw Consultants UApr0 at <http://uapro.2rw.biz> or 434-296-2116
- Licensed engineer: Southern Energy Management at www.southern-energy.com or 919-836-0330
- Licensed engineer: Matern Professional Engineering, Inc. at www.matern.net or 407-740-5020
- Licensed engineer: Energy Consulting, Inc. at <http://ecialabama.com> or 205-980-9091
- (Note: Utility allowances provided by these 4 companies are accepted without any additional backup documentation)



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Firms Approved by NCHFA

- Qualified Professional – Zeffert & Associates at <https://www.zeffert.com/site/index.php/services/utility-allowance-calculations> or 800-820-4079
- Qualified Professional - Effect Energy, Inc at www.effectenergy.us or 919-306-1230
- Qualified Professional – Home Energy & Comfort Solutions at <http://homeenergyandcomfortsolutions.com> or 859-983-7382
- Qualified Professional – Environmental Solutions Group LLC at <http://www.go-esg.com> or 336-373-1538
- Qualified Professional – Performance Point, LLC at <http://www.ThePerformancePoint.com> or 704-563-1030

Note: If one of these 5 firms are chosen, they will be expected to provide back-up documentation to support their calculation method. We reserve the right to request additional documentation if we are not satisfied with their work



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Utility Allowance Methodologies

7. Agency Estimate 1.42-10(b)(4)(ii)(C)

- Actual utility company usage data and rates from a sample of occupied units to establish the allowance
- Sample units must be geographically dispersed across the property
- \$150 fee

Must provide information required of NCHFA Utility allowance policy including:

- Consumption data for at least 25% of each unit type (bedroom size) or a minimum of 5 units of each type, whichever is greater
- Consumption history must be for 12 months of continuously occupied units of each bedroom size
- Months where the unit is vacant for more than 2 weeks will not be included
- Copies of actual tenant billing records are acceptable



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Utility Allowance Methodologies

- Consumption history must be entered into Agency Estimate Spreadsheet, which can be found on our website, www.nchfa.com
- Agency Estimate Spreadsheet will calculate the UA average for each bedroom size and utility type and print a Certification
- The Certification is signed by the person compiling the information. The owner (GP) is not required to sign
- If the utility company computes the average using requirements required by NCHFA for properties using consumption history, this will be accepted
- Under no circumstances will averages be accepted if the minimum sample size is not provided or if the average is computed on less than 12 months (i.e. Duke Power letter with 3 units)

Utility Allowance Methodologies

- Certification must be submitted to the Agency within 60 days of the end of the 12 month period used to calculate the allowance
- Data cannot be more than 60 days old
- Owner must upload via RCRS as a pdf:
 - Agency Estimate Spreadsheet
 - Certification signed by the management company only
 - PHA Utility Allowance
 - All backup documentation, i.e. utility bills or consumption records
 - If file is too large, send backup documentation via mail along with cover letter and any applicable fee

Sample Utility Allowance Effective Dates

UA Method	Brief Description	Cost to Process	Data Collection Dates	Effective Date on Form provided to NCHFA	Date UA Package provided to NCHFA	Effective Date of UA in RCRS	Date UA Must be Implemented
Rural Development	Approved UA issued by RD	\$0	Use RD Instructions	3/1/2020	Immaterial	3/1/2020	Use RD Instructions 6/1/1/2020 for NCHFA
HUD	Approved UA issued by HUD	\$0	Use HUD Instructions	3/1/2020	Immaterial	3/1/2020	Use HUD Instructions 6/1/2020 for NCHFA
PHA	UA issues by the local PA	\$0	N/A	1/1/2020	Immaterial	3/1/2020	Within 90 days of stated effective date 6/1/2020
Utility Company Estimate	Estimate provided by Utility Company (must state this is an estimate)	\$150	N/A	Should be 3/1/2020	Must be provided within 60 days of utility cover letter 3/1/2020	3/1/2020	Within 90 days of stated effective date 6/1/2020
Agency Estimate	Average utility costs computed using actual utility billing amounts for required sample size. Must use NCHFA provided spreadsheet.	\$150	1/1/2019-12/31/2019	Should be 3/1/2020	Must be provided within 60 days of end of data collection period 3/1/2020	3/1/2020	Within 90 days of stated effective date 6/1/2020
HUD Utility Schedule Module	Excell spreadsheet from www.huduser.org (must provide dated tariffs & rates from local utility company)	\$150	1/1/2020	Should be 3/1/2020	Must be computed using rates in effect 60 days prior to effective date 3/1/2020	3/1/2020	Within 90 days of stated effective date 6/1/2020
Energy Consumption Method	Provided by licensed engineer or approved professional	\$150	1/1/2019-12/31/2019	Should be 3/1/2020 (Mgmt must get provider to correct if wrong)	Must be provided within 60 days of end of data collection period 3/1/2015	3/1/2020	Within 90 days of stated effective date 6/1/2020



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Primary Loan Documents



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Primary Loan Documents

- The Commitment Letter
 - Description of the property
 - Original requirements at the time of the owner's application
- Promissory Note
 - Terms of loan repayment
 - Interest rate
- Declaration of Deed Restrictions
- Loan Agreement
 - Description of the property
 - Reserve account requirements
 - Financial audit requirements
 - Insurance requirements
- Deed of Trust
 - Description of the property
 - Property tax requirements

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Deed Restrictions

1st Step – Making the Dough



- Description of the property
- Length of compliance period
- Compliance monitoring requirements
- Income targeting
- Initially approved rents
- Requirements for written approval for rent increases
- Program requirements
- Fair Housing requirements
- Affirmative marketing requirements



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Underwriting.... 2nd Step – Preparing the Pizza



Making sure that all of the Program Requirements (ingredients) work together to hold your sauce & toppings



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Marinara Manor



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Land **U**se **R**estriction **A**greement or Extended **U**se **A**greement

- Affordable to = RENT Restricted
- Occupied by = INCOME Restricted

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SECTION 4 - INCOME AND RENT RESTRICTIONS

The Owner represents, warrants and covenants to the NCTRAC throughout the term of this Agreement and in order to satisfy the requirements of the occupancy restrictions of Section 42 of the Code ("Section 42 Restrictions") that:

- (a) **Minimum Set-Aside:** At least forty percent (40%) or more of the residential units in the Project are both rent-restricted and occupied (or if unoccupied, held for occupancy only) by individuals whose income is sixty percent (60%) or less of area median gross income (subject to any exceptions permitted under Section 42 of the Code for tenants whose income increases after initially meeting such restriction).
- (b) **Rental Production Program:** At least forty percent (40%) of the units are occupied by households with incomes less than fifty percent (50%) of median income.
- (c) **Non-profit set-aside:** The Credit was allocated pursuant to Section 42(h)(5) of the Code.
- (d) The applicable fraction as defined in Section 42(c)(1)(B) of the Code for each taxable year of the Extended Use Period will be no less than one hundred percent (100%).
- (e) Except as may be otherwise provided under Section 42 of the Code or by the Internal Revenue Service, the determination of whether a tenant meets the low-income requirement shall be made by the Owner at least annually on the basis of the current income of such Low-Income Tenant.



SECTION 5 - STATE HOUSING POLICY RESTRICTIONS

The Owner represents, warrants and covenants that it will satisfy the requirements indicated below (the "State Housing Policy Restrictions") throughout the term of this Agreement:

- (a) **State Housing Credit:** The project is in a High Income County pursuant to the QAP.

At least twenty-five percent (25%) of qualified units are affordable to households with incomes at or below thirty percent (30%) of county median income.

- (b) **Qualified Allocation Plan:** The project is in a High Income County pursuant to the QAP.

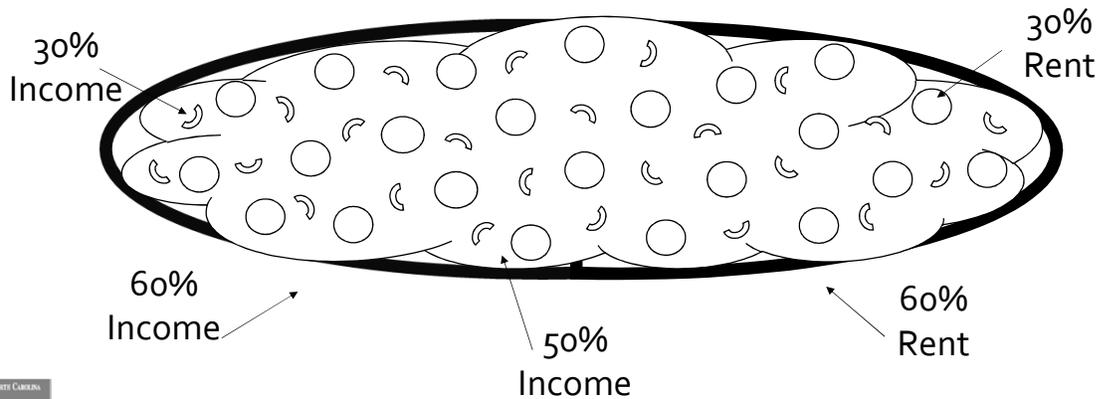
At least twenty-five percent (25%) of qualified units are affordable to and occupied by households with incomes at or below thirty percent (30%) of county median income.



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Steps 3 & 4 – Applying the sauce & toppings & baking to make a delicious pizza



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Notes





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Rental Production Program (RPP)



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Types of Funding

- HOME
- HOME Match
- NC Housing Trust Fund (HTF)
- National Housing Trust Fund (NHTF)*

*Monitoring guidelines to be released by HUD

R E Q U I R E S

- Agency approval of rent increases
- Agency approval of reserve withdrawals
- Annual submission of financials through RCRS
- Management document approval prior to loan closing
- Annual recertification with 3rd party verification

Failure to follow loan requirements may result in management company/owner being “not in good standing” with the Agency

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Reserves Process Change

Effective Immediately

- Submit approval request for RPP properties through RCRS
- Once the process has been refined, we will ask SHDP and other Agency loans that require Agency approval to use the new process.
- Instructions can be found at: https://www.nchfa.com/sites/default/files/page_attachments/ReserveRequestInstructions.pdf
- Contact Randa McCauley with questions at rjmccauley@nchfa.com



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HOME Program Requirements



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HOME Lease Requirements

NCHFA's HOME Lease Addendum is **REQUIRED**, regardless of lease for properties with NCHFA's HOME funds.

REMINDERS:

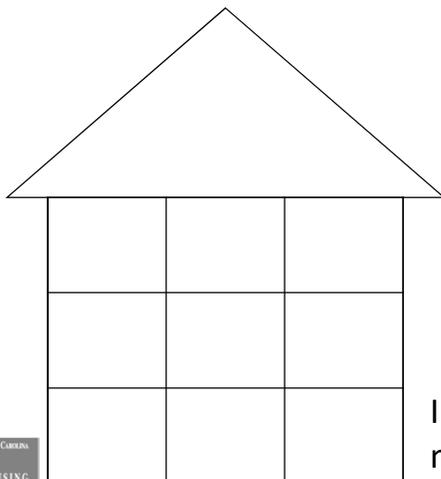
- NC Real Estate Law requires all leases to be drafted by an attorney because a lease is a legal contract. The lease may contain blanks, such as for the tenant name and rental rate, that are filled in by management.
- NCHFA requires HOME units to "float" throughout the property and does not allow "fixed" HOME units.
- If one HOME unit at property, must use the HOME lease for all units.



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Low HOME Income Requirements



- In projects with 5+ HOME designated units, at least 20% must be occupied by HH who have annual incomes that are 50% or less of AMI (low HOME)
- Low HOME income limits are typically below tax credit income limits (60%)
- When HH income exceeds low HOME (50%) at recertification, the unit is considered a high HOME unit

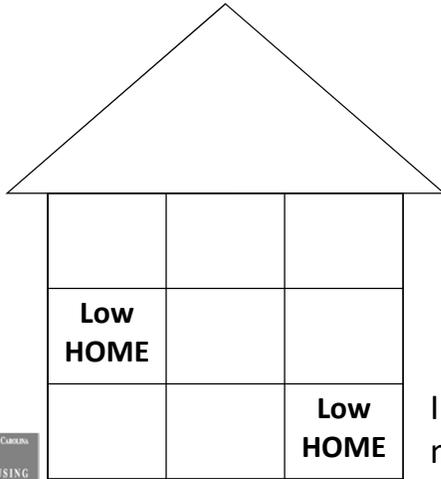
In a 9 unit building that is 100% HOME, how many units are considered low HOME?



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Low HOME Income Requirements



- In projects with 5+ HOME designated units, at least 20% must be occupied by HH who have annual incomes that are 50% or less of AMI (Low HOME)
- Low HOME income limits are typically below tax credit income limits (60%)
- When HH income exceeds Low HOME (50%) at recertification, the unit is considered a high HOME unit

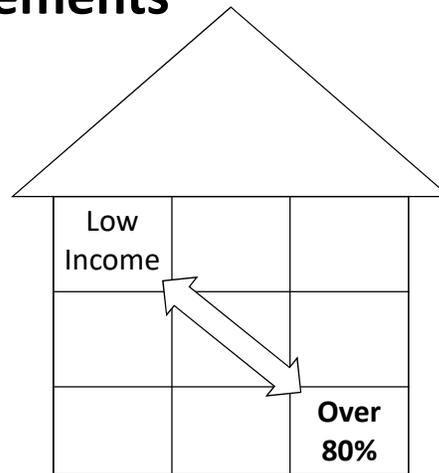
In a 9 unit building that is 100% HOME, how many units are considered low HOME?

2



High HOME Income Requirements

- High HOME designated units, must be occupied by HH who have annual incomes of 80% or less of AMI (*Limit will be 60% for tax credit unit*)
- High HOME income limits may exceed tax credit income limits (60%), depending on other in-place restrictions
- When HH income exceeds High HOME (80%) at recertification, the household is required to pay 30% of adjusted income for rent



Note: If less than 100% of the units are designated as HOME units, it is advisable to designate another unit as HOME if HH income exceeds 80% at AR. The units will swap status



HOME Income Limits

U.S. DEPARTMENT OF HUD

STATE: NORTH CAROLINA ----- 2019 ADJUSTED HOME INCOME LIMITS -----

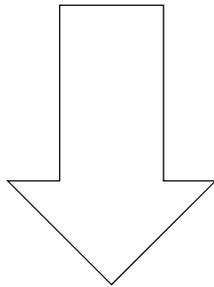
	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Greenville, NC MSA									
30% LIMITS		13950	15950	17950	19900	21500	23100	24700	26300
VERY LOW INCOME		23250	26600	29900	33200	35900	38550	41200	43850
60% LIMITS		27900	31920	35880	39840	46260	46260	49440	52620
LOW INCOME		37200	42500	47800	53100	61600	61600	61600	70100

Do NOT use the 60% Income Limits from the HOME chart for the tax credit 60% limit.

- HOME income limits are not held harmless and may decrease each year
- HOME income limits typically match Section 8 income limits (*however, must wait until they are released by the CPD for implementation*)



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Low HOME Rent Requirements

- 20% of the HOME designated units must be at or below 50% (VLI) and
- Rent is limited to the lesser of the Low HOME rent limit or Fair Market Rent (FMR)

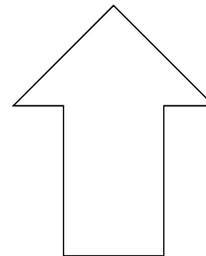


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High HOME Rent Requirements

- 80% of the HOME designated units must be at or below 80% (LI) and
- Rent is limited to the lesser of the High HOME rent limit or Fair Market Rent (FMR) or tax credit rent, if applicable

Reminder: If the property also has TC, the High HOME units are restricted to 60%



HOME Rent Limits

U.S. DEPARTMENT OF HUD

STATE: NORTH CAROLINA ----- 2019 HOME PROGRAM RENTS -----

PROGRAM	EFFICIENCY	1 BR	2 BR	3 BR	4 BR	5 BR	6 BR
Asheville, NC HUD Metro FMR Area							
LOW HOME RENT LIMIT	581	623	747	863	963	1063	1162
HIGH HOME RENT LIMIT	738	791	952	1091	1198	1302	1408
For Information Only:							
FAIR MARKET RENT	794	799	993	1356	1744	2006	2267
50% RENT LIMIT	581	623	747	863	963	1063	1162
65% RENT LIMIT	738	791	952	1091	1198	1302	1408

Only use Low HOME & High HOME Rent Limits. Other limits are listed "For Information Only". These will indicate whether the Low or High is limited by Fair Market Rent.

- HOME rent limits are not held harmless
- Decreases in Fair Market Rents (FMR), as well as decreases in the Very Low Income (VLI) limit, will affect HOME rent limits



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HOME Rent Limits

To determine if rent is below the maximum allowable HOME limit, include all sources



Gross rent must be equal to or lesser than applicable Low or High HOME rent limit

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HOME Rent Limits

Maximum Allowable Rent Calculation Example:

One bedroom Low HOME rent limit

\$600

- Tenant Portion of Rent = \$200
- PHA Section 8 Rent to Owner = \$500
- One bedroom utility allowance = \$ 75

Does this rent comply with the rent limit?



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HOME Rent Limits

If the HOME funds are issued by NCHFA, the maximum allowable rent is the rent approved in writing by the Agency.

Utility allowance changes must be approved by NCHFA. If UA increases cause HOME rent limits to be exceeded, rent will likely have to be decreased.

PHA UA must be used for LIHC households with Section 8 vouchers. Although PHA UA is used on the TIC, we use the property's approved UA to determine HOME compliance



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Notes





Typical Loan Requirements

Requirements



Rent Increase Process

What do we look for?

- Reasonable annual increases of \$15 or less
- Increases of more than \$15 must be justified
- Even if a larger increase is justified, we may limit the increase for in-place tenants unless they receive rental assistance
- We make sure that all approved rents are below the applicable set-asides in place for the property
- We use a standard vacancy rate of 7% regardless of actual vacancy rate
- We compare the budget submitted to the actual expenses documented in the most recent audited financial
- We ensure the most recent years audited financials have been submitted via RCRS



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Rent Increase Process

- Rent increases must be approved by the Agency
- Submit annual request for rent increases, at least 60 days prior to expected effective date
- Current utility allowance must be approved prior to submission of rent increase (if UA is more than 9 months old, we may require an update)
- Increases must be submitted in RCRS after loan closing
- Before loan closing, submit to Development Staff
- If you have not submitted a request in RCRS, you will need to enter your current approved rents and submit for approval
- Once we approve your current rents, you can then submit the rent increase via RCRS



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What do we look for?

- We disallow any fees being paid to the investor (such as asset management fees, syndicator service fee, etc.) even though this is a cost of doing business
- Once all budget adjustments are made, we look for a 1.15 debt coverage ratio
- If the debt coverage ratio is more than 1.15, we then look at projected cash flow
- If projected cash flow is less than \$500 per unit per year (PUPY), we may approve the increase
- If more than \$500 PUPY, we will either decrease or deny the increase



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Reserve Requirements

Typical Reserve Accounts:

- Rent-up Reserve
- Replacement reserve
- Operating Reserve

Effective Immediately:

- The most recent years audited financials must be submitted via RCRS prior to reserve request approvals
- Submit approval request for RPP properties through RCRS
- Once the process has been refined, we will ask SHDP and other Agency loans that require Agency approval to use the new process.
- Instructions can be found at: <https://www.nchfa.com/rental-housing-partners/rental-owners-managers/forms-and-resources>
- Contact Randa McCauley with questions at: rjmccauley@nchfa.com



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Reserve Requirements Rent-Up Reserve Account

Rent-up Reserve Account

- Funded prior to closing
- Used to cover operating expenses during the leasing phase
- Withdrawals do not require NCHFA approval
- Any funds remaining in the account after rent-up must be deposited into the Replacement Reserve Account



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Reserve Requirements Replacement Reserve Account

- Funded by monthly installments after closing
- Used for replacement of capital items
- Withdrawals require NCHFA approval
- Typically we require \$250 per unit per year for new construction and \$350 (PUPY) for rehabs, with deposits escalating by 4% per year
- This is not enough to fund long term needs of the property



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Reserve Requirements Replacement Reserve Account

To request a withdrawal from the Replacement Reserve Account – submit a letter with the request, along with:

- The most recent reserve bank statements
- The most recent trial balance
- Invoices dated less than 12 months **OR** 2-3 bids for the work. Bids should be similar in scope. You are not required to accept the lowest bid, but you must explain your choice if it is not the lowest
- Routine replacement items (such as carpet/flooring) may be submitted quarterly or annually



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Reserve Requirements Replacement Reserve Account

Typical problems with withdrawal request:

- Phase I & II must be treated as separate properties, not as a single property, Please divide expenses appropriately
- We do not allow withdrawals simply because you are “over-budget” in a given area; there must be a real need
- Please do an Excel spreadsheet for large requests
- Please do not submit multiple small request in a short time frame; instead, hold and submit one larger request
- Please do not submit if invoice is over one year old



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Reserve Requirements Replacement Reserve Account

Policy Effective 10/1/2011

- Minimum balance required in the Replacement Reserve Account = 24 months of the required deposits
- If balance is less than required amount, withdrawals will not be allowed, even if the item requested is an eligible reserve item. Exceptions may be made on a case-by-case basis for properties in extreme adverse financial situations



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Reserve Requirements Replacement Reserve Account

Items we typically approve for withdrawal:

- Appliances
- Roof replacements
- Exterior painting
- Paving or seal coating parking lots (not striping only)
- Carpet/Flooring replacement
- HVAC Replacement
- Mowers & equipment
- Office computer, within reason



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Reserve Requirements Replacement Reserve Account

Items **NOT** typically approve for withdrawal:

- Interior painting
- Blinds
- Appliance repairs
- Replacement of component parts (such as fan motors or A/C compressor)
- Bedbug or other pest control treatments
- Landscaping material or services
- Pressure washing
- Items that should be covered by insurance



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Reserve Requirements Operating Reserve Account

- Funded prior to loan closing
- Used for operating deficits during times of economic hardship, such as high vacancies
- Withdrawals require NCHFA approval
- Account must be restored to required balance prior to any distributions or payments to owners or investors

To request a withdrawal from Operating Reserve Account, submit a letter explain the request, along with:

- The most recent reserve bank statement
- The most recent trial balance, and
- Proof or detailed explanation of the operating deficit



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Financial Audits

- Refer to announcements in RCRS for instructions on entering audit information in RCRS
- Contact Erica Hopkins if you have questions, elhopkins@nchfa.com

Requirements:

- Must be prepared in comparative format, annually
- Data entered in RCRS must be from the audited financials statement (not year-end management numbers)
- Must be submitted through RCRS no later than 90 days after the close of the property's fiscal year (Due April 1 for most properties)
- Must contain a written response to any audit findings or identified material weaknesses in internal controls
- Remember to include accrued - not yet paid fees (such as asset management, incentive management and owner distributions)



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Property (Hazard) Requirements

- Fire & extended coverage
- NCHFA named as mortgagee & loss payee
North Carolina Housing Finance Agency, ISOA, ATIMA
PO Box 28066, Raleigh, NC 27611-8066
- Coverage equal to the amount of the loan
- Coverage maintained throughout loan term
- Required form: Acord 28



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General Liability Requirements

Comprehensive liability insurance required to cover claims for personal injury, including:

- Bodily injury
- Death on property
- Damage occurring on or in premises

- Required form: Acord 25



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Workers Compensation/Fidelity Bond

Workers Compensation

Fidelity Bond

- Provides protection insure against loss of money, securities, and properties through any criminal or dishonest acts committed by any employee
- Position bond held by management company
- Amount equal to three months cash flow
- Maximum deductible is \$10,000 but NCHFA require smaller deductible if issues of internal controls are noted in audit
- Required form: Acord 25



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RPP Management Document Approval

NCHFA Lease Approval

- Required prior to loan closing
- Upload lease along with appropriate lease addendums in RCRS
 - TC Lease Addendum
 - HOME Lease Addendum
- Both addendums must be completed if both funding sources are applicable
- NCHFA will not verify/review the actual lease going since the addendums are required and cover Agency requirements
- We still encourage you to have your lease reviewed by an attorney



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RPP Management Document Approval

Affirmative Housing Marketing Plan (AFHMP)

- Required prior to loan closing
- Upload via RCRS
- Be sure to include the applicable worksheets and other supporting documentation as required by the plan instructions

Management Plan

- Required prior to loan closing
- Upload via RCRS



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RPP Management Document Approval

Tenant Selection Plan (TSP)

- Required prior to loan closing
- Upload via RCRS (include checklist)
- Refer to Agency website for current requirement and important dates

Management Plan

- Required prior to closing
- Upload via RCRS



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RPP Management Document Approval

Tenant Participation Plan

- Only required if CHDO
- Required prior to loan closing
- Refer to agency website for current requirements/instructions
- Email to ssharris@nchfa.com

Grievance Procedures

- Only required if CHDO
- Required prior to loan closing
- Refer to agency website for current requirements/instructions
- Email to ssharris@nchfa.com



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Notes





Tips for Compliance





Staying in Compliance

Unit Mix		
	Required	Reported
Market Rate Units	0	0
Employee Units	0	0
Low Income Units	68	68
Total Units	68	68
DHHS Targeting Units	7	7
Key Program Units	7	7
Home Units	0	0



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To be in compliance:

- Units must be occupied by certified, income eligible households at restricted rents
- Be rented to non-transient households
- Maintain a condition suitable for occupancy
- Project must meet the minimum set-asides
- Be available to the general public



Tips for Staying in Compliance



- Adequate documentation
 - Unit is not eligible unless you can prove it
- Document EVERYTHING
- Self-monitor to ensure compliance
- Have a second set of eyes review each move-in
- Organization is important
- Maintain consistent tenant files
- Create a Project Data File
- Attend training

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Staying in Compliance



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Record Retention

- Files for households that initially qualify the unit as a tax credit unit
 - Must be retained for 21 years from the due date of the tax return for the first year of the credit period
- Subsequent years files
 - Must be retained for 6 years beyond the due date of the tax return for that year



Project Data File

Every property should have a binder that contains all of the documents necessary to maintain compliance. Suggested items to include

- ✓ Tax Credit Application
- ✓ QAP
- ✓ All Loan Documents
- ✓ LURA
- ✓ 8609 for each building
- ✓ Utility Allowance Documentation
- ✓ Monthly rent rolls

- ✓ Income & Rent Limits for each year
- ✓ Required annual reports to NCHFA
- ✓ List of vacant units & compliance with NAU rule
- ✓ Key Targeting Plan, if applicable

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2020 Compliance 101 & Advanced Training

Notice: In light of the ever-evolving situation with Coronavirus, the Agency has canceled trainings through the end of 2020. Guidance to meet the 2020 training requirements has been posted under our COVID-19 updates. Our office is currently working on 2021 training opportunities and will have the 2021 training schedule by the beginning of January 2021



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Visit www.nchfa.com to register for training



2020 DHHS Targeting/Key Training

Notice: In light of the ever-evolving situation with Coronavirus, the Agency has canceled trainings through the end of 2020. Guidance to meet the 2020 training requirements has been posted under our COVID-19 updates. Our office is currently working on 2021 training opportunities and will have the 2021 training schedule by the beginning of January 2021



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SUPPORTIVE HOUSING

2020 Supportive Housing Development Program Training

Notice: In light of the ever-evolving situation with Coronavirus, the Agency has canceled trainings through the end of 2020. Guidance to meet the 2020 training requirements has been posted under our COVID-19 updates. Our office is currently working on 2021 training opportunities and will have the 2021 training schedule by the beginning of January 2021



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2020 RCRS & Fair Housing Training



RCRS Training

- Contact Tanya Clark, tbclark@nchfa.com

Fair Housing Training

- Dates and locations can be found at www.nchfa.com

FAIR HOUSING ACT



DISABILITY



RACE



SEX



COLOR



NATIONAL ORIGIN



RELIGION



FAMILY STATUS



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Staying in Compliance

- Annual training is a requirement to be an approved NCHFA Management Company in good standing
- Recommend leasing staff attend at least one training session per year to keep up with changes in rules and procedures
- In addition to Agency events, we recommend that you maintain a professional designation

The Qualified Allocation Plan requires management team to have:

- At least one similar tax credit project in their portfolio
- At least one supervisor certified as a tax credit compliance



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Certifications Accepted by NCHFA



Housing Credit Certified Professional (HCCP)

- Sponsored by the National Association of Home Builders
- www.nahb.org



Credit Certified Compliance Professional (C3P)

- Sponsored by Spectrum Enterprises
- www.spectrumseminars.com



Tax Credit Compliance Systems (TaCCS)

- Sponsored by Quadel
- www.quadal.com/training.aspx



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Certifications Accepted by NCHA (cont.)



National Compliance Professional (NCP)

- Sponsored by Housing Credit College
- www.taxcredit.com

Tax Credit Specialist (TCS)

- Sponsored by National Center for Housing Management
- www.nchm.com



Specialist in Housing Credit Management (SHCM)

- Sponsored by National Housing Management Association
- www.nahma.org



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Dealing with Noncompliance

Dear Owner:

The North Carolina Housing Finance Agency is responsible for the administration of certain affordable housing programs. Our administrative tasks include monitoring to ensure that owners maintain compliance with federal and state regulations, as appropriate, to provide safe, decent, and affordable housing for eligible families and individuals, and have adequate documentation to establish that compliance.

A physical inspection of this property was performed on 08/14/2019. The physical inspection included the grounds, dwelling units and common areas. The scope of the physical inspection included an assessment of the property's physical condition to ensure compliance with Uniform Physical Conditions Standards (UPCS) and rent readiness of vacant units.

We reviewed (7) units for compliance with inspection standards. Noncompliance issues identified during the review are listed by unit number on the attachment labeled Exhibit A. Exhibit A lists the issue of noncompliance, the out of compliance date, and the corrective action necessary to correct the noncompliance, or the date the compliance was corrected, if applicable. Documentation requested in Exhibit A should be provided no later than the corrective action deadline.

Corrective Action Deadline: October 9, 2019



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IRS Form

IRS Noncompliance

Issues addressed in the 8823 Guide published by the IRS

Examples:

8

- Household over-income at move-in
- Violation of the Next Available Unit Rule

8

- Violation of the Student Rule
- Lack of proper Utility Allowance documentation

2

- Physical inspection violations

3

IRS Form 8823 issues to:

- Report corrected or uncorrected noncompliance to the IRS
- Report address, sale/disposition of the property



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State/Program Noncompliance

State Noncompliance

- Issues important to NCHFA that we expect the owner to address to remain in good standing with the Agency

Examples:

- Failure to maintain the required number of units at required lower-set-asides
- Failure to recertify annually for properties with Agency Loans
- Physical inspection noncompliance not found in the UPCS
- Noncompliance identified for properties in the extended use period

Program Noncompliance

- Violations of program requirements that are not violations of the tax credit program

Examples:

- Violations of the Low HOME rent requirements
- Violations of the Key Program income requirements



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8823's are not issued for State/Program noncompliance



Dealing with Noncompliance – Note



- Regardless of the type of noncompliance, correct the situation as quickly as possible to minimize the consequences, maintain good standing with the Agency, and possibly avoid loss of tax credits, if applicable
- If an 8823 is required, it is better to report the situation as corrected



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Dealing with Noncompliance Notices of Noncompliance (Posted in RCRS)

- The report consist of a summary of the audit scope and an Exhibit A listing violations
- A response period is reflected in the notice; generally the owner is given 30 days to respond
- The report will explain the findings, identify the units, and the required corrective action

<http://myagency.nchfa.com/>

Exhibit A

September 9, 2019

Noncompliance Issues:

BIN #	Unit #	Out of Compliance Date	Type of Noncompliance	Noncompliance Identified	Corrective Action	Date Corrected
NC-08-12001	583-101	08/30/2019	IRS	Observed live roaches in the kitchen area.	Please provide a work order/invoice along with pictures documenting the correction.	Uncorrected



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2019 Physical Inspection [Generate Physical Inspection Form](#) | [Return to Physical Inspections](#)

General	Findings									
Dates	<input type="checkbox"/> Show Deleted									
Findings	Observable Deficiency	Building	Unit	Description	Corrective Action	Finding Type	Finding Status	Date Noncompliance	Date Corrected	Reportable
Building Exterior	(Infestation) Insects	NC-08-12001	583-101	Observed live roaches in the kitchen area.	Please provide a work order/invoice along with pictures documenting the correction.	Compliance Issue	Corrected	08/30/2019	09/04/2019	Reportable: 11c
Building Systems	(Unit) (Lighting) Missing/Inoperable Fixture	NC-08-12001	583-101	The bathroom light fixture has an open socket - potential shock hazard. Corrected during the inspection, 8/30/2019.	Corrected during the inspection, 8/30/2019.	Concern	Corrected		08/30/2019	
Common Areas	(Hazards) Other	NC-08-12001	583-101	There were housekeeping issues throughout the apartment that needs to be addressed with the resident.	Addressed with resident by letter on 8/30/2019, Corrected 8/31/2019.	Concern	Corrected		08/31/2019	
Unit	(Roofs) Damaged Soffits/Fascia	NC-08-12005	No Unit Selected	The Building #563 breezeway ceiling siding has slipped out of the place. Corrected during the inspection, 8/30/2019.	Corrected during the inspection, 8/30/2019.	Concern	Corrected		08/30/2019	
Misc Observations		No Building Selected	No Unit Selected	The apartment community is well maintained.		Observation	Cleared			

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Dealing with Noncompliance

Owner Response to Notices of Noncompliance



Upon receipt of the notice of noncompliance, the owner:

- Should carefully review the report and submit exactly what is requested
- Upload requested information in RCRS all at one time. You do not need to include copies of our letter or Exhibit A. Upload the correct documentation: photos, work orders, invoices, documents
- Call the monitor that completed the review with any questions



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Dealing with Noncompliance

Review of Owner Response to Noncompliance

Exhibit A

September 23, 2019

Noncompliance Issues:

BIN #	Unit #	Out of Compliance Date	Type of Noncompliance	Noncompliance Identified	Corrective Action	Date Corrected
NC-08-12001	583-101	08/30/2019	IRS	IRS Item 11c Observed live roaches in the kitchen area.	Please provide a work order/invoice along with pictures documenting the correction.	09/04/2019

Owners responses are reviewed to determine:

- Clarification provided confirming there was never an issue of noncompliance
- There is noncompliance but it was corrected
- There is noncompliance and it is outstanding



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Dealing with Noncompliance

Review of Owner Response to Noncompliance

- At the end of the corrective action period, all findings of IRS noncompliance are reported to the IRS on form 8823
- Copies of the 8823 are sent to the owner and made available in RCRS to the management company with the final status of the violation
- It is the responsibility of the owner to maintain compliance and cure outstanding noncompliance
- Monitoring reviews will no longer be held open until the compliance issue is resolved; instead, we will close out the review and the owner will need to submit a Compliance Resolution Packet in RCRS to clear the finding. Contact the monitor that completed the review if additional assistance is needed



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How Much Does it Cost?



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Recapture – Physical Inspections

Line 11c – Physical Condition

- Physical Inspection completed with flaking sidewalks noted as non-compliance within IRS compliance period. Owner/Manager failed to correct non-compliance, so 8823 submitted as non corrected. IRS audited the Property and the Partnership resulting in a determination of total recapture in the amount of \$2.3 million. The IRS took the position that since the property was out of compliance at year end, full recapture was appropriate. The GP appealed the finding and after several years of litigation the recapture was lowered to \$200,000. Physical violations in a common area can absolutely result in a credit reduction.

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Recapture – Excess Rent Charged

Line 11g – Excess Rent

- During review of files it was discovered that Management was requiring residents to obtain renters insurance as a condition of the lease. Since this would be considered a mandatory fee, it must be included in the gross rent calculation. The annual premium was \$120 and management lowered the rent by \$10 per month in order to be below the rent limit. However, when asked for documentation, regarding when the actual premiums were paid. It turned out the premiums were being paid bi-annually at \$60. When adding the \$60 fee to the rent for the month the premium was paid, resulted in a rent overcharge. Since this affected all units and couldn't be corrected until the following year, the owner lost all credits for the year of non-compliance and paid recapture in the amount of \$1.8 million.



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Recapture – Ineligible Household Above Income Limit

Line 11g – Ineligible Household above income limit

- This event occurred in year 7 of the Compliance Period. A resident moved into a low income unit on December 28, 2018. The unit was selected for file review in April 2019. It was determined that the annual income was miscalculated by Management and the household was above the qualifying income limit at initial move-in. Management was able to replace the household with a low income qualified household in June 2019. The corrected 8823 was sent to the IRS showing the unit out of compliance from December 2018 – June 2019. As a result the Owner lost the 2018 credit on the unit (approximately \$10,000) and paid recapture of about \$26,000.



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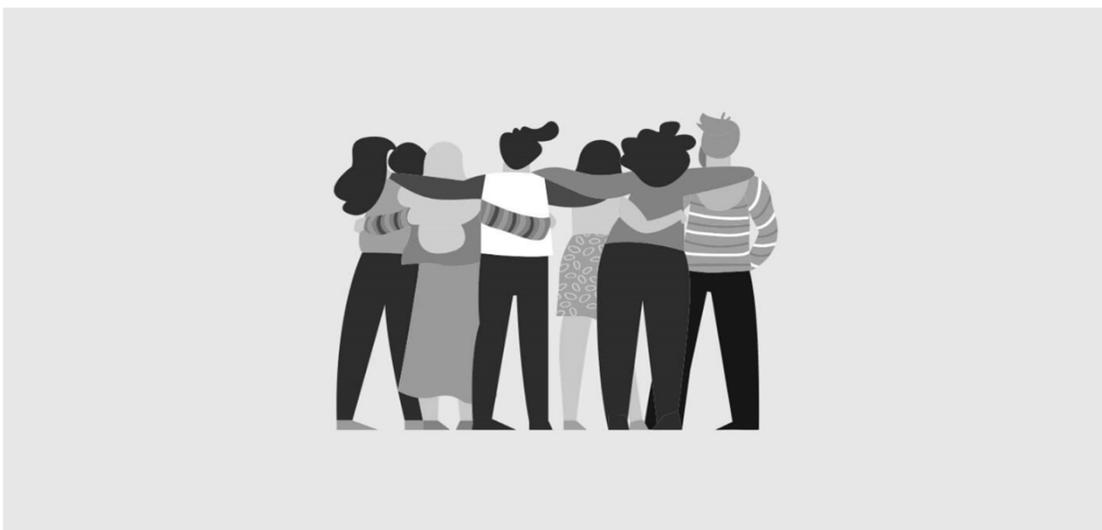


Notes





Affirmative Marketing



Affirmative Marketing



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Properties financed by NCHFA are prohibited from:

- Denying occupancy to a household because the household participates in the Section 8 program
- Requiring a minimum income that would effectively prevent a voucher holder from qualifying for housing



Affirmative Marketing

Properties financed by NCHFA must:

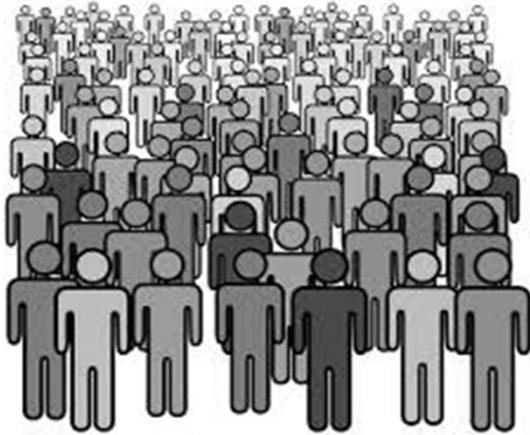
- State in their leasing criteria that the property will comply with state and federal fair housing laws
- Identify methods to market to persons with disabilities and populations least likely to apply
- Applying screening criteria uniformly
- Display an approved Affirmative Fair Housing Marketing Plan, HUD form 935.2A, in the leasing office and make it available to the public upon request. *(Updated Form - December 2011; New Expiration Date January 31, 2021)*
- To obtain Agency approval, upload in RCRS

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How to Complete and Implement an AFHMP



- Identify populations least likely to apply
- Ensure population is actually represented in the surrounding community
- Implement marketing efforts to attract target populations
- Efforts should be made to publicize through the type of media customarily used by the target applicant

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How to Complete and Implement an AFHMP

Regular marketing efforts alone do not satisfy affirmative marketing requirements

Maintain documentation evidencing outreach

- Flyers
- Mailings
- Advertising



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Acceptable Advertising Terms

- Rental Assistance Available
- Fully Accessible Units
- Affordable Housing
- Bedroom Size
- Facility is an Equal Opportunity Provider
- Subsidized Rent-based on income, if rental assistance is available



AFFORDABLE HOUSING

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Advertising Terms to Avoid



EQUAL HOUSING
OPPORTUNITY

- Apartments for families
- Quiet apartments
- Close to “specific” church
- Abbreviate “Equal Housing Opportunity” to EHO
- The Equal Housing Opportunity logo MUST be included the words “Equal Housing Opportunity”

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Community Contact Groups

- Neighborhood
- Minority
- Women's
- Grass Root
- Faith Based
- Other Community Based
- Disabled Community
- Telephone Book
- Social Services
- Governor's Office
- Labor Unions
- Employers
- Public/private
- Advocacy
- Schools (Guidance Counselors)
- Individuals well known to/associated with these groups
- Internet Search Engines:
 - Google
 - Yahoo etc.



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Creative Marketing Ideas

- NCHousingSearch.org
- Tribal Newspapers
- Thrifty Nickel or Penny Press Newspapers
- Public Service Announcements
- Radio Interviews
- Camera Crews at an Open House or Groundbreaking
- If doing leveraged loans – partner with the bank and share advertising cost
- Add your site as a link on other housing websites
- Etc...



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Affirmative Fair Housing Marketing Plan 935.2A Updated Form December 2001/New Expiration Date: 1/31/2021

5 page form (pages 1-5) +
3 pages of Instructions (pages 6-8) +
4 worksheets =
12 pages total

Supporting documentation must be submitted for approval



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Affirmative Fair Housing Marketing Plan

Note to all applicants/respondents: This form was developed with Nuance, the official HUD software for the creation of HUD forms. HUD has made available instructions for downloading a free installation of a Nuance reader that allows the user to fill-in and save this form in Nuance. Please see <http://portal.hud.gov/hudportal/documents/huddoc?id=nuancereaderinstall.pdf> for the instructions. Using Nuance software is the only means of completing this form.

Affirmative Fair Housing Marketing Plan (AFHMP) - Multifamily Housing

U.S. Department of Housing and Urban Development
Office of Fair Housing and Equal Opportunity

OMB Approval No. 2529-0013
(exp. 1/31/2021)

1a. Project Name & Address (including City, County, State & Zip Code) <div style="background-color: #cccccc; height: 80px; width: 100%;"></div>	1b. Project Contract Number <div style="background-color: #cccccc; height: 20px; width: 100%;"></div>	1c. No. of Units <div style="background-color: #cccccc; height: 20px; width: 100%;"></div>
1d. Census Tract <div style="background-color: #cccccc; height: 20px; width: 100%;"></div>		
1e. Housing/Expanded Housing Market Area Housing Market Area: <div style="background-color: #cccccc; height: 20px; width: 100%;"></div> Expanded Housing Market Area: <div style="background-color: #cccccc; height: 20px; width: 100%;"></div>		
1f. Managing Agent Name, Address (including City, County, State & Zip Code), Telephone Number & Email Address <div style="background-color: #cccccc; height: 40px; width: 100%;"></div>		



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AFHMP Reminders

- The new updated form is available on the HUD website <https://www.hud.gov/sites/documents/935-2A.PDF>
- Include all the pages and **ALL** the required supporting documents
- The AFHMP posted in the leasing office should be the same as the copy uploaded in RCRS
- The AFHMP is valid for five years, when expired the updated plan must be uploaded in RCRS
- At expiration, if the plan has had no changes... you can simply note "no changes/updates," your name & date
- *Don't forget to upload in RCRS and post in the leasing office*



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Tenant Selection Plan

The Tenant Selection Policy defines who is eligible to live in the apartment community. It must be in writing and must define acceptable and/or unacceptable criteria related to:

- Landlord References
- Credit Checks
- Criminal History
- Sex Offender Check
- Occupancy Standards
- Eligibility Requirements
- Definition of Elderly (if applicable)
- Appeal Process



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Tenant Selection Policy

- NCHFA developed a model criminal policy in connection with the Fair Housing Center
- Owners and managers must generally conform to the guidance memo dated 3/19/2018.
- New properties placing in service on or after 1/1/2019 must submit a plan that meets the requirements
- Existing properties which have an approved TSP based on the Agency's TSP policy published on 7/5/2016 are required to update the plan to comply with the requirements no later than 1/1/2021
- Plans must be uploaded in RCRS and posted in the leasing office



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Tenant Selection Policy

Fair Housing and Tenant Selection Policy for Properties Monitored
by the North Carolina Housing Finance Agency

*This applies to all properties
not just those with RPP Loans*

Tenant Selection Plan Content Checklist (updated 7/16/18)

The North Carolina Housing Finance Agency (the Agency) has a responsibility to affirmatively further fair housing within its housing programs. Among the Agency's public policy objectives related to fair housing are the following:

- Ensure access to housing created through our programs by vulnerable, underserved, and at-risk populations through the application of reasonable tenant selection criteria by our landlord partners.
- Ensure access for vulnerable, underserved, and at-risk populations in the most integrated settings within the community.
- Ensure compliance with all applicable federal regulations related to fair housing. This includes but is not limited to:

Property Management Company: _____ Property Name: _____
 Person submitting Plan: _____ NCHFA Reviewer: _____
 Regulations this property is subject to:
 Federal Tax Credits or TCAP or Exchange - Rural Development - HUD Section-8 - HOME -

TSP Section	TSP Requirement	Completed by Owner/Agent		Completed by NCHFA	
		Where is this in the TSP? Page #, Section #, Section Title	Is it OK? Yes, No, NA, or N/A	Comment/Corrective Action Needed	
1.a.i	Does the property have an income maximum listed, expressed as a number of units at % of median income?				
1.a.i	Does the TSP specify how the income limit is available? (website, contacting the on-site office, attachment to TSP)				
1.a.ii	Does the property have a minimum income policy listed?				



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Fair Housing



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Applicable Federal Laws



Civil Rights Act of 1968 and the Fair Housing Amendments Act of 1988

- Applies to all housing in the United States
Americans With Disability Act (ADA)

- Applies to all housing in the United States
Title III – Public Accommodations

- Applies to Common Areas

Section 504 Regulations and Limited English Proficiency Requirements

- Applies to housing utilizing Federal funds such as HOME, HUD, RHS



Fair Housing

The Federal Fair Housing Act & the NC Fair Housing Act prohibit discrimination on the basis of:

- Race
- Color
- Religion
- Sex (Gender)
- National Origin
- Disability
- Familial Status (Having children or being pregnant)

Otherwise known as the Protected Classes

The NC Fair Housing Act also includes low income housing as a protected class to help combat NIMBYism



EQUALITY

EQUITY



Title VIII
Fair Housing Act



Title VI
Civil Rights Act

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All multifamily rental properties, including Tax Credit properties, fall under Title VIII

- Title VIII is about EQUALITY – not treating people differently or in a way that discriminates against a person

Properties receiving federal funds (HUD, RHS, HOME) fall under Title VI

- Title VI, because of federal assistance, is about EQUITY – meeting people where they're at and providing the level of assistance appropriate so that a person can reasonably expect to have the same opportunity and outcome as anyone else

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For persons with disabilities Fair Housing Law goes a step further, making it illegal to:

- Fail to make reasonable accommodation in rules, policies, and services to give a person with a disability equal opportunity to occupy and enjoy the full use of a housing unit, or
- Fail to allow reasonable modification to the premises if the modification is necessary to allow a person with a disability full use of the premises

Reasonable Accommodations and Reasonable Modifications



- Determining what is a reasonable accommodation or a reasonable modification requires a balancing act of interest and a case-by-case judgment as to what is “reasonable,” and required individualized assessment of the person’s situation and circumstances
- A blanket rule, either stated, or in a pattern of practice, that “we do not provide accommodations for a criminal history “ may be illegal

Reasonable Accommodations and Reasonable Modifications

The person must request the accommodation and in doing so has revealed that they have a disability

- Property managers may request proof that the person has a disability and is covered under the law (consider income source)
- Property managers may also request additional information that the accommodation or modification is necessary and/or will address the issue.
- DHHS Targeting applicants/tenant can request
- Must follow your Tenant Selection Plan



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Reasonable Accommodations and Reasonable Modifications

REASONABLE ACCOMMODATION REQUEST



Applicant/Tenant Name:

Unit #:

Our apartment community operates under the guidelines of Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Amendment Act of 1988. In part, these acts allow persons with disabilities to request reasonable accommodations and/or modifications to afford a disabled person equal opportunity to use and enjoy their apartment and the common areas. In order to evaluate your request, we ask that you complete Part One of this form. However, a request may be made in writing, orally, or by using another equally effective means of communication to request a reasonable accommodation or modification. Once we receive your request, we will schedule a meeting to discuss this. If applicable, you will need to provide the name of a Qualified Third Party Professional where the form can be sent for evaluation. A Qualified Third Party Professional includes, but is not limited to a Doctor, Psychiatrist, Social Worker, etc. We will contact you within 30-days with our decision. If additional information is needed, we will contact you immediately. Please contact the Site Manager if you have any questions.



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- Further inquiry into the nature and type of the disability, however, must be limited to matters directly related to the requested accommodation or modification
- Rental Assistance (Section 8, Key Program, etc.) must be taken into consideration when evaluating ability to pay rent and requests for reasonable accommodations to the standard credit history criteria

Reasonable Accommodations and Reasonable Modifications

- Timeliness in responding to reasonable accommodation or reasonable modification is important
- Undue delay in responding to request could be seen as a refusal to make an accommodation or allow a modification, and consequently, a violation of the law
- If a tenant submits a reasonable accommodation request in response to a lease termination or eviction notice; the termination process should not continue until a decision on the request has been made and communicated to the tenant



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Service & Companion Animals are an Example of a Reasonable Accommodation



- They are NOT pets; therefore, are not subject to prohibition or restriction under the pet policy
- Must have separate rules for pets and service & companion animals
- Cannot collect fees or pet deposit. Can charge for damages caused by service & companion animals
- Must require third party documentation that Head of Household member is disabled and needs a service & companion animal
- Once request is verified and documented, reasonable accommodation must be approved



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Service & Companion Animals



OFFICE OF FAIR HOUSING
AND EQUAL OPPORTUNITY

U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-2000

SPECIAL ATTENTION OF:

HUD Regional and Field Office Directors of
Public and Indian Housing (PIH); Housing;
Community Planning and Development
(CPD); Fair Housing and Equal Opportunity;
and Regional Counsel; CPD, PIH, and
Housing Program Providers

FHEO Notice: **FHEO-2020-01**
Issued: January 28, 2020
Expires: Effective until Amended,
Superseded, or Rescinded.

Subject: Assessing a Person's Request to Have an Animal as a Reasonable Accommodation Under
the Fair Housing Act

- HUD on 1/28/2020 published guidance clarifying how housing providers can comply with the Fair Housing Act when assessing a person's request to have an animal in housing to provide assistance because of a disability
- Specifically addresses "internet verifications" where there is no known relationship between the patient and the verification provider other than providing the verification

<https://www.hud.gov/sites/dfiles/PA/documents/HUDAsstAnimalNC1-28-2020.pdf>

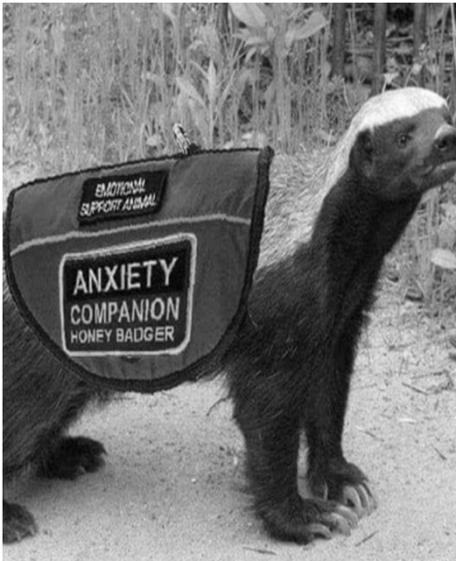
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Service & Companion Animals



The 1/28/2020 Notice defines & provides guidance related to:

- a service animal is a dog (with a narrow exception for miniature horses) that has been trained to perform specific tasks or services for a disabled person
- a support animals, which may be trained or untrained, and do work, perform tasks, provide assistance, and/or provide therapeutic emotional support for individuals with disabilities
- a person may have a disability related need for both animals, or two disabled people in the same household each need their own assistance animal

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“Fair Housing for Tenants with Disabilities: Understanding Reasonable Accommodations and Reasonable Modifications”



The guide provides basic information on these important protections and guidance for property managers and persons with disabilities including numerous examples which illustrate standards the courts use in determining what is “reasonable”

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<http://www.nchfa.com/Rental/Mreasonableaccommod.aspx>



What can you do to ensure compliance with Fair Housing Laws?



- Develop and implement clear policies and fair housing practices. Have policies reviewed by a fair housing expert
- Support diversity and cultural awareness in your business on a daily bases
- Be proactive in making fair housing an everyday part of your business
- Promote fair housing through continuous education

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What can you do to ensure compliance with Fair Housing Laws?



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- Develop and implement a reasonable accommodation and reasonable modification policy
- Understand the Senior Housing Exemption if you are an elderly property
- If you receive federal assistance, learn about Section 504 of the Rehabilitation Act of 1973 and Limited English Proficiency Requirements



Definition of Elderly

24 CFR 100.300-308

State & Federal Elderly Housing Programs (100.302)

- Must use program definition of elderly
- Typically 62 & older OR disabled

62 & older definition (100.303)

- Every person residing at the property must be at least 62 or older

55 & older definition (100.304)

- At least one person in 80% of the units must be at least 55 or older
- The owner needs to define who can reside in the remaining 20% of the units
- See also the Housing for Older Persons Act of 1995 (HOPA) for additional guidance on the 55 & older definition

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Language Access Plan

Language Access Plan (LAP)

- Recipients of federal funds must take steps to ensure meaningful access by persons with limited English proficiency (LEP persons)

NCHFA requires all recipients to complete a Four Factor Analysis

- Number or proportion of LEP persons to be served or likely to be encountered by the program or recipient
- The frequency with which LEP individuals come in contact with the program
- Nature and importance of the program, activity, or service provided
- The resources available to the recipient and costs
- A copy of the NCHFA Guidance for Developing a Four Factor Analysis and LAP and HUD's Language Services Resources Memo is provided in the "Resources" section of this training book.



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Limited English Proficiency (LEP)

Limited English Proficiency (LEP)

- After deciding what language assistance services are appropriate, develop a plan to address needs of the LEP population served

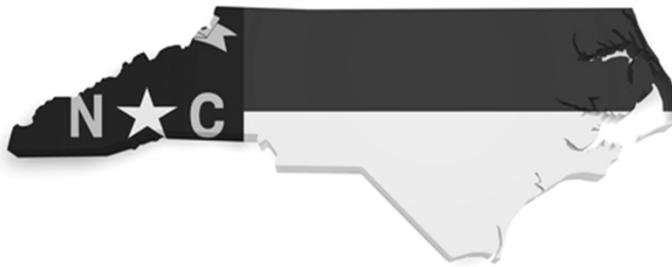
Elements to consider

- Who needs assistance and what language assistance is needed
- Identify points of contact staff may have with LEP persons
- Identify ways language assistance will be provided
- Provide appropriate translated notices to LEP persons (ex. eviction notices, emergency plans)
- Provide interpreters for meetings



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- 7,000 languages spoken worldwide
- At least 380 languages spoken in the United States
- Approximately 4.7% of homes in North Carolina have limited English proficiency >440,000 households



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How much do Fair Housing violations cost?

HUD Settles Claim of Disability Discrimination by Condominium Association

A condominium association has agreed to pay \$30,000 pursuant to a Consent Order resolving allegations that they discriminated against a resident with disabilities by preventing her from having an assistance animal. HUD issued the Charge of Discrimination in 2018, which alleged that the Association violated the Fair Housing Act by requiring the resident, who is a person with a hearing and sight disability, to cage her dog in common areas and use the service entrance when entering and exiting the building with the animal.

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How much do Fair Housing violations cost?

A North Carolina Housing Authority violated residents rights under VAWA – October 2019

- Refused to allow resident's multiple transfer requests to a unit that they felt would provide safety after the resident was a victim of several criminal activities from a previous boyfriend
- Training for all staff, confirming that the HA is following VAWA policy in providing VAWA documents and posting required forms. Certification to HUD annually required
- Monetary terms of the settlement – confidential



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Professional Fair Housing Trainers



Kathi Williams , The Fair Housing Institute
(770) 826-6573 – www.fairhousinginstitute.com



Mark English, E&A Services, Inc.
(888) 504-7483 – www.eandateam.com



SAHMA
(800) 745-4088 – www.sahma.org



John Ritzu, Fair Housing FIRST
(312) 913-1717 – www.FairHousingFIRST.org

Don't forget about your local Apartment Association and NCHFA for Fair Housing Classes



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Overview of Resources Available from NCHFA



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For Home Buyers

NC Home Advantage Mortgage

- 30 year, fixed rate mortgage
- Competitive interest rates

Down payment assistance that is fully forgiven after 15 years

- Mortgage Credit Certificate
- Enables the first-time home buyers to save up to \$2,000 a year on federal taxes, even if you do not itemize deductions



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For Home Owners

- If NCHFA is servicing your loan, you can manage your loan using eStatus. (view loan balance, payments history, and payment due dates; request a payoff statement; update personal contact information)
- Mortgage payment assistance if you lose your job or income is reduced.
- Free housing counseling



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For Homeowners (via local governments and nonprofits)

- Interest free, deferred, forgiven loans to facilitate comprehensive rehab of homes owned by low income elderly or disabled
- Grants to elderly, disabled or other special needs populations to provide emergency repairs to your home
- Grants to provide accessibility modifications
- Interest free, forgiven loans to improve energy efficiency.



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For Renters

- Free tool to locate affordable rental housing: NCHousingSearch.com
- Renters rights and responsibilities
- Path to homeownership



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For Developers

Resources available to finance and rehab affordable multifamily housing in North Carolina:

- Low Income Housing Credit Program
- Workforce Housing Loan Program
- Rental Production Program loans to provide gap financing (HOME & Housing Trust Fund)
- Multifamily Tax Exempt Bonds
- Supportive Housing Development Program, specifically to provide special needs housing



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For Owners and Managers

- Compliance Managers training throughout the state (Compliance 101, Advanced Training, Supportive Housing Development Program Training, RCRS Training)
- Rental Compliance Reporting System (RCRS)
- On demand access to get answers to compliance questions by email or phone
- Rent increase and reserve approvals (if applicable)



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Terms You Need to Know

Low income Housing Credit Program (LIHC)

- Created by the Tax Reform Act of 1986 to increase the production of affordable housing
- Governed by Section 42 of Internal Revenue Code
- State Housing Credit Program (STC)

The State Housing Credit was created by the N.C. General Assembly in 1999 to be used in combination with the federal LIHC

- Rents are affordable to households at 30%, 40% or 50% of median income
- In 2002, the General Assembly converted the STC into a refundable credit providing funds that can be efficiently invested directly in LIHC properties
- Last year of funding for STC was 2004



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Terms You Need to Know

Workforce Housing Loan Program (WHLP)

- Replaces the State Tax Credit Program
 - 30 year deferred payment loan at 0% interest
 - Maximum loan amount set by county income designation
 - Property must receive an allocation of federal LIHC in order to be eligible
- Rental Production Program (RPP) – broad term used to describe the Agency's rental loan portfolio
- Loan funds used to produce affordable rental housing
 - Regular annual allocations
 - Special funding cycles to respond to natural disasters
 - Funds provided from HOME program and the state's Housing Trust Fun



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Terms You Need to Know

Preservation Loan Program (PLP)

- Provides loans of up to \$1 million for the rehabilitation and preservation of existing affordable housing developments that are not able to utilize other funding sources
- Funds are provided from the HOME program and the state's Housing Trust Fund
- Currently, no new funding is available for this program

HOME

- Authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended
- Program regulations are at 24 CFR Part 92. The HOME program final rules is available electronically
- Used to fund a wide range of activities to build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people



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Terms You Need to Know

Housing Trust Fund (HTF)

- The Housing Trust Fund, created by the General Assembly in 1987, is North Carolina's only state-funded and state-designed resource for affordable housing
- It provides home ownership opportunities for low-income families, apartment development for families, seniors, and people with disabilities; and finances home repairs and accessibility modifications for the elderly and disabled persons

LIHTC Exchange, Section 1602

- Exchange loans replace what would have been equity investment
- Projects will follow the same LIHTC rules
- The Agency will conduct asset management just as if there was a RPP loan: Annual financials, reserve monitoring, etc.
- Another difference is the consequences of noncompliance may be more severe than LIHTC recapture, including foreclosure



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Resources





Four Factor Analysis

Title VI of the Civil Rights Act of 1964, 42 U.S.C. 2000(d) and Executive Order 13166 require that recipients of federal funds take responsible steps to ensure meaningful access by persons with limited English proficiency (“LEP persons”). The North Carolina Housing Finance Agency (“NCHFA”) is a recipient of federal funds for a portion of its programs and thus obligated to reduce language barriers that can preclude meaningful access by LEP persons to NCHFA’s programs.

For the purposes of this plan:

- a) *Recipient* means the entity designated as a recipient for assistance with federal funding. This is any entity which receives federal assistance, directly from NCHFA or from another recipient. This includes, but is not limited to, any unit of local government, public housing authority, community housing development organization, public or private nonprofit agency, developer, private agency or institution, builder, property manager, residential management corporation, or cooperative association.
- b) *LEP* means Limited English Proficiency.
- c) *LAP* means Language Access Plan.
- d) *Limited English Proficiency person*, as defined in the 2000 U.S. Census, is any individual who speaks a language at home other than English as their primary language, and who speak or understand English “not well” or “not at all”.

Analysis

NCHFA conducted a four factor analysis, considering (1) the number or proportion of LEP persons eligible to be served or likely to be encountered by NCHFA or its federally funded programs, (2) frequency with which LEP persons come into contact with NCHFA programs, (3) nature and importance of the program, activity, or service to people’s lives, and (4) resources available and costs:

- (1) Per the 2016 American Community Survey Five-Year Estimate, 7.4% of North Carolina’s population speaks Spanish at home, and 3.4% of North Carolina’s population is Spanish-speaking with limited English proficiency at home. No other ethnicity has a sizeable LEP population. About 88.8% of North Carolina’s population speaks only English at home. Based on a cumulative analysis of our programs, the main non English speaking group that uses our programs is Hispanic. Based on analysis of internal data, the main non-English speaking group that uses NCHFA programs is Spanish-speaking.
- (2) NCHFA primarily provides funds to organizations and does not interact directly with individual households. Even in situations where the funds directly benefit an individual household, NCHFA’s contact is with the organization or lender assisting the household, not with the

household itself. NCHFA provides housing assistance through our local government, nonprofit, and for-profit partners. As a result, LEP persons rarely come in contact with federally funded programs directly through NCHFA. LEP persons using our programs typically interact with the programs, through our partners, no more than three times a year.

- (3) NCHFA programs do not provide any direct service or immediate/emergency assistance, such as medical treatment or food provision; they provide multifamily and single-family housing and housing repair/rehabilitation. Delay of access to the programs would not unduly harm LEP persons. NCHFA's single-family housing programs serve individuals through government, nonprofit, and for-profit partners and its multifamily housing programs work with developers and property managers; NCHFA has no direct programmatic interaction with individuals.
- (4) In response to the significant Spanish-speaking population in North Carolina, NCHFA has a Spanish version of its website and has vital documents, program brochures, and materials available in Spanish. In addition, NCHFA staff members who are bilingual in English and Spanish are available to translate. Upon request, NCHFA will provide oral interpretation and/or written translation in other languages. If other significant populations of LEP persons are identified based on future releases of Census data, NCHFA will consider additional targeted measures to serve those populations.

Because virtually all assistance is provided by NCHFA's partners, all applicants/sub-grantees will be required to comply with Title VI and its accompanying regulations. All organizations receiving federal funds will conduct and provide a Four Factor Analysis to NCHFA and organizations serving counties with 5% or greater LEP persons will be required to complete a LAP. NCHFA will assist agencies in finding appropriate translation resources and will disseminate translated U.S. Department of Housing and Urban Development ("HUD") notices, brochures, and other documents.

Evaluation

NCHFA will update its Four Factor Analysis when new Census data is released and will revise its policies and procedures as necessary. NCHFA staff will also be trained on LEP policies and procedures.

NCHFA's Four Factor Analysis is available to the public. The information will be made available in a form accessible to persons with disabilities upon request to NCHFA, 3508 Bush Street, Raleigh NC 27609, Tel (919) 877-5700.

Citizens, public agencies, and other interested parties will have reasonable and timely access to information and records relating to the Four Factor Analysis. All records that are public under G.S. 132 will be made accessible to interested individuals and groups during normal working hours.

At any time, citizens may submit complaints related to the Four Factor Analysis by contacting the Agency's LEP contact people: Erika Brandt at ecbrandt@nchfa.com and Emila Sutton at esutton@nchfa.com. NCHFA will provide a written response to every written complaint that relates to the Four Factor Analysis within 15 business days.

Updated 5/15/18



HUD provides Several Services to Allow Persons with Limited English Proficiency (LEP) Free Meaningful Language Access to HUD-conducted Programs/Activities

1) Written Translation

- Translate documents in over 125 foreign languages
- Types of documents: HUD “vital documents”, e.g. posters, forms, brochures, pamphlets, website text, blogs, applications, correspondence and more....

2) Braille Translation

- Translate documents in Braille for persons who are blind or have low vision
- Types of documents: Same as the list under “Written Translation” above

3) Telephonic Interpretation

- Communicate in 222 foreign languages
- 3-way conversation between HUD staff, caller, and the interpreter
- Available nationwide, including Puerto Rico, 24/7/365

4) On-site Oral Interpretation

- Interpret in over 125 foreign languages
- Each event is scheduled for a minimum of two (2) hours
- Available nationwide, including Puerto Rico, 24/7/365
- Available in the following three conversation modes:

a. Consecutive Interpretation

- Used for small meetings to allow pauses on the part of both the interpreter and the speaker.

b. Simultaneous Interpretation

- Used for large meetings with single or numerous speakers to allow multiple persons with LEP to participate in the meeting

c. Escort Interpretation

- Used when the parties are not sedentary
- Interpreters can accompany non-English-speaking visitors

5) On-site Sign Language (SL) Interpretation

- To communicate with persons who are deaf or hard of hearing
- Service available in American Sign Language (ASL) and other foreign languages
- Each event is scheduled for a minimum of two (2) hours
- Available nationwide, including Puerto Rico, 24/7/365

6) FedRelay (Federal Relay)

Communicate with those who are deaf, hard-of-hearing, or have speech disabilities equal communication access through:

- Text Telephone (TTY)/ASCII/Voice
- Speech to Speech
- Captioned Telephone (CapTel)
- Internet-based Services
- Video Relay Service (VRS)
- Video Remote Interpreting
- IP Relay
- Relay Conference Captioning
- Captioned Telephone (IP CapTel)

7) Media Subtitling and Voiceover (translation and interpretation)

Subtitle, voiceover text, or dialog from a script/screenplay into another language

Contact Persons for assistance with HUD's Language Access Services

For assistance with HUD's Language Access Services, please send an email to LEP@hud.gov. For additional assistance, please contact Adrienne Thomas at Adrienne.D.Thomas@hud.gov or Shauntae Walker at Shauntae.L.Walker@hud.gov.

Acronym Cheat Sheet

ACH	Automated Clearing House
ADA	Americans with Disabilities Act
AFHMP	Affirmative Fair Housing Marketing Plan
AMI	Area Median Income
AOC	Annual Owners Certification
ARRA	American Recovery and Reinvestment Act of 2009
BIN	Building Identification Number
CDBG	Community Development Block Grant
CFR	Code of Federal Regulations
CHDO	Community Housing Development Organization
CO	Certificate of Occupancy
CPD	Community Planning and Development
DHHS	Department of Health and Human Services
EUA	Extended Use Agreement
FHA	Fair Housing Act 1968 (1974/1988)
FMR	Fair Market Rent
HAP	Housing Assistance Payment
HCV	Housing Choice Voucher
HERA	Housing and Economic Recovery Act of 2008
HFA	Housing Finance Agency
HOME	HOME Investment Partnerships Program
HOPWA	Housing Opportunities for Persons with AIDS
HQS	Housing Quality Standards
HTF	Housing Trust Fund
HUD	U.S. Department of Housing and Urban Development
IRC	Internal Revenue Code
IRS	Internal Revenue Service
LEP	Limited English Proficiency
LIHC	Low Income Housing Credit

Acronym Cheat Sheet

LURA	Land Use Restriction Agreement
MSA	Metropolitan Statistical Area
MTSP	Multi-family Tax Subsidy Program
NCHFA	North Carolina Housing Finance Agency
PBRA	Project-based Rental Assistance
PHA	Public Housing Authority
PJ	Participating Jurisdictions
PLP	Preservation Loan Program
QAP	Qualified Allocation Plan
RA	Rental Assistance
RAD	Rental Assistance Demonstration
RD	Rural Development
REAC	Real Estate Assessment Center
RPP	Rental Production Program
SHDP	Supportive Housing Development Program
SRO	Single Room Occupancy
STC	State Tax Credits
TANF	Temporary Aid to Needy Families
TBRA	Tenant Based Rental Assistance
TSP	Tenant Selection Plan
TTP	Total Tenant Payment
UA	Utility Allowance
UPCS	Uniform Physical Conditions Standards
USDA	U.S. Department of Agriculture
VASH	Veterans Affairs Supportive Housing Program
VAWA	Violence Against Women Act
WHLP	Workforce Housing Loan Program
WIA	Workforce Investment Act

CHAPTER 5. DETERMINING INCOME AND CALCULATING RENT

5-1 Introduction

- A. Owners must determine the amount of a family's income before the family is allowed to move into assisted housing and at least annually thereafter. The amount of assistance paid on behalf of the family is calculated using the family's annual income less allowable deductions. HUD program regulations specify the types and amounts of income and deductions to be included in the calculation of annual and adjusted income.
- B. Although the definitions of annual and adjusted income used for the programs covered in this handbook have some similarities with rules used by the U.S. Internal Revenue Service (IRS), the tax rules are different from the HUD program rules.
- C. The most frequent errors encountered in reviews of annual and adjusted income determinations in tenant files fall in three categories:
1. Applicants and tenants failing to fully disclose income information;
 2. Errors in identifying required income exclusions; and
 3. Incorrect calculations of deductions, often the result of failure to obtain third-party verification.

Careful interviewing and thorough verification can minimize the occurrence of these errors.

- D. Chapter 5 is organized as follows:
- **Section 1: Determining Annual Income** discusses the requirements regarding annual income and the procedure for calculating a family's annual income when determining eligibility. This section also includes guidance on determining income from assets.
 - **Section 2: Determining Adjusted Income** describes the procedures and requirements for determining adjusted income based on allowable deductions.
 - **Section 3: Verification** presents the requirements for verifying information provided by applicants and tenants related to their eligibility.
 - **Section 4: Calculating Tenant Rent** discusses the methods for calculating the tenant's portion of rent under the different programs covered by this handbook.

5-2 Key Terms

- A. There are a number of technical terms used in this chapter that have very specific definitions established by federal statute or regulations, or by HUD. These terms are listed in Figure 5-1 and their definitions can be found in the Glossary to this handbook. It is important to be familiar with these definitions when reading this chapter.
- B. The terms “disability” and “persons with disabilities” are used in two contexts – for civil rights protections, and for program eligibility purposes. Each use has specific definitions.
1. When used in context of protection from discrimination or improving the accessibility of housing, the civil rights-related definitions apply.
 2. When used in the context of eligibility under multifamily subsidized housing programs, the program eligibility definitions apply.

NOTE: See the Glossary for specific definitions and paragraph 2-23 for an explanation of this difference.

Figure 5-1: Key Terms

<ul style="list-style-type: none"> • Adjusted income • Annual income • Assets • Assistance payment • Assisted rent • Assisted tenant • Basic rent • Co-head of household • Contract rent • Dependent • *Enterprise Income Verification (EIV)* • Extremely low-income family • Foster adult • Foster children • Full-time student • Gross rent • Hardship exemption • Head of household • Housing assistance payment (HAP) • Income limit 	<ul style="list-style-type: none"> • Live-in aide • Low-income family • Market rent • Minimum rent • Operating rent • Project Assistance Contract (PAC) • PRAC Operating Rent • Project Rental Assistance Contract (PRAC) • Project assistance payment • Project rental assistance payment • Tenant rent • Total tenant payment • Unearned income • Utility allowance • Utility reimbursement • Very low-income family • Welfare assistance • Welfare rent
--	--

Section 1: Determining Annual Income

5-3 Key Regulations

This paragraph identifies the key regulatory citation pertaining to Section 1: Determining Annual Income. The citation and its title are listed below.

- *24 CFR 5.233 Mandated Use of HUD's Enterprise Income Verification (EIV) System*
- 24 CFR 5.609 Annual Income

5-4 Key Requirements

- A. Annual income is the amount of income that is used to determine a family's eligibility for assistance. Annual income is defined as follows:
1. All amounts, monetary or not, that go to or are received on behalf of the family head, spouse or co-head (even if the family member is temporarily absent), or any other family member; or
 2. All amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual recertification effective date.
- B. Annual income includes all amounts that are not specifically excluded by regulation. Exhibit 5-1, Income Inclusions and Exclusions, provides a list of income inclusions and exclusions published in the regulations and *Federal Register* notices.
- C. Annual income includes amounts derived (during the 12-month period) from assets to which any member of the family has access.

5-5 Methods for Projecting and Calculating Annual Income

- A. The requirements for determining whether a family is eligible for assistance, and the amount of rent the family will pay, require the owner to project or estimate the annual income that the family expects to receive. There are several ways to make this projection. The following are acceptable methods for calculating the annual income anticipated for the coming year:
1. Generally the owner must use current circumstances to anticipate income. The owner calculates projected annual income by annualizing *current* income. Income that may not last for a full 12 months (e.g., unemployment compensation) should be calculated assuming current circumstances will last a full 12 months. If changes occur later in the year, an interim recertification can be conducted to change the family's rent.

2. If information is available on changes expected to occur during the year, use that information to determine the total *anticipated* income from all known sources during the year.
3. *Using EIV:
 - (a) The owner must not use the quarterly wage income reported on the EIV Income Report for calculating the tenant's annual income from employment. The owner must confirm with the tenant that the information in EIV is correct. If the tenant agrees that the employment information reported in EIV is correct, the owner must:
 - (1) Use the Income Report as third party verification of the tenant's employment; and
 - (2) Use tenant provided documents for calculating the tenant's annual income, e.g. 4-6 current, consecutive check stubs.

Example 1: EIV shows that John is working at Jack's Restaurant and John agrees that he is working there. John has brought in his four most current, consecutive check stubs. The owner must use the EIV Income Report as third party verification that John is employed at Jack's Restaurant and use the gross pay shown on the check stubs provided by the tenant for determining John's annual income. John is paid weekly.

Check stubs – gross pay 1) \$120; 2) \$145; 3) \$125; 4) \$130 – total gross pay = \$520

$\$520 / 4 = \130 average gross pay per week

$\$130 \times 52 \text{ weeks} = \$6,760$ gross annual income

Example 2: EIV shows Sally works at Beauty World and Sally agrees that she is working there. Sally has brought in a payroll summary report prepared by her employer which shows that Sally works 30 hours per week and earns \$12.50 per hour. The owner must use the EIV Income Report as third party verification that Sally is employed at Beauty World and use the payroll summary report prepared by Beauty World for determining Sally's annual income.

$30 \text{ hours} \times 52 \text{ weeks} = 1,560 \text{ hours per year}$

$\$12.50 \text{ per hour} \times 1,560 \text{ hours} = \$19,500$ gross annual income

- b. The owner must not use the quarterly unemployment compensation benefits reported on the EIV Income Report for calculating the tenant's annual income from unemployment. The owner must confirm with the tenant that the unemployment information in EIV is correct. If the tenant agrees that he/she is receiving unemployment compensation benefits as reported in EIV, the owner must:
- (1) Use the Income Report as third party verification that the tenant is receiving unemployment; and
 - (2) Use tenant provided documents for calculating annual income, e.g. unemployment monetary benefit notice.

Example: Peter has brought in the unemployment benefit notice he received showing he is being paid weekly unemployment benefits of \$175. The owner will use the EIV Income Report as third party verification that Peter is receiving unemployment benefits and the unemployment benefit notice for determining Peter's annual income.

$\$175 \text{ per week} \times 52 \text{ weeks} = \$9,100.00 \text{ gross annual income}$

NOTE: If Peter's unemployment is terminated during the annual recertification period, Peter should report this to the owner along with documentation supporting the date of termination of the benefits. The owner will then prepare an interim recertification removing the unemployment income. If Peter is unable to provide documentation verifying termination of unemployment compensation benefits, the owner must verify the termination directly with the state workforce agency (SWA) source.

- c. If the tenant agrees with the social security benefit information on the EIV Income Report, the owner must use the EIV Income Report as third party verification, receiving social security benefits and also for calculating the tenant's annual income.

Example: The Income Report shows that Joe Smith is receiving gross social security benefits of \$980.40 per month. Joe agrees that this is the amount he is receiving. The owner will use the Income Report as third-party verification that Joe is receiving social security benefits and for calculating Joe's annual income.

$\$980.40 \times 12 \text{ months} = \$11,764.80 \text{ (rounded to } \$11,765) \text{ gross annual income.}$

- d. If the tenant disputes the employment and income information in EIV, the owner must obtain third party verification from the source.*
- B. Once all sources of income are known and verified, owners must convert reported income to an annual figure. Convert periodic wages to annual income by multiplying:
1. Hourly wages by the number of hours worked per year (2,080 hours for full-time employment with a 40-hour week and no overtime);
 2. Weekly wages by 52;
 3. Bi-weekly wages (paid every other week) by 26;
 4. Semi-monthly wages (paid twice each month) by 24; and
 5. Monthly wages by 12.

To annualize other than full-time income, multiply the wages by the actual number of hours or weeks the person is expected to work.

Example – Anticipated Increase in Hourly Rate

February 1	Certification effective date	
\$7.50/hour	Current hourly rate	
\$8.00/hour	New rate to be effective March 15	

(40 hours per week x 52 weeks = 2,080 hours per year)

February 1 through March 15 =	6 weeks
6 weeks x 40 hours =	240 hours
2,080 hours minus 240 hours =	1,840 hours

(check: 240 hours + 1,840 hours = 2,080 hours)

Annual Income is calculated as follows:

240 hours x \$7.50 =	\$1,800
\$1,840 hours x \$8.00 =	\$14,720
Annual Income	\$16,520

(See **Appendix 8** for an explanation of the correct approach to rounding numbers.)

- C. Some circumstances present more than the usual challenges to estimating anticipated income. Examples of challenging situations include a family that has sporadic work or seasonal income or a tenant who is self-employed. In all instances, owners are expected to make a reasonable judgment as to the most reliable approach to estimating what the tenant will receive during the year. In many of these challenging situations, midyear or interim recertifications may be

required to reflect changing circumstances. Some examples of approaches to more complex situations are provided below.

Examples – Irregular Employment Income

Seasonal work. Clyde Kunkel is a roofer. He works from April through September. He does not work in rain or windstorms. His employer is able to provide information showing the total number of regular and overtime hours Clyde worked during the past three years. To calculate Clyde's anticipated income, use the average number of regular hours over the past three years times his current regular pay rate, and the average overtime hours times his current overtime rate.

Sporadic work. Justine Cowan is not always well enough to work full-time. When she is well, she works as a typist with a temporary agency. Last year was a good year and she worked a total of nearly six months. This year, however, she has more medical problems and does not know when or how much she will be able to work. Because she is not working at the time of her recertification, it will be best to exclude her employment income and remind her that she must return for an interim recertification when she resumes work.

Examples – Irregular Employment Income

Sporadic work. Sam Daniels receives social security disability. He reports that he works as a handyman periodically. He cannot remember when or how often he worked last year: he says it was a couple of times. Sam's earnings appear to fit into the category of nonrecurring, sporadic income that is not included in annual income. Tell Sam that his earnings are not being included in annual income this year, but he must report to the owner any regular work or steady jobs he takes.

Self-employment income. Mary James sells beauty products door-to-door on consignment. She makes most of her money in the months prior to Christmas but has some income throughout the year. She has no formal records of her income other than a copy of the IRS Form 1040 she files each year. With no other information available, the owner will use the income reflected on Mary's copy of her form 1040 as her annual income.

5-6 Calculating Income—Elements of Annual Income

A. Income of Adults and Dependents

1. Figure 5-2 summarizes whose income is counted.

2. **Adults.** Count the annual income of the head, spouse or co-head, and other adult members of the family. In addition, persons under the age of 18 who have entered into a lease under state law are treated as adults, and their annual income must also be counted. These persons will be either the head, spouse, or co-head; they are sometimes referred to as emancipated minors.

NOTE: If an emancipated minor is residing with a family as a member other than the head, spouse, or co-head, the individual would be considered a dependent and his or her income handled in accordance with subparagraph 3 below.

3. **Dependents.** A dependent is a family member who is under 18 years of age, is disabled, or is a full-time student

The head of the family, spouse, co-head, foster child, or live-in aide are never dependents. Some income received on behalf of family dependents is counted and some is not.

- a. *Earned* income of minors (family members under 18) is not counted.
- b. Benefits or other *unearned* income of minors is counted.

Figure 5-2: Whose Income is Counted?

Members	Employment Income	Other Income (including income from assets)
Head	Yes	Yes
Spouse	Yes	Yes
Co-head	Yes	Yes
Other adult (including foster adult)	Yes	Yes
Dependents		
-Child under 18	No	Yes
Full-time student over 18	See Note	Yes
Foster child under 18	No	Yes
Nonmembers		
Live-in aide	No	No

NOTE: The earned income of a full-time student 18 years old or older who is a dependent is excluded to the extent that it exceeds \$480.

- c. When more than one family shares custody of a child, and both families live in assisted housing, only one family at a time can claim the dependent deduction. The family that counts the dependent deduction also counts the unearned income of the child. The other family claims neither the dependent deduction nor the unearned income of the child.
- d. For full-time students, who are 18 years of age or older *and* are dependents, a small amount of their earned income will be counted. Count only earned income up to a maximum of \$480 per year for full-time students, age 18 or older, who are not the head of the family; spouse or co-head.*If the earned income is less than \$480 annually, count all of the income. If the earned income exceeds \$480 annually,* count \$480 and exclude the amount that exceeds \$480.
- e. The income of full-time students 18 years of age or older who are members of the household but away at school is counted the same as the income for other full-time students. The income of minors who are members of the household but away at school is counted as the income for other minors.
- f. All income of a full-time student, 18 years of age or older, is counted if that person is the head of the family, spouse, or co-head.
- g. Payments received by the family for the care of foster children or foster adults are *not* counted. This rule applies only to payments made through the official foster care relationships with local welfare agencies.
- h. Adoption assistance payments in excess of \$480 are not counted.

B. Income of Temporarily Absent Family Members

- 1. Owners must count all income of family members approved to reside in the unit, even if some members are temporarily absent.
- 2. If the owner determines that an absent person is no longer a family member, the individual must be removed from the lease and the HUD-50059.
- 3. A temporarily absent individual on active military duty must be removed from the family, and his or her income must not be counted unless that person is the head of the family, spouse, or co-head.
 - a. However, if the spouse or a dependent of the person on active military duty resides in the unit, that person's income must be counted in full, even if the military member is not the head, or spouse of the head of the family.

- b. The income of the head, spouse, or co-head will be counted even if that person is temporarily absent for active military duty.

Examples – Income of Temporarily Absent Family Members

- John Chouse works as an accountant. However, he suffers from a disability that periodically requires lengthy stays at a rehabilitation center. When he is confined to the rehabilitation center, he receives disability payments equaling 80% of his usual income.

During the time he is not in the unit, he will continue to be considered a family member. The owner will conduct an interim recertification. Even though he is not currently in the unit, his total disability income will be counted as part of the family's annual income.
- Mirna Martinez accepts temporary employment in another location and needs a portion of her income to cover living expenses in the new location. The full amount of the income must be included in annual income.
- Charlotte Paul is on active military duty. Her permanent residence is her parents' assisted unit where her husband and children live. Charlotte is not currently exposed to hostile fire. Therefore, because her spouse and children are in the assisted unit, her military pay must be included in annual income. (If her dependents or spouse were not in the unit, she would not be considered a family member and her income would not be included in annual income.)

C. Deployment of Military Personnel to Active Duty

Owners are encouraged to be as lenient as responsibly possible to support affected households in situations where persons are called to active duty in the Armed Forces. Specific actions that owners should undertake to support military households include, but are not limited to:

1. Allow a guardian to move into the assisted unit on a temporary basis to provide care for any dependents the military person leaves in the unit. Income of the guardian temporarily living in the unit for this purpose is not counted as income.
2. Allow a tenant living in an assisted unit to provide care for any dependents of persons called to active duty in the Armed Forces on a temporary basis, as long as the head and/or co-head of household continues to serve in active duty. Income of the child (e.g., SSI benefits, military benefits) is not counted as income of the person providing the care.
3. Exclude from annual income special pay received by a household member serving in the Armed Services who is exposed to hostile fire (see Exhibit 5-1).
4. Give consideration for any case involving delayed payment of tenant rent. Determine whether it is appropriate to accept a late payment.
5. Allow the assistance payment and the lease to remain in effect for a reasonable period of time (depending on the length of deployment)

beyond that required by the Soldiers' and Sailors' Civil Relief Act of 1940, 50 U.S.C. §§ 501-591, even though the adult members of the military family are temporarily absent from the assisted unit.

D. Income of Permanently Confined Family Members

1. An individual permanently confined to a nursing home or hospital may not be named as family head, spouse, or co-head but may continue as a family member at the family's discretion. The family's decision on whether or not to include the permanently confined family member as a family member determines if that person's income will be counted.
 - a. *Include* the individual as a family member and the income and allowable deductions related to the medical care of the permanently confined individual are counted; or
 - b. *Exclude* the individual as a family member and the income and allowances based on the medical care of the permanently confined individual are not counted.

If the family elects to include the permanently confined member, the individual is listed on the HUD-50059 as an adult who is not the head, spouse, or co-head, even when the permanently confined family member is married to the person who is or will become the head of the family. The owner should consider extenuating circumstances that may prevent the confined member from being able to sign the HUD-50059. If the owner determines the confined member is unable to sign the HUD-50059, he owner must document the file why the signature was not obtained. If the family elects not to include the permanently confined member, the individual would not be listed on the HUD-50059.

E. Educational Scholarships or Grants

All forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are excluded from annual income except for students receiving Section 8 assistance. This is true whether the assistance is paid to the student or directly to the educational institution

For students receiving Section 8 assistance, all financial assistance a student receives (1) under the Higher Education Act of 1965, (2) from private sources, or (3) from an institution of higher education that is in excess of amounts received for tuition is included in annual income except if the student is over the age of 23 with dependent children or the student is living with his or her parents who are receiving Section 8 assistance. See Paragraph 3-13 for further information on eligibility of students to receive Section 8 assistance and the Glossary for the definition of Student Financial Assistance.

F. Alimony or Child Support

Owners must count alimony or child support amounts awarded by the court unless the applicant 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.

1. The owner may accept printouts from the court or agency responsible for enforcing support payments, or other evidence indicating the frequency and amount of support payments actually received.
2. Child support paid to the custodial parent through a State child support enforcement or welfare agency may be included in the family's monthly welfare check and may be designated in different ways. In some states these payments are not identified as separate from the welfare grant. In these states, it is important to determine which portion is child support and not to count it twice. In other states, the payment may be listed as child support or as "pass-through" payments. These amounts must be counted as annual income.
3. When no documentation of child support, divorce, or separation is available, either because there was no marriage or for another reason, the owner may require the family to sign a certification stating the amount of child support received.

G. Regular Cash Contributions and Gifts

1. Owners must count as income any regular contributions and gifts from persons not living in the unit. These sources may include rent and utility payments paid on behalf of the family, and other cash or noncash contributions provided on a regular basis.

Examples – Regular Cash Contributions

- The father of a young single parent pays her monthly utility bills. On average he provides \$100 each month. The \$100 per month must be included in the family's annual income.
- The daughter of an elderly tenant pays her mother's \$175 share of rent each month. The \$175 value must be included in the tenant's annual income.

2. Groceries and/or contributions paid directly to the childcare provider by persons not living in the unit are excluded from annual income.
3. Temporary, nonrecurring, or sporadic income (including gifts) is not counted.

H. Income from a Business

When calculating annual income, owners must include the net income from operation of a business or profession including self-employment income. Net income is gross income less business expenses, interest on loans, and depreciation computed on a straight-line basis.

1. In addition to net income, owners must count any salaries or other amounts distributed to family members from the business, and cash or assets withdrawn by family members, except when the withdrawal is a reimbursement of cash or assets invested in the business.
2. When calculating net income, owners must not deduct principal payments on loans, interest on loans for business expansion or capital improvements, other expenses for business expansion, or outlays for capital improvements.
3. If the net income from a business is negative, it must be counted as zero income. A negative amount must not be used to offset other family income.

I. Periodic Social Security Payments

Count the gross amount, before deductions for Medicare, etc., of periodic Social Security payments. Include payments received by adults on behalf of individuals under the age of 18 or by individuals under the age of 18 for their own support. *See Section J below regarding adjustments for overpayment of benefits and Section O for calculating the income for tenants in ICF/MR or ICF/DD projects and assisted living units in elderly projects.*

***Example:** Mary's gross social security benefit is \$700 per month. The owner calculates annual income by annualizing the gross monthly social security benefit amount.

$\$700 \text{ per month} \times 12 \text{ months} = \$8,400 \text{ gross annual income.}^*$

J. Adjustments for Prior Overpayment of Benefits

If an agency is reducing a family's benefits to adjust for a prior overpayment (e.g., social security, SSI, TANF, or unemployment benefits), count the amount that is actually provided after the adjustment.

Example – Adjustment for Prior Overpayment of Benefits

Lee Park's social security payment of \$250 per month is being reduced by \$25 per month for a period of six months to make up for a prior overpayment. Count his social security income as \$225 per month for the next six months and as \$250 per month for the remaining six months.

K. Public Assistance Income in As-Paid Localities

1. Special calculations of public assistance income are required for “as-paid” state, county, or local public assistance programs. An “as-paid” system is one:
 - a. In which the family receives an amount from a public agency specifically for shelter and utilities; and
 - b. In which the amount is adjusted based upon the actual amount the family pays for shelter and utilities.
2. The public assistance amount specifically designated for rent and utilities is called the “welfare rent.”
3. To determine annual income for public assistance recipients in “as-paid” localities, include the following:
 - a. The amount of the family's grant for other than shelter and utilities; and
 - b. The maximum amount the welfare department can pay for shelter and utilities for a family of that size (i.e., the welfare rent). This may be different from the amount the family is actually receiving.
4. Each as-paid locality works somewhat differently, and many are subject to court-ordered modifications to the basic policy. Owners should discuss how the rules are applied with the HUD Field Office.

Example – Welfare Income in “As Paid” Localities

At application, a family’s welfare grant is \$300, which includes \$125 for basic needs and \$175 for shelter and utilities (based upon where the family is now living). However, the maximum the welfare agency could allow for shelter and utilities for this size family is \$190.

Count the following as income:

\$125 Amount family receives for basic needs

\$190 Maximum for shelter and utilities

\$315 Monthly public assistance income

L. Periodic Payments from Long-Term Care Insurance, Pensions, Annuities, and Disability or Death Benefits

1. The full amount of periodic payments from annuities, insurance policies, retirement funds, pensions, and disability or death benefits is included in annual income. (See subparagraph O below for information on the withdrawal of cash or assets from an investment.) Payments such as Black Lung Sick Benefits, Veterans Disability, and Dependent Indemnity Compensation for the Widow of a Killed in Action Serviceman are examples of such periodic payments.
2. Withdrawals from retirement savings accounts such as Individual Retirement Accounts and 401K accounts that are not periodic payments do not fall in this category and are not counted in annual income (see paragraph 5.6.L.3).

Example – Withdrawals from IRAs or 401K Accounts

Isaac Freeman retired recently. He has an IRA account but is not receiving periodic payments from it because his pension is adequate for his routine expenses. However, he has withdrawn \$2,000 for a trip with his children. The withdrawal is not a periodic payment and is not counted as income.

3. If the tenant is receiving long-term care insurance payments, any payments in excess of \$180 per day must be counted toward the gross annual income. (**NOTE:** Payment of long-term care insurance premiums are an eligible medical expense – see paragraph 5-10 D.8.k.)
4. Federal Government/Uniformed Services pension funds paid to a former spouse.

Federal Government/Uniformed Services pension funds paid directly to an applicant's/tenant's former spouse pursuant to the terms of a court decree of divorce, annulment, or legal separation are not counted as annual income. The state court has, in the settlement of the parties' marital assets, determined the extent to which each party shares in the ownership of the pension. That portion of the pension that is ordered by the court (and authorized by the Office of Personnel Management (OPM), to be paid to the applicant's/tenant's former spouse is no longer an asset of the applicant/tenant and therefore is not counted as income. However, any pension funds authorized by OPM, pursuant to a court order to be paid to the former spouse of a Federal government employee, is counted as income for a tenant/applicant receiving such funds.

Example: Joan Carson is a retired Federal government employee receiving a retirement pension. She is also the recipient of Section 8 housing assistance and involved in a divorce proceeding. In settling the assets of the marriage between Mrs. Carson and her former husband, the court ordered that one half of her pension be paid directly to her former husband in the amount of \$20,000. The court provided OPM with clear, specific and express instructions acceptable for OPM to process the payment to Mrs. Carson's former husband. OPM authorized the payment of pension benefits to Mrs. Carson's former husband in the amount of \$20,000. The \$20,000 represents an asset disposed of as a result of a court decree. At the interim reexamination of her income, Mrs. Carson indicated a change in her income due to the court ordered payment of pension benefits to her former husband. The PHA requested that Mrs. Carson provide a copy of her statement from OPM evidencing the payment of pension benefits to her (her statement reflected the line item payment to her former husband due to the court order). That portion of the pension paid to her former husband no longer belongs to Mrs. Carson and is not counted as income.

The OPM is responsible for handling court orders (any judgments or property settlements issued by or approved by any court of any state, the District of Columbia, the Commonwealth of Puerto Rico, Guam, The Northern Mariana Islands, or the Virgin Islands in connection with the divorce, annulment of marriage, or legal separation of a Federal government employee or retiree) affecting current and retired Federal government employees. See 5 C.F.R. § 838.103. OPM must comply with court orders, decrees, or court-approved property settlement agreements in connection with divorces, annulments of marriage, or legal separations of employees that award a portion of the former Federal government employee's retirement benefits. Id. at § 838.101(a)(1). State courts ordering a judgment or property settlement in connection with divorce, annulment of marriage, or legal separation have the responsibility of issuing clear, specific, and express instructions to OPM with regards to providing benefits to former spouses. Id. at § 838.122. In response to instructions from state courts, OPM will authorize payments to the former spouses. Id. at § 838.121. Once the payments have been authorized by OPM, the reduced pension amount paid to the retired

Federal employee (the tenant/applicant) will be reflected in the tenant's/applicant's statement from OPM. Former spouses of Federal government employees receiving court ordered pension benefits are provided a Form-1099 reflecting pension benefits received from the retired Federal government employee. In verifying the income of tenants/applicants, owners should require that tenants/applicants provide any copies of statements from OPM verifying pension benefits (including any reductions pursuant to a court order, decree or court-approved property settlement agreement), and any evidence of survivor benefits, pensions or annuities received from retired Federal government employees including, but not limited to, a Form-1099. (See Paragraph 5-7.G.5 for more information on the treatment of income from Federal government pensions.)

5. Other State, local government, social security or private pensions paid to a former spouse.

Other state, local government, social security or private pension funds paid directly to an applicant's/tenant's former spouse pursuant to the terms of a court decree of divorce, annulment, or legal separation are also not counted as annual income and should be handled in the same manner as 4, above. The decree and copies of statements should be obtained in order to verify the net amount of the pension that should be applied in order to determine eligibility and calculate rent.

M. Income from Training Programs

1. Amounts received under HUD-funded training programs are excluded from annual income.
2. Incremental earnings and benefits received by any family member due to participation in qualifying state or local employment training programs are excluded. Income from training programs not affiliated with a local government, and income from the training of a family member resident to serve on the management staff, is also excluded.
 - a. Excluded income must be received under employment training programs with clearly defined goals and objectives and for a specific, limited time period. The initial enrollment must not exceed one year, although income earned during extensions for additional specific time periods may also be eligible for exclusion
 - b. Training income may be excluded only for the period during which the family member participates in the employment training program.
 - c. Exclusions include stipends, wages, transportation or child care payments, or reimbursements.
 - d. Income received as compensation for employment is excluded only if the employment is a component of a job training program.

Once training is completed, the employment income becomes income that is counted.

- e. Amounts received during the training period from sources that are unrelated to the job training program, such as welfare benefits, social security payments, or other employment, are not excluded.
2. Owners may ask to use project funds or funds from the Residual Receipts account to underwrite all or a portion of the cost of developing, maintaining, and managing a job training program for project residents if funds are available.
 - a. The Field Office will make the determination if the job training program may be approved, and if project funds are sufficient to fund the job training program and maintain the physical and financial integrity of the project. Job training programs may be either on-site at the project or off-site. For example, job training programs that have partnerships with local colleges, community based organizations, or local business, may have in-house job training programs designed for project residents.
 - b. Funds that an owner may choose to use to underwrite a job training program may include Section 8 funds, Community Development Block Grant funds, or housing authority funds. These funds may be used to cover the costs of various components of a job training program, including course materials, computer software, computer hardware, or personnel costs. Also, contractors and subcontractors, in connection with work performed under a Flexible Subsidy contract, may elect to hire project residents to perform certain skills required under the contract. If the employment of the project residents was pursuant to an apprenticeship program, this could constitute a training program using HUD funds, and income received by the tenants in the apprenticeship program will qualify as an exclusion from income.

N. Resident Services Stipends

Resident services stipends are generally modest amounts of money received by residents for performing services such as hall monitoring, fire patrol, lawn maintenance, and resident management.

1. If the resident stipend exceeds \$200 per month, owners must include the entire amount in annual income.
2. If the resident stipend is \$200 or less per month, owners must exclude the resident services stipend from annual income.

O. Income Received by a Resident of an Intermediate Care Facility for the Mentally Retarded or for the Developmentally Disabled (ICF/MR or ICF/DD) and Assisted Living Units in Elderly Projects

1. An intermediate care facility is a group home for mentally retarded or developmentally disabled individuals (ICF/MR or ICF/DD). The term “intermediate care facility” is one used by state mental health departments for group homes serving these residents.
2. Assisted living units are units in projects developed for elderly residents with project-based assistance that have been converted to assisted living units.
3. The local agency responsible for Medicaid provides funds directly to group home operators and assisted living providers for services.
4. Annual income at an ICF/MR, ICF/DD, or assisted living unit must include:
 - a. The SSI payment a tenant receives or the facility receives on behalf of the tenant; plus
 - b. All other income the tenant receives from sources other than SSI that are not excluded from income by HUD regulations (see Exhibit 5-1). Examples of other sources of income include wages, pensions, income from sheltered workshops, income from a trust, or other interest income.
 - c. The personal allowance of an individual residing in an ICF/MR or ICF/DD is not included in annual income. If the owner is unable to determine the actual amount of the personal allowance, use \$30.
5. Annual income does not include the enhanced benefit portion of the SSI that is provided to pay for services. In some instances, a resident’s SSI income may be reduced between annual recertifications if the resident’s earnings exceed a specified amount. If this happens, the resident may request an interim recertification.

P. Withdrawal of Cash or Assets from an Investment

The withdrawal of cash or assets from an investment received as periodic payments should be counted as income. Lump sum receipts from pension and retirement funds are counted as assets. If benefits are received through periodic payments, do not count any remaining amounts in the account as an asset. See Paragraph 5-7 for guidance on calculating income from an asset.

Q. Lump Sum Payments Counted as Income

1. Generally, lump sum amounts received by a family, such as inheritances, insurance settlements, or proceeds from sale of property are considered assets, not income.

2. When social security or SSI benefit income is paid in a lump sum as a result of deferred periodic payments, that amount is *excluded* from annual income.
3. *For Section 8 tenants only, any deferred Department of Veterans Affairs (VA) disability benefits that are received in a lump sum or in prospective monthly amounts are *excluded* from annual income.*
4. Settlement payments from claim disputes over welfare, unemployment, or similar benefits may be counted as assets, but lump sum payments caused by *delays in processing* periodic payments for unemployment or welfare assistance are included as income.

How lump sum payments for delayed start of benefits are counted depends upon the following:

- a. When the family reports the change;
- b. When an interim re-examination is conducted; and
- c. Whether the family's income increases or decreases as a result.

A lump sum payment resulting from delayed benefit income may be treated in either of the two ways illustrated in the example shown in Figure 5-3.

5. Lottery winnings paid in one payment are treated as assets. Lottery winnings *paid in periodic payments* must be counted as income.

Figure 5-3: Treatment of Delayed Benefit Payments Received in a Lump Sum

Family member loses his/her job on October 19 and applies for unemployment benefits. The family receives a lump sum payment of \$700 in December to cover the period from 10/20 to 12/5 and begins to receive \$100 a week effective 12/6.

Option A: The owner processes one interim re-examination immediately effective 11/1 and a second interim after unemployment benefits are known.

	<u>10/1</u>	<u>11/1</u>	<u>12/1</u>	<u>1/1</u>	<u>2/1</u>
Monthly gross income	800	*0	*0	492**	492**
Monthly allowances (three minors x 480 / 12 months)	120	-	-	120	120
Monthly adjusted income	680	0	0	372	372
Total tenant payment (TTP)	204	25	25	25***	112***

* The family's income is calculated at \$0/month beginning November 1, continuing until benefits actually begin and new income is calculated. TTP is set at the minimum rent.

** Family's actual income for 1/1 is \$100/week x 52 weeks = \$5,200 / 12 = \$433.
However, because the family's TTP was calculated at zero income for the months of November and December (the period eventually covered by the \$700 lump sum payment), the annual income to be used in calculating monthly gross income should be as follows:
\$100/week benefit x 52 weeks = \$5,200 + \$700 lump sum payment = \$5,900 annual gross income / 12 = \$492.

*** Increased rent does not start until 2/1 in order to give the family notice of rent increase.

Option B: The owner processes one interim re-examination after unemployment benefits are known.

	<u>10/1</u>	<u>11/1</u>	<u>12/1</u>	<u>1/1</u>	<u>2/1</u>
Monthly gross income	800	0/800*	0/800*	433*	433*
Monthly allowances (three minors x 480 / 12 Months)	120	120	120	120	120
Monthly adjusted income	680	0/680	0/680	313	313
Total tenant payment	204	204*	204*	94	94
Recalculated TTP	-	94***	94*	94	94
Rent credit (204 – 94=)	-	110	110	-	-

* Family's actual income for 11/1 and 12/1 is zero, but because the owner does not process an interim re-examination, the family's TTP continues to be calculated using \$800 as monthly gross income. Beginning 1/1, monthly gross income is known to be \$100/week, or \$433/month.

** The lump sum payment is taken into account by making the recertification retroactive to 11/1. Annual income is calculated as \$5,200 / 12 = \$433 monthly gross income.

*** TTP for November and December recalculated as \$433 monthly gross income and \$313 monthly adjusted income x .30 = 94 with credit or refund to family of \$110/month for each of these two months for difference between TTP paid of \$204 and recalculated TTP of \$94.

R. Exclusions from Income

1. Regulations for the multifamily subsidized housing programs covered by this handbook specifically exclude certain types of income from annual income. However, many of the items listed as exclusions from annual income under HUD requirements are items that the IRS includes as taxable income. Therefore, it is important for owners to focus specifically on the HUD program requirements regarding annual income.
2. Among the items that are excluded from annual income is the value of food provided through:
 - a. The Meals on Wheels program, food stamps, or other programs that provide food for the needy;
 - b. Groceries provided by persons not living in the household; and
 - c. Amounts received under the School Lunch Act and the Child Nutrition Act of 1966, including reduced lunches and food under the Special Supplemental Food Program for Women, Infants and Children (WIC).

Examples – Income Exclusions

- The Value of Food Provided through the Meals on Wheels Program or Other Programs Providing Food for the Needy. Jack Love receives a hot lunch each day during the week in the community room and an evening meal in his apartment. One meal is provided through the Meals on Wheels program. A local church provides the other. The value of the meals he receives is not counted as income.
- Groceries provided by persons not living in the household. Carrie Sue Colby's mother purchases and delivers groceries each week for Carrie Sue and her two year old. The value of these groceries is not counted as income despite the fact that these are a regular contribution or gift.
- Amounts Received Under WIC or the School Lunch Act. Lydia Jeffries' two children receive a free breakfast and reduced priced lunches at school every day through the Special Supplemental Food Program for Women, Infants and Children (WIC). The value of this food is not counted as income.

3. Some additional examples of income that are excluded from the calculation of annual income follow.

Examples – Income Exclusions

- Resident service stipends. Rich Fuller receives \$50 a month for distributing flyers for management. This amount is excluded from annual income.
- Deferred periodic payments of social security benefits. Germain Johnson received \$32,000 in deferred social security benefits following a lengthy eligibility dispute. This delayed payment of social security benefits is treated as an asset, not as income.
- Income from training programs. Jennifer Jones is participating in a qualified state-supported employment training program every afternoon to learn improved computer skills. Each morning, she continues her regular job as a typist. The \$250 a week she receives as a part-time typist is included in annual income. The \$150 a week she receives for participation in the training program is excluded in annual income.
- Earned Income Tax Credit refund payments. Mary Frances Jackson is eligible for an earned income tax credit. She receives payments from her employer each quarter because of the tax credit. These payments are excluded in annual income.

5-7 Calculating Income from Assets

Annual income includes amounts derived from assets to which family members have access.

A. What is Considered an Asset?

1. Assets are items of value that may be turned into cash. A savings account is a cash asset. The bank pays interest on the asset. The interest is the *income* from that asset.
2. Some tenants have assets that are not earning interest. A quantity of money under a mattress is an asset: it is a thing of value that could be used to the benefit of the tenant, but under the mattress it is not producing income.
3. Some belongings of value are not considered assets. Necessary personal property is not counted as an asset. Exhibit 5-2 summarizes the items that are considered assets and those that are not.

B. Determining Income from Assets

Note: For families receiving only BMIR assistance, it is not necessary to determine whether family assets exceed \$5,000. The rule for imputing income from assets does not apply to the BMIR program.

1. The calculation to determine the amount of income from assets to include in annual income considers both of the following:
 - a. The total cash value of the family's assets; and
 - b. The amount of income those assets are earning or could earn.
2. The rule for calculating income from assets differs depending on whether the total cash value of family assets is \$5,000 or less, or is more than \$5,000.

C. Determining the Total Cash Value of Family Assets

1. To comply with the rule for determining the amount of income from assets, it is necessary to first determine whether the total "cash value" of family assets exceeds \$5,000.
 - a. The "cash value" of an asset is the market value less reasonable expenses that would be incurred in selling or converting the asset to cash, such as the following:
 - (1) Penalties for premature withdrawal;
 - (2) Broker and legal fees; and
 - (3) Settlement costs for real estate transactions.

The cash value is the amount the family could actually receive in cash, if the family converted an asset to cash.

Example – Calculating the Cash Value of an Asset

A family has a certificate of deposit (CD) in the amount of \$5,000 paying interest at 4%. The penalty for early withdrawal is three months of interest.

$$\$5,000 \times 0.04 = \$200 \text{ in annual income}$$

$$\$200 / 12 \text{ months} = \$16.67 \text{ interest per month}$$

$$\$16.67 \times 3 \text{ months} = \$50.01$$

$$\$5,000 - \$50 = \$4,950 \text{ cash value of CD}$$

- b. It is essential to note that a family is not required to convert an asset to cash. Determining the cash value of the asset is done simply as a calculation by the owner because it is a required step when determining income from assets under program requirements.

D. Assets Owned Jointly

1. If assets are owned by more than one person, prorate the assets according to the percentage of ownership. If no percentage is specified or provided by a state or local law, prorate the assets evenly among all owners.
2. If an asset is not effectively owned by an individual, do not count it as an asset. An asset is not effectively owned when the asset is held in an individual's name, but (a) the asset and any income it earns 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.
3. Determining which individuals have ownership of an asset requires collecting as much information as is available and making the best judgment possible based on that information.

Example – Determining the Cash Value of an Asset

The “cash value” of an asset is the amount a family would receive if the family turned a noncash asset into cash.

The cash value is the market value—or the amount another person would pay to acquire the asset—less the cost to turn the asset into cash.

If a family owns real estate, it may be necessary to consider the family’s equity in the property as well as the expense to sell the property.

To determine the family’s equity, subtract amounts owed on the property from its market value:

$$\begin{array}{r} \text{Market value} \\ - \text{Mortgage amount owed} \\ \hline \text{Equity in the property} \end{array}$$

Calculate the cash value by subtracting the expense of selling the property:

$$\begin{array}{r} \text{Equity} \\ - \text{Expense of selling} \\ \hline \text{Cash Value} \end{array}$$

Juanita Player owns a rental house. The market value is \$100,000. She owes \$60,000. The cost to dispose of this house would be \$8,000. The owner would determine the cash value as follows:

Market Value	\$100,000
Mortgage amount	- <u>\$60,000</u>
	40,000
Cost of disposing of the asset (real estate commission, and other costs of sale)	- <u>\$8,000</u>
Cash Value	\$32,000

- a. In some instances, but not all, knowing whose social security number is connected with the asset may help in identifying ownership. Owners should be aware that there are many situations in which a social security number connected with an asset does not indicate ownership and other situations where there is ownership without connection to a social security number.
- b. Determining who has contributed to an asset or who is paying taxes on the asset may assist in identifying ownership.

Examples – Jointly Owned Assets

- Helen Wright is an assisted-housing tenant. She and her daughter, Elsie Duncan, have a joint savings account. Mother and daughter both contribute to the account. They have used the account for trips together and to cover emergency needs for either of them. Assume in this example that state law does not specify ownership. Even though either Helen Wright or Elsie Duncan could withdraw the entire asset for her own use, count Helen's ownership as 50% of the account.
- Jean Boucher's name is on her mother's savings account to ensure that she can access the funds for her mother's care. The account is not effectively owned by Jean and should not be counted as her asset.

E. Calculating Income from Assets When Assets Total \$5,000 or Less

If the total cash value of all the family's assets is \$5,000 or less, the actual income the family receives from assets is the amount that is included in annual income as income from assets.

F. Calculating Income from Assets When Assets Exceed \$5,000

1. When net family assets are more than \$5,000, annual income includes the greater of the following:
 - a. Actual income from assets; or
 - b. A percentage of the value of family assets based upon the current passbook savings rate as established by HUD. This is called *imputed* income from assets. The passbook rate is currently set at 2%.
2. To begin this calculation, first add the cash value of all assets. Multiply the total cash value of all assets by .02. The product is the "imputed income" from assets. Then, add the actual income from all assets. The greater of the imputed income from assets or the actual income from assets is included in the calculation of annual income.

**Example – Use Actual Income from Assets When
Total Net Family Assets are \$5,000 or Less**

Type of Asset	Cash Value	Actual Yearly Income
<i>Certificate of Deposit</i> \$1,000 withdrawal fee \$50 interest @ 4%	\$950	\$40
<i>Savings Account</i> \$500 interest @ 2.5%	\$500	\$13
<i>Stock</i> \$300 Not paying dividends	\$300	\$0
	_____	_____
Total	\$1,750	\$53

The total cash value of the family's assets is \$1,750. Therefore, the amount that is added to annual income as income from assets is the actual income earned or \$53.

Example – Imputed Income from Assets

“Imputed” means “attributed” or “assigned.” Imputing income from assets is “assigning” an amount of income solely for the sake of the annual income calculation. The imputed income is not real income.

For example, money under a mattress is not earning income. If the money were put in a savings account it would earn interest. Imputed income from such an asset is the interest the money would earn if it were put in a savings account.

A family with cash under a mattress is not required to put the cash in a savings account; but when the owner is calculating income for a family with more than \$5,000 in assets, the owner must assign an amount that cash would earn if it were in a savings account.

**Example – Determining Income from Assets
When Net Family Assets Exceed \$5,000**

Type of Asset	Cash Value	Actual Yearly Income
<i>Checking Account</i> (non-interest bearing)	\$455	\$0
<i>Savings Account</i> (interest at 2.5%)	\$6,000	\$150
<i>Stocks</i> (not paying dividends this year)	\$3,000	\$0
Total	\$9,455	\$150

Total cash value of assets is greater than \$5,000. Therefore, it is necessary to compare the actual income from assets to the imputed income from assets.

The total cash value of assets (\$9,455) is multiplied by 2% to determine the imputed income from assets.

$.02 \times \$9,455 = \189

\$189 is greater than the actual income from assets (\$150).

In this case, therefore, the owner will add \$189 to the annual income calculation as income from assets.

G. Calculating Income from Assets - Specific Types of Assets

1. Trusts.

a. Explanation of trusts.

- (1) A trust is a legal arrangement generally regulated by state law in which one party (the creator or grantor) transfers property to a second party (the trustee) who holds the property for the benefit of one or more third parties (the beneficiaries). A trust can contain cash or other liquid assets or real or personal property that could be turned into cash. Generally, the assets are invested for the benefit of the beneficiaries.
- (2) Trusts may be revocable or nonrevocable. A revocable trust is a trust that the creator of the trust may amend or end (revoke). When there is a revocable trust, the creator has access to the funds in the trust account. When the creator sets up a nonrevocable trust, the creator has no access to the funds in the account.
- (3) The beneficiary frequently will be unable to touch any of the trust funds until a specified date or event (e.g., the

beneficiary's 21st birthday or the grantor's death). In some instances, the beneficiary may receive the regular investment income from the trust but not be able to withdraw any of the principal.

- (4) The beneficiary and the grantor may be members of the same family. A parent or grandparent may have placed funds in trust to a child. If the trust is revocable, the funds may be accessible to the parent or grandparent but not to the child.

b. How to treat trusts.

- (1) The basis for determining how to treat trusts relies on information about who has access to either the principal in the account or the income from the account.
- (2) Revocable trusts. If any member of the tenant family has the right to withdraw the funds in the account, the trust is considered to be an asset and is treated as any other asset. The cash value of the trust (the amount the family member would receive if he or she withdrew all that could be withdrawn) is added to total net assets. The actual income received is added to actual income from assets.

Example – A Trust Accessible to Family Members

Assez Charaf lives alone. He has placed \$20,000 in trust to his grandson to be available to the grandson upon the death of Assez. The trust is revocable, that is, Assez has control of the principal and interest in the account and can amend the trust or remove the funds at any time. In calculating Assez's income, the owner will add the \$20,000 to Assez's net family assets and the actual income received on the trust to actual income from assets.

- (3) Nonrevocable trusts. If no family member has access to either the principal or income of the trust at the current time, the trust is not included in the calculation of income from assets or in annual income.

If only the income (and none of the principal) from the trust is currently available to a family member, the income is counted in annual income, but the trust is not included in the calculation of income from assets.

- (4) Nonrevocable trust as an asset disposed of for less than fair market value. If a tenant sets up a nonrevocable trust for the benefit of another person while residing in assisted

housing, the trust is considered an asset disposed of for less than fair market value (see subparagraph G.6 below).

- If the trust has been set up so income from the trust is regularly reinvested in the trust and is not paid back to the creator, the trust is calculated as any other asset disposed of for less than fair market value for two years and not taken into consideration thereafter.

Example – Nonrevocable Trust As an Asset Disposed of for Less Than Fair Market Value

Sarah Gordy placed \$100,000 in a nonrevocable trust for her grandson. Last year, the trust produced \$8,000, which was reinvested into the trust.

The trust is treated as an asset disposed of for less than fair market value for two years. (See paragraph 5.7 G.6.) No actual income from the trust is included in Sarah's annual income, but the value of the asset when it was given away, \$100,000, is included in net family assets for two years from the date the trust was established.

- Nonrevocable trust distributing income. When a tenant places an asset in a nonrevocable trust but continues to receive income from the trust, the income is added to annual income *and* the trust is counted as an asset disposed of for less than market value for two years. Following the two-year period, the owner will count only the actual income distributed from the trust to the tenant.

Example – Nonrevocable Trust Distributing Income to the Creator/Tenant

Reggie Bouchard has established a nonrevocable trust in the amount of \$35,000 that no one in the tenant family controls. Income from the trust is paid to Reggie. Last year, he received \$3,500.

The owner will count Reggie's actual anticipated income from the trust in next year's annual income.

Because the asset was disposed of for less than fair market value (see paragraph 5.7 G.6), the value of the asset given away, \$35,000, is counted as an asset disposed of for less than fair market value for two years.

- (5) Payment of principal from a trust. The beneficiary of a trust may receive funds from the trust in different ways. A beneficiary may receive the full value of a trust at one time. In that instance the funds would be considered a lump sum receipt and would be treated as an asset. A trust set up to provide support for a person with disabilities may pay only income from the trust on a periodic basis. Occasionally, however, a beneficiary may be given a portion of the trust principal on a periodic basis. When the principal is paid out on a periodic basis, those payments are considered regular income or gifts and are counted in annual income.

Example – Payment of Principal Amounts from a Trust

Jared Leland receives funds from a nonrevocable trust established by his parents for his support. Last year he received \$18,000 from the trust. The attorney managing the trust reported that \$3,500 of the funds distributed was interest income and \$14,500 was from principal. Jared receives a payment of \$1,500 each month (an amount that includes both principal and interest from the trust).

The owner will count the entire \$18,000 Jared received as annual income.

c. Special needs trusts.

A special needs trust is a trust that may be created under some state laws, often by family members for disabled persons who are not able to make financial decisions for themselves. Generally, the assets within the trust are not accessible to the beneficiary.

- (1) If the beneficiary does not have access to income from the trust, then it is not counted as part of income.
- (2) If income from the trust is paid to the beneficiary regularly, those payments are counted as income.

Example – Special Needs Trust

Daryl Rockland is a 55-year-old person with disabilities, living with his elderly parents. The parents have established a special-needs trust to provide income for their son after they are gone. The trust is not revocable; neither the parents nor the son currently have access to the principal or interest. In calculating the income of the Rocklands, the owner will disregard the trust.

2. Annuities.

a. Annuity facts and terms.

- (1) An annuity is a contract sold by an insurance company designed to provide payments, usually to a retired person, at specified intervals. Fixed annuities guarantee a certain payment amount, while variable annuities do not, but have the potential for greater returns.
 - A hybrid annuity (also called a combination annuity) combines the features of a fixed annuity and a variable annuity.
 - A deferred annuity is an annuity that delays income payments until the holder chooses to receive them. An immediate annuity is one that begins payments immediately upon purchase.
 - A life annuity continues to pay out as long as the owner is alive. A single-life annuity provides income benefits for only one person. A joint life annuity is issued on two individuals, and payments continue in whole or in part as long as either individual is alive.
- (2) Generally, a person who holds an annuity from which he or she is not yet receiving payments will also be earning income. In most instances, a fixed annuity will be earning interest at a specified fixed rate similar to interest earned by a CD. A variable annuity will earn (or lose) based on market fluctuations, as in a mutual fund.
- (3) Most annuities charge surrender or withdrawal fees. In addition, early withdrawal usually results in tax penalties.
- (4) Depending on the type of annuity and the current status of the annuity, the owner will need to ask different questions of the verification source, which will normally be the applicant or tenant's insurance broker.

b. Income after the holder begins receiving payments.

- (1) When verifying an annuity, owners should ask the verification source whether the holder of the annuity has the right to withdraw the balance of the annuity. For annuities without this right, the annuity is not treated as an asset.

- (2) Generally, when the holder has begun receiving annuity payments, the holder can no longer convert it to a lump sum of cash. In this situation, the holder will receive regular payments from the annuity that will be treated as regular income, and no calculations of income from assets will be made.

c. Calculations when an annuity is considered an asset.

- (1) When an applicant or tenant has the option of withdrawing the balance in an annuity, the annuity will be treated like any other asset. It will be necessary to determine the cash value of the annuity in addition to determining the actual income earned.
- (2) In most instances, an annuity from which payments have not yet been made is earning income on the balance in the annuity. A fixed annuity will earn income at a fixed rate in the same manner that a CD earns income. A variable annuity will earn (or lose) based on current market conditions, as with a mutual fund.
- (3) The owner will need to verify with the insurance agent or other appropriate source:
 - The right of the holder to withdraw the balance (even if penalties are involved).
 - The basis on which the annuity may be expected to grow during the coming year.
 - The surrender or early withdrawal penalty fee.
 - The tax rate and the tax penalty that would apply if the family withdrew the annuity.
- (4) The cash value will be the full value of the annuity, less the surrender (or withdrawal) penalty, and less any taxes and tax penalties that would be due.
- (5) The actual income is the balance in the annuity times the percentage (either fixed or variable) at which the annuity is expected to grow over the coming year. (This money will be reinvested into the annuity, but it is still considered actual income.)
- (6) The imputed income from the asset is calculated only after the cash value of all family assets has been determined.

Imputed income from assets is calculated on the total cash value of all family assets.

3. Lump sum receipts counted as assets.
 - a. Commonly, when a family receives a large amount of money, a lump sum payment, the family will put the money in a checking or savings account, or will purchase stocks or bonds or a CD. Owners must count lump sum payments received by a tenant as assets. Examples of lump sum payments include the following:
 - (1) Inheritances;
 - (2) Capital gains;
 - (3) Lottery winnings paid in one payment;
 - (4) Cash from the sale of assets;
 - (5) Insurance settlements (including health and accident insurance, workers compensation, and personal and property losses); and
 - (6) Any other amounts that are received in one-time lump sum payments.

Example – Calculating the Cash Value of an Annuity

Rodrigo Ramirez, site manager at Fernwood Forrest, has interviewed Barbara Barstow, an applicant who reports holding an annuity from which she will not receive payments for another 15 years when she turns 65. The applicant could not provide any more detail on the annuity but did report the name, address, and phone number of her insurance agent.

Rodrigo called the insurance agent and faxed a copy of the applicant's approval for release of information. As a result, Rodrigo learned that the annuity is a fixed annuity, with a current value of \$20,400 earning interest at an annual rate of 4.5%. The applicant could withdraw the current balance in the account but would pay a surrender penalty of \$3,000. If the annuity is withdrawn, then the applicant will owe \$1,200 in tax penalties.

In this example, the important information for calculating cash value is the current value, \$20,400; the surrender fee, \$3,000; and the tax penalties, \$1,200. If the applicant withdrew the cash from the annuity, after paying the surrender fee and tax penalty, then the amount of cash received would be \$16,200.

The cash value, \$16,200, is recorded as an asset.

Rodrigo will also calculate the actual anticipated income on this asset: $\$20,400 \times .045 = \918 .

- b. A lump sum payment is counted as an asset only as long as the family continues to possess it. If the family uses the money for something that is not an asset—a car or a vacation or education—the lump sum must not be counted.
- c. It is possible that a lump sum or an asset purchased with a lump sum payment may result in enough income to require the family to report the increased income before the next regularly scheduled annual recertification. But this requirement to report an increase in income before the next annual recertification would not apply if the income from the asset was not measurable by the tenant (e.g., gems, stamp collection).

Examples – Lump Sum Additions to Family Assets (One-Time Payment)

- JoAnne Wettig won \$500 in the lottery and received it in one payment. Do not count the \$500 as income. At JoAnne's next annual recertification, she will report all of her assets.
- Mia LaRue, a tenant in a Section 8 property, won \$75,000 in one payment in the lottery. She buys a car with some of the money, and puts the remaining amount of \$24,000 in the bank. Mia receives her first bank statement and notices that the income on this asset is \$205 per month. She must report this increase in income because the family has experienced a cumulative increase in income of more than \$200 per month. (See paragraph 7-10 A.4 on rules for reporting interim increases in income.) The owner must perform an interim recertification and count the greater of the actual or imputed income on this asset (since the net family assets are greater than \$5,000).

4. Balances held in retirement accounts.
 - a. Balances held in retirement accounts are counted as assets if the money is accessible to the family member. For individuals still employed, accessible amounts are counted even if withdrawal would result in a penalty. However, amounts that would be accessible only if the person retired are not counted.
 - b. IRA, Keogh, and similar retirement savings accounts are counted as assets, even though withdrawal would result in a penalty, *unless benefits are being received through periodic payments.*
 - c. Include contributions to company retirement/pension funds:
 - (1) While an individual is employed, count only amounts the family can withdraw without retiring or terminating employment.

- (2) After retiring or terminating employment, count as an asset any amount the employee elects to receive as a lump sum.
- d. Include in *annual income* any retirement benefits received through periodic payments. *Do not count any remaining amounts in the account as an asset.*

Examples – Balances Held in an IRA or 401K Retirement Account

- Jed Dozier’s 401K account balance is \$35,000. He is able to terminate his participation in the retirement plan without quitting his job, but if he did so he would lose a part of his employer’s contribution and would pay a penalty fee. The total cash he could withdraw, \$18,000, is the amount that is counted as an asset.

5. Federal Government/Uniformed Services Pensions

In instances where the applicant/tenant is a retired Federal Government/Uniformed Services employee receiving a pension that is determined by a state court in a divorce, annulment of marriage, or legal separation proceeding to be a marital asset and the court provides OPM with the appropriate instructions to authorize OPM to provide payment of a portion of the retiree’s pension to a former spouse, that portion to be paid directly to the former spouse is not counted as income for the applicant/tenant. However, where the tenant/applicant is the former spouse of a retired Federal Government/Uniformed Services employee, any amounts received pursuant to a court ordered settlement in connection with a divorce, annulment of marriage, or legal separation are reflected on a Form-1099 and is counted as income for the applicant/tenant. (See Paragraph 5-6.K.4 for more information on Federal Government/Uniformed Services pension funds paid to a former spouse.)

6. Other state, local government, social security or private pensions.

Other state, local government, social security or private pensions where pensions are reduced due to a court ordered settlement in connection with a divorce, annulment of marriage, or legal separation and paid directly to the former spouse are not counted as income for the applicant/tenant and should be handled in the same manner as 5, above.

7. Mortgage or deed of trust.

- a. Occasionally, when an individual sells a piece of real estate, the seller may loan money to the purchaser through a mortgage or deed of trust. This may be referred to as a “contract sale.”

- b. A mortgage or deed of trust held by a family member is included as an asset. Payments on this type of asset are often received as one combined payment that includes interest and principal. The value of the asset is the unpaid principal as of the effective date of the certification. Each year this balance will decline as more principal is paid off. The interest portion of the payment is counted as actual income from an asset.
8. Assets disposed of for less than fair market value. Applicants and tenants must declare whether an asset has been disposed of for less than fair market value at each certification and recertification. Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount actually received. (This provision does not apply to families receiving only BMIR assistance.)
- a. Any asset that is disposed of for less than its full value is counted, including cash gifts as well as property. To determine the amount that has been given away, owners must compare the cash value of the asset to any amount received in compensation.
- b. However, the rule applies only when the fair market value of all assets given away during the past two years exceeds the gross amount received by more than \$1,000.

Examples – Assets of More or Less Than \$1,000 Disposed of for Less Than Fair Market Value

- During the past two years, Alexis Turner donated \$300 to the local food bank, \$150 to a camp program, and \$200 to her church. The total amount she disposed of for less than fair market value is \$650. Since the total is less than \$1,000, the donations are not treated as assets disposed of for less than fair market value.
- Jackson Jones gave each of his three children \$500. Because the total exceeds \$1,000, the gifts are treated as assets disposed of for less than fair market value.

- c. When the two-year period expires, the income assigned to the disposed asset also expires. If the two-year period ends in the middle of a recertification year, the tenant may request an interim recertification to remove the disposed asset(s). However, if the owner elects to only include the income for a partial remaining year as shown in the example below, an interim recertification should not be conducted.

**Example – Asset Disposed of
for Less Than Fair Market Value**

Margot Lundberg's recertification will be effective January 1. On that date, it will be 18 months since she sold her house to her daughter for \$60,000 less than its value. The owner will count income on the \$60,000 for only six months. (After six months, the two-year limit on assets disposed of for less than fair market value will have expired.)

- d. Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorces, or separation, are *not* counted.
- e. Assets placed in nonrevocable trusts are considered as assets disposed of for less than fair market value except when the assets placed in trust were received through settlements or judgments.
- f. Applicants and tenants must sign a self-verification form at their initial certification and each annual recertification identifying all assets that have been disposed of for less than fair market value or certifying that no assets have been disposed of for less than fair market value.
- g. Owners need to verify the tenant self certification only if the information does not appear to agree with other information reported by the tenant/applicant.

Examples – Asset Disposed of for Less Than Market Value

- (1) An applicant “sold” her home to her daughter for \$10,000. The home was valued at \$89,000 and had no loans secured against it. Broker fees and settlement costs are estimated at \$1,800.

\$89,000	Market value
<u>- 1,800</u>	Fees
\$87,200	Cash value
<u>- 10,000</u>	Sales price to daughter
\$77,200	Asset disposed of for less than fair market value

In this example, the asset disposed of for less than fair market value is \$77,200. That amount is counted as the resident’s asset for two years from the date the sale took place.

(The \$10,000 received from the daughter may currently be in a savings account or other asset or may have been spent. The \$10,000 will be counted as an asset if the applicant has not spent the money.)

- (2) A resident contributed \$10,000 to her grandson’s college tuition and gave her two granddaughters \$4,000 each to save for college.

\$10,000	College tuition gift
<u>+ 8,000</u>	Gift to granddaughters
\$18,000	Asset disposed of for less than fair market value

The \$18,000 disposed of for less than fair market value is counted as the tenant’s asset for two years from the date each asset was given away.

Section 2: Determining Adjusted Income

Section 2 does not apply to families applying for or occupying 221(d)(3) BMIR units without additional subsidy.

5-8 Key Regulations

This paragraph identifies the key regulatory citation pertaining to Section 2: Determining Adjusted Income. The citation and its topic are listed below.

- 24 CFR 5.611 Adjusted Income

Section 3: Verification

5-11 Key Regulations

This paragraph identifies key regulatory citations pertaining to Section 3: Verification. The citations and their titles (or topics) are listed below.

- A. 24 CFR part 5, subpart B – Disclosure and Verification of Social Security Numbers and Employer Identification Numbers; Procedures for Obtaining Income Information
- B. *24 CFR 5.233 Mandated Use of HUD’s Enterprise Income Verification (EIV) System*
- C. 24 CFR 5.659 Family Information and Verification
- D. 24 CFR 8.24, 8.32, 100.204 (Reasonable accommodation)

5-12 Verification Requirements

A. Key Requirements

- 1. Owners must verify all income, assets, expenses, deductions, family characteristics, and circumstances that affect family eligibility or level of assistance.
- 2. *Owners must use the EIV Income Report for third party verification of a tenant’s employment and income at the time of recertification (annual and interim) and to assist in reducing administrative and subsidy payment errors.*
- 3. Applicants and adult family members must sign consent forms to authorize the owner to collect information to verify eligibility, income, assets, expenses, and deductions. Applicants and tenants who do not sign required consent forms will not receive assistance.
- 4. *Household members must disclose and provide verification of their complete and accurate SSN except for those individuals who do not contend eligible immigration status, and tenants age 62 or older as of January 31, 2010, whose initial determination of eligibility was begun before January 31, 2010. See Paragraphs 3-9 and 3-31 for SSN disclosure and verification requirements.*
- 5. The owner must handle any information obtained to verify eligibility or income in accordance with the Privacy Act.

Figure 5-4: Privacy Act Notice

The Department of Housing and Urban Development (HUD) is authorized to collect this information by the U.S. Housing Act of 1937 (42 U.S.C. 1437 et. seq.), by Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), and by the Fair Housing Act (42 U.S.C. 3601-19). The Housing and Community Development Act of 1987 (42 U.S.C. 3543) requires applicants and participants to submit the social security number of each household member.

Purpose: Your income and other information are being collected by HUD to determine your eligibility, the appropriate bedroom size, and the amount your family will pay toward rent and utilities.

Other Uses: HUD uses your family income and other information to assist in managing and monitoring HUD-assisted housing programs, to protect the Government's financial interest, and to verify the accuracy of the information you provide. This information may be released to appropriate federal, state, and local agencies, when relevant, and to civil, criminal, or regulatory investigators and prosecutors. However, the information will not be otherwise disclosed or released outside of HUD, except as permitted or required by law.

Penalty: You must provide all of the information requested by the owner, including all social security numbers you, and all other household members, have and use. Giving the social security numbers of all household members is mandatory, and not providing the social security numbers will affect your eligibility. Failure to provide any of the requested information may result in a delay or rejection of your eligibility approval.

B. Timeframe for Conducting Verifications

Owners conduct verifications at the following three times.

1. Owners must verify income, assets, expenses, and deductions and all eligibility requirements prior to move-in.
2. Owners must verify each family's income, assets, expenses, and deductions as part of the annual recertification process. Refer to Chapter 7, Section 1 for information on annual recertifications.
3. Owners must verify changes in income, allowances, or family characteristics reported between annual recertifications. Refer to Chapter 7, Section 2 for information on interim recertifications.

5-13 Acceptable Verification Methods

A. Methods of Verification

Owners must use verification methods that are acceptable to HUD. The owner is responsible for determining if the verification documentation is adequate and credible. *Acceptable methods of verification, in order of acceptability: 1) upfront-income verification (UIV) with use of EIV being mandatory and use of non-EIV UIV being optional; 2) third-party verification from source (written), 3) third-party verification from source (oral), and 4) family certification.* If third-party verification is not available, owners must document the tenant file to explain why third-party verification was not available. **Appendix 3** provides a detailed list of acceptable forms of verification by type of information.

B. Third-Party Verification

1. *The following describes the types of third-party verification in order of acceptability

a. Upfront-income verification (UIV)

UIV is verification of income before or during a certification and/or recertification, through an independent source that systematically and uniformly maintains income information in a computerized form.

(1) Using HUD's EIV system for tenants (not available for applicants). **(Mandatory)**

It is mandatory that owners use the EIV system as the third-party source to verify employment and income information of tenants during recertification (annual and interim) of family composition and income.

(2) UIV using non-EIV system **(Optional)**

(a) Owners may use other non-HUD UIV tools such as The Work Number and other state government databases, if available, to verify income:

- (1) Of applicants;
- (2) When no employment or income is available in EIV; or
- (3) For other types of income received by the family.

b. Third-party verification from source (written)

- (1) An original or authentic document generated by a third party source that is dated within 120 days from the date of receipt by the owner. Such documentation may be in possession of the tenant (or applicant), and commonly referred to as tenant-provided documents. These documents are considered third-party verification because they originated from a third-party source.

Examples of tenant-provided documentation that may be used includes, but is not limited to: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

Owners must consider the following when using tenant-provided documentation:

- (a) Is the document current? Documentation of public assistance may be inaccurate if it is not recent and does not show any changes in the family's benefits or work and training activities.
- (b) Is the documentation complete? Owners may not accept pay stubs to document employment income unless the applicant or tenant provides the most recent four to six, consecutive pay stubs to illustrate variations in hours worked. Actual paychecks or copies of paychecks should never be used to document income because deductions are not shown on the paycheck.
- (c) Is the document an unaltered original? The greatest shortcoming of tenant-provided documents as a verification source is their susceptibility to undetectable change through the use of high-quality copying equipment. Documents with original signatures are the most reliable. Photocopied documents generally cannot be assumed to be reliable.
- (2) Written documentation sent directly by the third-party source by mail or electronically by fax, email or internet.

Note: See Paragraph 9-10 for situations when this method of verification must be used prior to verifying through (1) above.*

(For information about electronic documentation, see subparagraph B.2 below.)

c. *Third-party verification from source (oral).*

When verifying information over the telephone, it is important to be certain that the person on the telephone is the party he or she claims to be. Generally, it is best to telephone the verification source rather than to accept verification from a source calling the property management office. Oral verification must be documented in the file, as described in paragraph 5-18.C.

d. *Family Certification.

An owner may accept a tenant's notarized statement or signed affidavit regarding the veracity of information submitted only if the information cannot be verified by another acceptable verification method. In these instances, the owner must document the file why third-party verification was not available. (See Paragraph 5-18.E for documentation requirements when third-party verification is not available.). The owner may witness the tenant signature(s) in lieu of a notarized statement or affidavit.*

2. *The following describes use of electronic information when used as third-party verification.*

Electronic Verification. The owner may obtain accurate third-party written verification by facsimile, email, or Internet, if adequate effort is made to ensure that the sender is a valid third-party source.

- a. Facsimile. Information sent by fax is most reliable if the owner and the verification source agree to use this method in advance during a telephone conversation. The fax should include the company name and fax number of the verification source.
- b. Email. Similar to faxed information, information verified by email is more reliable when preceded by a telephone conversation and/or when the email address includes the name of an appropriate individual and firm.
- c. Internet. Information verified on the Internet is considered third party verification if the owner is able to view web-based information from a reputable source on the computer screen. Use of a printout from the Internet may also be adequate verification in many instances. Refer to subparagraph C. Review of Documents below.

Example – Verification by Internet Printout

Jose Perez maintains a portfolio of stocks and bonds through an Internet-based stockbroker. The broker only provides electronic account statements and will not respond to a written verification request. The owner may accept a printout of Jose's most recent statement if it includes the relevant information required for third-party verification and an Internet address and header or footer that identifies the company issuing the statement. If the owner has reason to question the authenticity of a document, the owner may require Jose to access the electronic file via the Internet in the owner's office, without providing the owner with username or password information.

5-14 Identifying Appropriate Verification Sources

An owner must only collect information that is necessary to determine the applicant's or tenant's eligibility for assistance or level of assistance. **Appendix 3** provides a list of acceptable forms of third-party verification.

5-15 Required Verification and Consent Forms

A. Consent and Verification Forms

Adult members of assisted families must authorize owners to request independent verification of data required for program participation. To provide owners with this authorization, adult family members must sign two HUD-required consent forms plus the owner's specialized verification forms. Owners must create their own verification forms to request information from employers, child care providers, and others. Families sign these and the two HUD consent forms at the time of move-in certification and annual recertification. All adults in each assisted family must sign the required consent forms or the family must be denied assistance. Owners must give the family a copy of each form the family signed.

B. HUD-Required Consent and Release Forms

Applicants and tenants must sign two HUD-required consent forms.

1. Form HUD-9887, Notice and Consent to the Release of Information to HUD and to a PHA. Each adult member must sign the form regardless of whether he or she has income. Each family member who is at least 18 years of age and the head, spouse or co-head, regardless of age, must sign this form at move-in, initial and at each annual recertification. The form must also be signed when a new adult member joins the household. The form is valid for 15 months from the date of signature. The consent allows HUD or a public housing agency to verify information with the Internal Revenue Service *(IRS), the Social Security Administration (SSA), the Department of Health and Human Services (HHS') National Directory of New Hires (NDNH), and with state agencies that maintain wage and unemployment claim information (SWICAs).* Owners must

keep the original signed form in the tenant's file and provide a copy to the family. Exhibit 5-5 contains a copy of form HUD-9887.

2. Form HUD-9887-A, Applicant's/Tenant's Consent to the Release of Information – Verification by Owners of Information Supplied by Individuals Who Apply for Housing Assistance. Owners and the head of household, spouse, co-head, *regardless of age,* and each family member who is at least 18 years of age must sign a HUD-9887-A form at move-in and at each annual recertification. Each adult member must sign a form regardless of whether he or she has income. The consent allows owners to request and receive information from third-party sources about the applicant or tenant. Owners keep the original form in the tenant's file and provide a copy to the family. Exhibit 5-6 contains a copy of form HUD-9887-A.

C. Information to Tenants

Owners must provide applicants and tenants with the HUD Fact Sheet, a copy of the *Resident Rights and Responsibilities* brochure, *and a copy of the *EIV & You* brochure.*

1. HUD-9887 Fact Sheet. When applicants and tenants sign form HUD-9887 and form *HUD-9887-A*, owners must provide each family with a copy of the *HUD-9887/A* Fact Sheet. This Fact Sheet describes the verification requirements for applicants and tenants and the tenant protections that are part of the verification process. Exhibit 5-7 contains a copy of the *HUD-9887/A* Fact Sheet.
2. Resident Rights and Responsibilities Brochure. Owners must provide applicants and tenants with a copy of the *Resident Rights and Responsibilities* brochure at move-in and annually at recertification. *See Chapter 1, paragraph 1-7.B for information on obtaining copies of the brochure.*
3. *EIV & You Brochure. Owners must provide applicants and tenants with a copy of the *EIV & You* brochure at move-in and annually at recertification. See Chapter 1, paragraph 1-7.B for information on obtaining copies of the brochure.*

D. Owner-Created Verification Forms

1. Owners must create verification forms for specific *verification* needs and must include the language required by HUD as shown in Figure 5-5. **Appendix 6** contains instructions, a sample verification consent, and guidance about the types of information to request when verifying income and eligibility.
2. It is important that the applicant or tenant know whom owners will ask to provide information and to whom the completed form will be returned. Therefore, verification forms must clearly state in a prominent location that the applicant or tenant may not sign the consent if the form does not

clearly indicate who will provide the requested information and who will receive the information. When sending a request for verification to a third party, owners send the verification form with the applicant's or tenant's original signature to the third-party source. Owners must retain a copy of the verification form and provide a copy to the applicant or tenant upon request.

Figure 5-5: Language Required on all Consent Forms

The following statement must appear on all consent forms developed by owners:

"Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. HUD and any owner (or any employee of HUD or the owner) may be subject to penalties for unauthorized disclosures or improper use of information collected based on the consent form. Use of the information collected based on this verification form is restricted to the purposes cited above. Any person who knowingly or willingly requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than \$5,000. Any applicant or participant affected by negligent disclosure of information may bring civil action for damages, and seek other relief, as may be appropriate, against the officer or employee of HUD or the owner responsible for the unauthorized disclosure or improper use. Penalty provisions for misusing the social security number are contained in the Social Security Act at 208 (a) (6), (7) and (8). Violation of these provisions are cited as violations of 42 U.S.C. 408 (a) (6), (7) and (8)

5-16 Effective Term of Verifications

Verifications and consent forms must be used within a reasonable time. HUD has set specific limits on the duration of verification consents. In addition, verified information must be used in a timely manner since family circumstances are subject to change. HUD places several other limits on the information that may be requested and when and how it may be used.

A. Duration of Verification Authorization

Owner-created verification forms and the forms HUD-9887 and *HUD-9887-A* expire 15 months after they are signed. Owners must ensure that the forms HUD-9887 and *HUD-9887-A* have not expired when processing verifications. However, there are differences between the duration of form HUD-9887 and that of the individual verification forms.

1. The form HUD-9887-A and individual verification forms can be used during the 120 days before the certification period. During the certification period, however, these forms may be used only in cases

where the owner receives information indicating that the information the tenant has provided may be incorrect. Other uses are prohibited.

2. Owners may verify anticipated income using individual verification forms to gather prospective information when necessary (e.g., verifying seasonal employment). Historical information that owners may request using individual verification forms is restricted as follows:
 - a. Information requested by individual verification forms is restricted to data that is no more than 12 months old.
 - b. However, if the owner receives inconsistent information and has reason to believe that the information the applicant or tenant has supplied is incorrect, the owner may obtain information from any time in the last five years when the individual was receiving assistance, as provided by the form HUD-9887-A.
3. The form HUD-9887 may be used at any time during the entire 15 month period. The information covered by the form HUD-9887 is restricted as follows:
 - a. State Wage Information Collection Agency (SWICA) Information received from SWICA is limited to wages and unemployment compensation the applicant or tenant received during the last five years she/he received housing assistance.
 - b. *NDNH. Information received from HHS' NDNH is limited to wages and unemployment compensation received during period(s) within the last five years when the tenant has received assisted housing benefits.*
 - c. Internal Revenue Service and Social Security Administration. form HUD-9887 authorizes release by IRS and SSA of data from only the current income tax return and IRS W-2 form.

If the IRS, *NDNH* or SSA matches reveal that the tenant may have supplied inconsistent information, HUD may request that the tenant consent to the owner acquiring information on the last five years during the periods in which the tenant was receiving assistance.

B. Effective Term of Verifications

1. Verifications are valid for 120 days from the date of receipt by the owner, *not the effective date of the 50059.*
2. If verifications are more than 120 days old *from the date of receipt by the owner*, the owner must obtain new verifications.
3. Time limits do not apply to information that does not need to be reverified, such as:

- a. Age;
- b. Disability status;
- c. Family membership; or
- d. Citizenship status.

5-17 Inconsistent Information Obtained Through Verifications

An owner may not take any action to suspend, terminate, reduce or make a final denial of any benefits based on inconsistent information received during the verification process or when the tenant disputes information obtained until the owner has independently investigated the information. The owner *must* follow procedures for addressing errors and fraud and for terminating assistance in accordance with Chapter 8.

5-18 Documenting Verifications

A. Key Requirement

Owners must include verification documentation in the tenant file.

B. Documenting Third-Party Verification

All third-party verification documentation must be put in the tenant file, e.g., EIV Income Reports or verifications received from sources via mail, etc.

C. Documenting Telephone Verification

When verifying information by phone, the owner must record and include in the tenant's file the following information:

1. Third-party's name, position, and contact information;
2. Information reported by the third party;
3. Name of the person who conducted the telephone interview; and
4. Date and time of the telephone call.

D. Recording Inspection of Original Documents

Original documents should be photocopied, and the photocopy placed in the tenant file. *Originals of tenant-provided documents are to be returned to the tenant.* If the original document cannot be copied, a clear note to the file must describe the type of document, the information contained in the document, the name of the person who reviewed the document, and the date of that review.

E. **Documenting Why Third-Party Verification Is Not Available**

When third-party verification is not available, owners must document in the file efforts made to obtain the required verification and the reason the verification was not obtained. The owner must include the following documents in the applicant's or tenant's file:

1. A written note to the file explaining why third-party verification is not possible; or
2. A copy of the date-stamped original request that was sent to the third party;
3. Written notes or documentation indicating follow-up efforts to reach the third party to obtain verification; and
4. A written note to the file indicating that the request has been outstanding without a response from the third party.

F. **Reasonable Accommodation**

If an applicant or tenant cannot read or sign a consent form because of a disability, the owner must provide a reasonable accommodation. See Chapter 2, Section 3, Subsection 4 for a description of the requirements regarding reasonable accommodations.

Examples – Reasonable Accommodation

- Provide forms in large print.
- Provide readers for persons with visual disabilities.
- Allow the use of a designated signatory.
- Visit the person's home if the applicant or tenant cannot travel to the office to complete the forms.

5-19 Confidentiality of Applicant and Tenant Information

- A. Federal law limits the information owners can collect about an applicant or tenant to only information that is necessary to determine eligibility and level of assistance.
- B. Federal privacy requirements also establish the responsibility of owners and their employees to use information provided by applicants and tenants only for specified program purposes and to prevent the use or disclosure of this information for other purposes.
 1. To help ensure the privacy of applicant and tenant information, owners and their employees are subject to penalties for unauthorized disclosure

of applicant/tenant information. In addition, applicants and tenants may initiate civil action against an owner for unauthorized disclosure or improper use of the information they provided. Language on the HUD-required consent forms, the verification forms developed by owners, and the HUD-50059 clearly describes owners' responsibility regarding the privacy of this information and the possible penalties.

2. HUD encourages owners to develop their own procedures and internal controls to prevent the improper use or unauthorized disclosure of information about applicants and tenants. Adequate procedures and controls protect not only applicants and tenants, but also owners.
- C. Owners must also comply with state privacy laws concerning the information they receive from third-party sources about applicants and tenants. These laws generally require confidentiality and restrict the uses of this information.

5-20 *Security of EIV Data

The data in EIV contains personal information on individual tenants that is covered by the Privacy Act. The information in EIV may only be used for limited official purposes.

- A. Owners, in connection with the administration of their project, may only use the employment and income information in EIV at the time of recertification, or at other times as addressed in their policies and procedures.
- B. Owners cannot share the EIV income information with governmental entities not involved in the recertification process used for HUD's assisted housing programs, e.g., the LIHTC program and RHS Section 515 program.

See Chapter 9, Enterprise Income Verification (EIV), for additional information on official use of EIV information.*

5-21 Refusal to Sign Consent Forms

- A. If an applicant refuses to sign forms HUD-9887 or *HUD-9887-A* or the owner's verification forms, the owner must deny assistance.
- B. If a tenant *or any member of the tenant's family* refuses to sign the required verification and consent forms, the owner must terminate *the household's* assistance. If the owner intends to terminate assistance for this reason, the owner must follow procedures established in the lease that require the tenant to pay the HUD-approved market rent for the unit. In a Section 202 PRAC or Section 811 PRAC project, the tenant may be evicted if the tenant *or any member of the tenant's family* refuses to sign the required verification and consent forms.
- C. If a tenant is unable to sign the forms on time due to extenuating circumstances, the owner must document the reasons for the delay in the tenant file and indicate how and when the tenant will provide the proper signature.

Examples – Tenant Failure to Sign Consent Forms Due to Extenuating Circumstances

- Jonas and Joycelyn Hardwick were to have forms HUD-9887 and *HUD-9887-A* signed by their adult son. However, he was in an automobile accident and has been in a coma.
- Lydia Bailey's husband has been temporarily assigned to overseas duty as part of a missionary hunger-relief program. She has signed consent forms, and the forms have been mailed to him but have not been returned. She reports that mail has recently been taking five or six weeks.

5-22 Interim Recertifications

When processing an interim recertification, the owner must ask the tenant to identify all changes in income, expenses, or family composition since the last recertification. Owners only need verify those items that have changed. For example, if the head of household was laid off from his or her job and asks the owner to prepare an interim recertification, the owner does not need to reverify the spouse's employment income unless that has also changed. When the tenant signs the certification she or he certifies that the information on the report is accurate and current. Additional information about the procedures for conducting interim recertifications is discussed in Chapter 7, Section 2.

5-23 Record-Keeping Procedures

- A. Owners must keep the following documents in the tenant's file at the project site:
1. All original, signed forms HUD-9887 and HUD-9887-A;
 2. A copy of signed individual consent forms;
 3. *A copy of the EIV Income Report, regardless of whether or not any income is reported for the household, along with the HUD-50059 and any other documentation obtained supporting income and rent determinations; and
 4. Third-party verifications received from third-party sources.*
- B. Owners must maintain documentation of all verification efforts throughout the term of each tenancy and for at least three years after the tenant moves out
- C. The tenant's file should be available for review by the tenant upon request or by a third party who provides signed authorization for access from the tenant.

***NOTE:** The Federal Privacy Act (5 USC 552a, as amended) prohibits the disclosure of an individual's information to another person without the written

consent of such individual. As such, the EIV data of an adult household member may not be shared (or a copy provided or displayed) with another adult household member, unless the individual has provided written consent to disclose such information. See Chapter 9, paragraph 9-18 for more information on disclosing EIV data to another individual or entity.*

- D. Owners must maintain applicant and tenant information in a way to ensure confidentiality. Any applicant or tenant affected by negligent disclosure or improper use of information may bring civil action for damages and seek other relief, as appropriate, against the employee. Forms HUD-9887 and *HUD-9887-A* describe the penalties for the improper use of consent forms.
- E. Owners must dispose of tenant files and records in a manner that will prevent any unauthorized access to personal information, e.g., burn, pulverize, shred, etc.

Section 4: Calculating Tenant Rent

5-24 Key Regulations

This paragraph identifies key regulatory citations pertaining to Section 4: Calculating Tenant Rent. The citations and their titles or (topics) are listed below.

- A. 24 CFR 5.628 Total Tenant Payment
- B. 24 CFR 5.630 Minimum Rent
- C. 24 CFR 236.735 Rental Assistance Payments and Rental Charges
- D. 24 CFR 891.105, 891.410, 891.520, 891.640, 891.655, 891.705 (Project rental assistance payment, project assistance payment, tenant rent, total tenant payment, and rent for unassisted units)
- E. 24 CFR 5.661 Section 8 project-based assistance programs: Approval for police or other security personnel to live in project

5-25 Calculating the Tenant Contribution for Section 8, PAC, PRAC, RAP, and Rent Supplement Properties

A. Total Tenant Payment (TTP)

The Total Tenant Payment (TTP) is the amount a tenant is expected to contribute for rent and utilities. TTP for Section 8, PAC, PRAC, RAP, and Rent Supplement properties is based on the family's income. The formulas for calculating TTP are shown in Figure 5-6. Exhibit 5-8 also shows the formulas for calculating tenant contributions for all assisted-housing programs.

Chapter 5 Exhibits

- 5-1. Income Inclusions and Exclusions
http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_35699.pdf
- 5-2. Assets
http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_35701.pdf
- 5-3. Examples of Medical Expenses That Are Deductible and Nondeductible
<http://portal.hud.gov/hudportal/documents/huddoc?id=43503e5-3HSGH.pdf>
- 5-4. Sample Certification for Qualified Long-Term Care Insurance Expenses
<http://portal.hud.gov/hudportal/documents/huddoc?id=90101.pdf>
- 5-5. Form HUD-9887, *Notice and Consent for the Release of Information to HUD and to a PHA*
<http://portal.hud.gov/hudportal/documents/huddoc?id=9887.pdf>
- 5-6. Form HUD-9887-A, *Applicant's/Tenant's Consent to the Release of Information – Verification by Owners of Information Supplied by Individuals Who Apply for Housing Assistance*

See 5-5 above.
- 5-7. HUD Fact Sheet – Verification of Information Provided by Applicants and Tenants of Assisted Housing

See 5-5 above.
- 5-8. Tenant Rent Formulas

http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_35705.pdf

Exhibit 5-1: Income Inclusions and Exclusions

24 CFR 5.609(b) and (c)

Examples included in parentheses have been added to the regulatory language for clarification.

INCOME INCLUSIONS

- (1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- (2) The net income from operation of a business or profession. 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 Internal Revenue Service 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 family;
- (3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
- (4) 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 periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a **periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph;**
- (5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;
- (6) Welfare Assistance.
 - (a) Welfare assistance received by the family.
 - (b) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as

income shall consist of:

- (c) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
- (d) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.
- (7) 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; and
- (8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.
- (9) For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), 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.)

INCOME EXCLUSIONS:

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) 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);
- (3) 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, except as provided in paragraph (5) under Income Inclusions;
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in 24 CFR 5.403;
- (6) The full amount of student financial assistance paid directly to the student or to the educational institution (see Income Inclusions (9), above, for students receiving Section 8 assistance);
- (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);
- (8) (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);

- (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);
 - (c) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
 - (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident-initiative coordination. No resident may receive more than one such stipend during the same period of time; or
 - (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
- (9) Temporary, nonrecurring, or sporadic income (including gifts);
 - (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);
 - (11) Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse);
 - (12) Adoption assistance payments in excess of \$480 per adopted child;
 - (13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;
 - (14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;
 - (15) 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; or
 - (16) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the *Federal Register* and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

The following is a list of income sources that qualify for that exclusion:

- (a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 [b]);
- (b) Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- (c) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c]);
- (d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);
- (e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);
- (f) Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552[b]); (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 [29 U.S.C. 2931], 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);
- (g) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L. 94-540, 90 Stat. 2503-04);
- (h) The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U. S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408);
- (i) Amounts of scholarships funded under title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
- (j) Payments received from programs funded under Title V of the Older Americans Act of 1985 (42 U.S.C. 3056[f]), e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program;
- (k) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in *In Re Agent*-product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- (l) Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- (m) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
- (n) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, including advanced earned income credit payments (26 U.S.C. 32[j]);
- (o) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);
- (p) Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637[d]);

Appendix 3

Acceptable Forms of Verification

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			
<ul style="list-style-type: none"> Age. <p>*(See Chapter 3, Paragraph 3-28.C)*</p>	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Alimony or child support. <p>*(See Chapter 5, Paragraphs 5-6.F and 5-10.F)*</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Recent original letters from the court. 	<ul style="list-style-type: none"> Telephone or in-person contact with ex-spouse or income source documented in file by the owner. 	<ul style="list-style-type: none"> Copy of most recent check, recording date, amount, and check number. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Assets disposed of for less than fair market value. <p>*(See Chapter 5, Paragraph 5-7.G.8)*</p>	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> 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: <ul style="list-style-type: none"> Type of assets disposed of; Date disposed of; Amount received; and Market value of asset at the time of disposition. 	<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Auxiliary apparatus. <p>*(See Chapter 5, Paragraph 5-10.C)*</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Copies of receipts. 	<ul style="list-style-type: none"> Telephone or in-person contact with these sources documented in file by the owner. 	<ul style="list-style-type: none"> Evidence of periodic payments for apparatus. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant		
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Care attendant for disabled family members. *(Paragraph 5-10.C)*	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Copies of receipts. 	<ul style="list-style-type: none"> Telephone or in-person contact with source documented in file by the owner. 	<ul style="list-style-type: none"> Cancelled checks indicating payment amount and frequency. 	<ul style="list-style-type: none"> Notarized statement or signed affidavit attesting to amounts paid. 	<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Child care expenses (including verification that a family member who has been relieved of child care is working, attending school, or looking for employment). <p>*(Paragraph 5-10.B)*</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Copies of receipts 	<ul style="list-style-type: none"> Telephone or in-person contact with these sources (child care provider, employer, school) documented in file by the owner. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> For verification of "looking for work," details of job search effort as required by owner's written policy. 	<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Citizenship <p>*(See Chapter 3, Paragraph 3-12)*</p>					<ul style="list-style-type: none"> Citizens must sign declaration certifying U.S. Citizenship. 	<ul style="list-style-type: none"> Owners may require applicants/residents to provide verification of citizenship.
<ul style="list-style-type: none"> Current net family assets. <p>*(See Chapter 5, Paragraph 5-7.C)*</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Telephone or in-person contact with appropriate source, documented in file by the owner. 	<ul style="list-style-type: none"> Quotes from attorneys, stockbrokers, bankers, and real estate agents that verify penalties and reasonable costs incurred to convert asset to cash. 	<ul style="list-style-type: none"> Notarized statement or signed affidavit stating cash value of assets or verifying cash held at applicant's home or in safe deposit box. 	<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Disability status. *(Paragraph 3-28.B)*	<ul style="list-style-type: none"> Verification from *appropriate source of information* stating that individual qualifies under the definition of disability. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> Telephone or in-person contact with medical professional verifying qualification under the federal disability definition and documentation in the file of the conversation. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Dividend income and savings account interest income. <p>*(See Chapter 5, Paragraph 5-7)*</p>	<ul style="list-style-type: none"> Verification form completed by bank. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Telephone or in-person contact with appropriate party, documented in file by the owner. 		<ul style="list-style-type: none"> Notarized statement or signed affidavit stating dividend income and savings account interest income. 	<ul style="list-style-type: none"> 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.*

^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				*Provided by Applicant	Self-Declaration	Verification Tips
	Third Party ^a			Oral ^c			
	Written ^{b and d}	*Provided by Applicant ^e					
<ul style="list-style-type: none"> • Employment Income including tips, gratuities, overtime. <p>*(See Chapter 5, Paragraph 5-5.A and C and Paragraph 5-6.)*</p>	<ul style="list-style-type: none"> • *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. 	<ul style="list-style-type: none"> • 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. 	<ul style="list-style-type: none"> • 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. 		<ul style="list-style-type: none"> • Notarized statements or affidavits signed by applicant that describe amount and source of income. 	<ul style="list-style-type: none"> • *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.

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^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				Self-Declaration	Verification Tips
	Third Party ^a			*Provided by Applicant		
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Family composition. <p>*(See Chapter 3, Paragraph 3-27)*</p>	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> 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 		<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Family type. <p>(Information verified only to determine eligibility for project, preferences, and allowances.)</p> <p>*(See Chapter 3, Paragraph 3-28)*</p>	<ul style="list-style-type: none"> 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. 		<ul style="list-style-type: none"> Telephone or in-person contact with source documented in file by the owner. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Elderly Status: Applicant's signature on application is generally sufficient. 	<ul style="list-style-type: none"> *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.
<ul style="list-style-type: none"> Full-time student status (of family member 18 or older, excluding head, spouse, or foster children). <p>*(See Chapter 5, Paragraph 5-6.A.3)*</p>	<ul style="list-style-type: none"> Verification from the Admissions or Registrar's Office or dean, counselor, advisor, etc., or from VA Office. 		<ul style="list-style-type: none"> Telephone or in-person contact with these sources documented in file by the owner. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant		
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Immigration Status. <p>*(See Chapter 3, Paragraph 3-12)*</p>	<ul style="list-style-type: none"> Verification of eligible immigration status must be received from DHS through the DHS SAVE system or through secondary verification using DHS Form G-845. 		<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> Applicant/resident must provide appropriate immigration documents to initiate verification. 	<ul style="list-style-type: none"> Noncitizens must sign declaration certifying the following: Eligible immigration status; or Decision not to claim eligible status. 	<ul style="list-style-type: none"> Owners must require noncitizens requesting assistance to provide verification of eligible immigration status.
<ul style="list-style-type: none"> *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 <p>(See Chapter 3, Paragraph 3-9.A)*</p>					<ul style="list-style-type: none"> *Self-certification that they do not contend eligible immigration status.* 	<ul style="list-style-type: none"> *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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Income maintenance payments, benefits, income other than wages (i.e., welfare, Social Security [SS], Supplemental Security Income [SSI], Disability Income, Pensions). <p>*(See Chapter 5, Paragraph 5-6)*</p>	<ul style="list-style-type: none"> * EIV Income Report for Social Security benefits (mandatory) * Award or benefit notification letters prepared and signed by authorizing agency. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Copies of validated bank deposit slips or bank statements, with identification by bank. 	<ul style="list-style-type: none"> Notarized statement of income received other than wages. 	<ul style="list-style-type: none"> *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.*

^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			*Provided by Applicant	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c		
<ul style="list-style-type: none"> Interest from sale of real property (e.g., contract for deed, installment sales contract, etc.) <p>*(See chapter 5, Paragraph 5-7.G.7)*</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Copy of the contract. 	<ul style="list-style-type: none"> Telephone or in-person contact with appropriate party, documented in file by the owner. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Medical expenses. <p>*(See Chapter 5, Paragraph 5-10.D)*</p>	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Telephone or in-person contact with these sources, documented in file by the owner. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Notarized statement or signed affidavit of transportation expenses directly related to medical treatment, if there is no other source of verification. 	<ul style="list-style-type: none"> Medical expenses are not allowable as deduction unless applicant is an elderly or disabled family. Status must be verified.
<ul style="list-style-type: none"> Need for an assistive animal. <p>*(See Chapter 3, Paragraph 3-29)*</p>	<ul style="list-style-type: none"> Letter from *appropriate third party unless the need is readily apparent or already known*. 					<ul style="list-style-type: none"> 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.*

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Net Income for a business <p>*(See Chapter 5, Paragraph 5-6.H).*</p>	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> 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. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> *Provided by Applicant Any loan application listing income derived from business during the preceding 12 months. 	<ul style="list-style-type: none"> Self-Declaration Notarized statement showing net income for a business. 	
<ul style="list-style-type: none"> Recurring contributions and gifts. <p>*(See Chapter 5, Paragraph 5-6.G)*</p>	<ul style="list-style-type: none"> Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates, and value of gifts. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Telephone or in-person contact with source documented in file by the owner. 	<ul style="list-style-type: none"> *Provided by Applicant Not applicable. 	<ul style="list-style-type: none"> Self-Declaration Notarized statement or affidavit signed by applicant stating purpose, dates, and value of gifts. 	<ul style="list-style-type: none"> Verification Tips 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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Self-employment, tips, gratuities, etc. <p>*(See Paragraph 5-5.C and Paragraph 5-6.H)*</p>	<ul style="list-style-type: none"> None available. 	<ul style="list-style-type: none"> Form 1040/1040A showing amount earned and employment period. 	<ul style="list-style-type: none"> None available. 		<ul style="list-style-type: none"> Notarized statement or affidavit signed by applicant showing amount earned and pay period. 	

^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			*Provided by Applicant		
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Social security number. <p>*(See Chapter 3, Paragraph 3-31)*</p>	<ul style="list-style-type: none"> None required. 		<ul style="list-style-type: none"> None Required 	<ul style="list-style-type: none"> 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 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> 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.

^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.*

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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			
<ul style="list-style-type: none"> *Student Status (Section 8 only) <p>(See Chapter 3, Paragraphs 3-13.A and 3-33.A)*</p>	<ul style="list-style-type: none"> *Enrolled full-time and/or part-time at an institution of higher education Verification of independence from parents Financial assistance received* 				<ul style="list-style-type: none"> *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* 	<ul style="list-style-type: none"> *May also need to verify age; dependent children; marital status; tuition; veteran status and /or disability status.*
<ul style="list-style-type: none"> *Student status (Section 221(d)(3) BMIR, Section 202 PAC, Section 202 PRAC and Section 811 PRAC) <p>See Chapter 3, Paragraph 3-13.B and 3-33.B)*</p>	<ul style="list-style-type: none"> *Enrolled full-time and/or part-time at an institution of higher education Verification of independence from parents Financial assistance received* 				<ul style="list-style-type: none"> *Certification of income provided by parent or from persons not living in the unit with the student* 	
<ul style="list-style-type: none"> Unborn children. 	<ul style="list-style-type: none"> None required. 		<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> Applicant/tenant self-certifies to pregnancy. 	<ul style="list-style-type: none"> Owner may not verify further than self-certification.

^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			*Provided by Applicant		
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Unemployment compensation. <p>*(See Chapter 5, Paragraphs 5-5.A, 5-6.J and Q)*</p>	<ul style="list-style-type: none"> *EIV Income Report (mandatory) * Verification form completed by source. 	<ul style="list-style-type: none"> Copies of checks or records from agency provided by applicant stating payment amounts and dates. Benefit notification letter signed by authorizing agency. 	<ul style="list-style-type: none"> Telephone or in-person contact with agency documented in a file by an owner. 	<ul style="list-style-type: none"> *Provided by Applicant 	<ul style="list-style-type: none"> Self-Declaration 	<ul style="list-style-type: none"> *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.

^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			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Welfare payments (as-paid states only). <p>*(See Chapter 5, Paragraph 5-6.K)*</p>	<ul style="list-style-type: none"> Verification form completed by welfare department indicating maximum amount family may receive. Maximum shelter schedule by household size with ratable reduction schedule. 		<ul style="list-style-type: none"> Telephone or in-person contact with income source, documented in file by the owner. 	<ul style="list-style-type: none"> Maximum shelter allowance schedule with ratable reduction schedule provided by applicant. 	<ul style="list-style-type: none"> Notarized statement of welfare payments received. 	<ul style="list-style-type: none"> Actual welfare benefit amount not sufficient as proof of income in "as-paid" states or localities since income is defined as maximum shelter amount.
<ul style="list-style-type: none"> Zero Income. <p>*(See Chapter 9, Paragraph 9-11.D)*</p>	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Applicant/Tenant self-certifies to zero income. 	<ul style="list-style-type: none"> 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.

^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

- (q) Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran (38 U.S.C. 1805);
- (r) Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602); and
- (s) Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).