

**NORTH CAROLINA HOUSING FINANCE AGENCY
MULTIFAMILY ASSET MANAGEMENT COMPLIANCE GUIDANCE RELATED TO COVID-19**

****UPDATED 7/22/2020** Compliance Training:** The North Carolina Housing Finance Agency (the Agency) has cancelled all in-person trainings for the remainder of the calendar year. Anyone registered for a class should have received a cancellation notice and a refund. If you have not, please contact Karen Williams at (919) 877-5711.

The QAP requires developers to attend a compliance class conducted by the Agency (specifically, Compliance 101 or Advanced Compliance) prior to receiving 8609s for new projects. Similarly, management companies are required to attend both of these classes prior to being approved to manage tax credit properties and they must attend annually to maintain the “approved” status. We have decided on the following plan to address the QAP training requirement for the year 2020 only:

Developers and someone in a supervisory role within each management company will need to attend a professional training/webinar of at least 6 hours conducted by one of the trainers from Appendix C of the QAP. **Acceptable classes have been identified and are included at the end of this document. While some dates/times have been identified, the same class might be offered at another date, which is acceptable. Also, the list is not all-inclusive. If there are questions about whether a class meets Agency requirements, please address these to Steven James.** Developers will submit proof of this training to the development underwriter. Management companies should email proof of training to Steven James at sjames@nchfa.com.

The management company deadline for attending annual training is 12/31/2020. However, please do not wait until the last moment to sign up for training. If unable to attend a virtual training prior to the deadline, the management company may be removed from the approved list for 2021.

Management companies that are new to NC, or those meeting certain other specifications, will be required to have essential staff participate in a virtual courtesy training to go over state-specific requirements. Courtesy training materials are being developed. Those who qualify to receive the courtesy training will be contacted within the next month to determine a date for the courtesy training. The training should take place prior to the 12/31/2020 deadline.

We are working on short videos to address specific topics, such as how to set up a user account in RCRS. We have a dedicated YouTube playlist for our videos. Please bookmark this playlist as we expect to add new content regularly. <https://www.youtube.com/playlist?list=PLk5MC3cDIqXUWC7HVEZi3ItKlofl2R6O>

The Asset Management team hopes to have a plan in place to address 2021 training requirements prior to yearend. The desire is to resume in-person training next year, if feasible. It is important for the Agency to provide effective training in order to help owners and management avoid instances of noncompliance.

****UPDATED 7/22/2020** Physical Inspections:** The Agency has proactively cancelled inspections through August 31. We will cancel inspections in increments as deemed necessary to protect the health of our staff, partners and tenants. Cancelling incrementally will allow us to resume normal activity more quickly once the danger has passed, as opposed to cancelling inspections indefinitely. All inspections will be rescheduled unless federal relief is granted in regards to monitoring.

The IRS has provided monitoring relief for 2020, along with proposed changes to monitoring requirements for 2021. The Agency will be reviewing monitoring plans in conjunction with the relief provided. See the press release at: <https://www.irs.gov/newsroom/irs-provides-tax-relief-for-the-low-income-housing-credit-and-bonds-for-qualified-residential-rental-projects>

Tenant File Reviews: Management is required to enter unit activity into the Rental Compliance Reporting System (RCRS) within 30 days of the effective date of the event. The tenant file documents must be uploaded for move-in events within this same time frame. This being the case, we do not expect an immediate disruption to tenant file reviews as documents are already there and only need to be reviewed by management's compliance staff prior to our review. Since recertification documents are not uploaded until we request the file and management staff may not be able to upload recertification documents if they are working from home, we will not cite the file for missing recertification documents as long as the event is entered in RCRS in a timely manner.

Corrective Action Deadlines: If you are in the corrective action period and need an extension, please request one in writing to compliancehelp@nchfa.com.

Staff can grant extensions for up to six months if there is good cause. If the issue is related to noncompliance with the Housing Tax Credit Program and required to be reported to the IRS on form 8823 staff cannot provide a corrective action period of more than six months without federal guidance.

If the issue is not a matter that is required to be reported to the IRS on form 8823, staff may have some flexibility in extending corrective action deadlines further. Please explain in your request how COVID-19 is preventing the correction of the issue and the date that you believe you can resolve the matter and provide a response to the Agency.

Tenant Files: The Agency has always permitted electronic records. Applications, leases, verification of income and assets and student status can all be completed electronically. Digital signatures on forms (both property management and household) are and have been acceptable. If you are not set up to complete paperwork electronically, please use appropriate social distancing to get signatures and forms completed. If you are not set up to complete paperwork electronically and have no method of converting to this format presently, it is permissible to follow the guidance below on recertifications and to forgo new move-ins if the owner and other interested parties agree to allow the unit to be vacant.

****UPDATED 4/16/2020** Treatment of stimulus payments and unemployment:** The stimulus rebate checks of \$1,200 per adult and \$500 per child are considered one-time payments and are not to be included in income. **Federal unemployment of \$600/week is considered temporary and should not be included in income.** Regular unemployment benefits must be annualized in the manner prescribed in the

HUD 4350.3 Handbook, which means multiplying the weekly benefit x 52 weeks, regardless of the fact there is an anticipated end date. If currently unemployed, future employment should not be anticipated since it is impossible to predict when employment will resume.

****ADDED 7/1/2020** Treatment of New/Temporary Income due to COVID-19:** Income that is not specifically excluded by HUD is required to be included in annual income, including overtime, bonuses and shift differentials. Some employers are paying essential workers additional pay to keep them working during the pandemic. The type varies: bonuses, higher hourly rate that will be reduced once the pandemic is over, allowances for overtime that may or may not continue. For those not receiving additional pay, some have become self-employed to help meet their household expenses during the pandemic. Even though this additional income is not expected to be permanent, these income sources are typically included, and must continue to be included. If there is an indication of an end date, this may be used to calculate the annual income. If no end date is provided, then the amount must be annualized. For example, if the employer states the tenant will receive \$2/hour more for 6 months, then only count the added pay for 6 months. If the employer indicates the additional \$2/hour is until the pandemic ends, you will count for the full year. Likewise, the tenant may not intend to continue their new business after the end of the pandemic, but the self-employment must be annualized unless an end date can be clearly established, such as subcontract work with an established contract end date.

Verifications: The preferred verification method for employment is pay stubs. The Agency does not generally allow the Work Number to be used for verification purposes, however, in the interest of completing move-in documentation in a safe manner, the Agency will accept the Work Number as a valid verification method until 12/31/2020.

****ADDED 7/1/2020** Streamlined Income Verification effective 6/8/2020:** HUD has published Final Regulations related to streamlined income determination covered by the FAST Act. If at least 90% of household income is from a fixed income source (SSA/SSI/SSDI etc), the owner is allowed to apply the Cost of Living Adjustment (COLA) to the fixed income source for the 2 annual recertifications following the most recent income verification. For the non-fixed income (employment, etc), the owner is allowed to use the income from the previous year, provided there have been no substantial changes. If there have been substantial changes, such as a change in employers or job positions, the non-fixed income must be third party verified. Full third party verification of all income sources must be conducted every 3 years. If less than 90% of household income is from a fixed source, all income must be third party verified annually. Here is a link to what is considered 'fixed income' as well as to further implementation guidance:

<https://www.govinfo.gov/content/pkg/CFR-2019-title24-vol1/xml/CFR-2019-title24-vol1-sec5-657.xml>

****UPDATED 7/22/2020** Recertifications:** Per IRS Notice 20-53, owners are not required to income certify tenants between 4/1/2020 – 12/31/2020. Income certifications must resume after 12/31/2020.

Note: Key households must be recertified during this time to receive payment; however, streamlined verification process noted above may be used. Please see the section on Targeting and Key for guidance on recertifications for Key households.

Revised July 29, 2020 - This document will be periodically updated as federal guidance is received.

Example effective dates: If a move-in occurred on 8/1/2019, no recertification is required for 8/1/2020. If the property is in the IRS Compliance period, you must still verify student status using the required Annual Student Status Certification form. You will enter an Update unit event effective 8/1/2020 in RCRS to report student status, occupancy and rental rate. The next recert is due on 8/1/2021, if annual recertification is required.

Tax credit properties that are 100% low income are not required to recertify annually, but are required to perform a recert on the first anniversary of move-in. The Agency will forgo the state requirement for a first year recert for move-ins that occurred between 4/1/2019 – 12/31/2019, since the recert falls in the time frame where not required.

Properties with Agency loans and tax credit properties with market rate units are required to recertify annually under normal circumstances. These properties are allowed to use the above guidance and forgo 2020 recertifications from April - December. The next recert will be on the anniversary of move-in for 2021. Units with Key rental assistance are also required recertify annually and recertification MUST be completed timely. These units may not skip the 2020 recert, but they may use streamlined verification if 90% of the household income is from a fixed source.

RCRS Reporting: Unit events are required to be reported in RCRS within 30 days of the effective date, with an allowance of up to 90 days for properties in lease-up. The current requirements are being suspended for the remainder of 2020. It is imperative that unit events and the move-in tenant file documents are uploaded to RCRS as soon as possible, however, given that compliance staff responsible for updating RCRS may not have access to the data and forms, we will not cite late reporting as noncompliance for unit events effective on or before December 31, 2020.

Utility Allowances: The Agency cannot think of any reason utility allowance requests, approvals or implementation of new allowances would be disrupted by COVID-19 at this time. If you need guidance about utility allowances related to COVID-19, please contact Susan Westbrook at sewestbrook@ncfa.com. Families will likely be using increased utilities as schools are closed and people are staying home more. This may impact rental income for next year. Please plan accordingly.

****UPDATED 7/1/2020** Income and Rent Limits:** The U.S. Department of Housing and Urban Development (HUD) has released income limits with an effective date of April 1, 2020. The limits displayed in RCRS have been updated. Note: HOME and NHTF income and rent limits have been released with an effective date of July 1, 2020. At this time, it is not clear what kind of long-term impact COVID-19 will have on the nation's economy, unemployment and future income and rent limits. However, keep in mind that through the Housing and Economic Recovery Act, once a project is placed in service, the income limits will not drop.

****UPDATED 7/29/2020** Evictions:** The CARES Act (Act) signed into law by the President imposes a 120-day moratorium on tenant eviction filings and charging late fees for much of the nation's affordable housing properties, including Housing Credit properties. Specifically, the Act applies the moratorium to properties:

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- with a federally backed mortgage or loan or
- that participate in a covered housing program as defined in the Violence Against Women Act (VAWA)

All Housing Credit properties are included in the Act as a housing program under VAWA. Therefore, between March 27, 2020 and July 24, 2020 owners of Housing Credit properties may not:

- make, or cause to be made, any filing to recover possession from the tenant for nonpayment of rent or other fees/charges; or
- charge fees, penalties or other charges to the tenant related to such nonpayment of rent

Additionally, Section 4024(c) of the CARES Act requires landlords to provide tenants protected by the law with a minimum of 30 days of notice before they are required to vacate their residence. Section 4024(c)(2) of the CARES Act also specifies that this notice cannot be given before July 25. **As a result, unless amended by new federal legislation, the CARES Act effectively prohibits landlords from requiring covered tenants to vacate their residence before August 24, 2020.**

It should be noted that a landlord's failure to comply with the CARES Act requirements discussed above may constitute an unfair or deceptive act or practice under North Carolina General Statute § 75-1.1. Upon a finding of such unfair or deceptive acts or practices, the Attorney General is authorized to obtain a civil penalty of up to \$5,000 for each violation, as well as a court order to stop further violations. Tenants may also bring their own lawsuits for violations of Section 75-1.1 and can recover treble damages and attorneys' fees.

Any Housing Credit property manager or owner with questions about this moratorium should seek advice from their attorney.

Other Federal Laws: At this time, the Agency is not aware of any waivers of the requirements of the Federal Fair Housing Act, the Violence Against Women Act, Section 504 of the Rehabilitation Act or the Americans with Disabilities Act. Your property must continue to make reasonable accommodations and process transfer requests related to disabilities or VAWA protections.

Vacant Units: Vacant program units must be leased to qualified households. At this time, there is no relief to use program units for any other purpose, even if it is related to COVID-19.

****ADDED 4/2/2020** Employee Units:** At the request of the owner, the Agency has granted permission for properties to take a low-income unit offline to house a full-time employee, without requiring the household to qualify, provided Agency guidelines are met. If the employee is laid off from their job at the property, it is possible to convert the unit back to low-income and qualify the prior employee as any other household in a low-income unit so that the household doesn't lose their employment and their housing at the same time. Please notify the Agency if this occurs. The property will be allowed to convert the unit back to an employee unit once the person is hired back.

Occupancy Standards: We have received several inquiries on whether Management Companies of LIHTC properties can modify or relax their occupancy standards and policies on overnight guests so that tenants

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can better respond to their family needs related to stable temporary housing for family members or friends during this time of health crisis.

To the extent that the policies are addressed in the Agency-approved Tenant Selection Plan, lease or house rules, the agency has no objection to the relaxing of these standards on a temporary basis (not to exceed 120 days), since these issues do not impact LIHTC eligibility. However, properties do need to be mindful of local ordinances, the requirements of their investors and other lenders, as well as guidance issued by the CDC related to the current crisis.

We recognize the challenge property owners and landlords find themselves in trying to balance tenant and applicant requests for flexibility while being mindful of protecting their residents and staff.

****UPDATED 7/22/2020** Mortgage Payment Relief:** The Agency has offered multifamily property owners with an active Agency loan a 90-day loan forbearance beginning May 1, 2020. No interest will accrue during the deferral. Year-end owner distributions will not be impacted by accepting the offer. Future deferrals will be considered on a case-by-case basis as conditions warrant. Contact Susan Westbrook at sewestbrook@nchfa.com to request an additional deferral if needed. Additional deferrals may not receive the same preferential treatment.

****ADDED 4/2/2020** Operating Reserve Withdrawals:** The Agency is prepared to work with property owners to approve use of operating reserves to help cover operating deficits during this difficult period.

****ADDED 4/16/2020** Treatment of Common Areas:** The Agency will allow the temporary closing of common areas at tax credit properties, with the exception of laundry facilities. Laundry rooms must be kept open for tenants. The equipment and folding tables should be wiped down frequently. Limits may be placed on the number of people allowed in the laundry room at one time to comply with social distancing requirements.

****ADDED 4/16/2020** Visitors at Multifamily Properties:** The Agency will allow changes to visitor policies to assist with the pandemic. For example, at elderly properties it might be advisable to prevent visitors to ensure the safety of elderly tenants. On family properties, it might be necessary to suspend guest limitations to allow a friend or family member to reside in the unit to provide childcare while a parent works.

DHHS Targeting and Key Program Guidance: The Targeting Program serves very vulnerable populations, and this pandemic may be very distressing for them in the upcoming weeks. Please support these tenants that are isolated due to social distancing by offering them contact information to seek assistance if they are in distress, fearful or anxious. Contact information for tenants, as well as practical tips to take care of your own mental health, are available in a supplemental document provided by DHHS and posted on our website. A toll-free Hope Line has been established for older adults experiencing isolation from social distancing. Call 1-866-578-4673 or 1-866-578-HOPE.

Additionally, during this time DHHS is making some exceptions to policies and procedures to decrease barriers for applicants/tenants and cost burden for properties.

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1. During COVID-19 and any future natural disasters in which social distancing is implemented DHHS will allow for hold payments starting at the 91st day if participant has been approved but cannot sign lease and if the hold will not jeopardize the owner's obligation to lease each unit by required date (typically end of CY two years post award). Tenant can sign lease and take possession of the unit at any time during the hold period. The management company will not charge the tenant his/her rent share between move-in date and end of hold period.
2. If properties implement social distancing during a natural disaster, DHHS asks that they provide emergency maintenance numbers and instructions on how to pay rent and make reasonable accommodation request.
3. During COVID-19 and any future natural disasters that require social distancing, management companies are asked to allow mailing of applications and lease agreements to decrease barriers for people participating in the Targeting Program only.

For questions related to COVID-19 and DHHS policies, please contact Stephanie Williams at stephanie.williams@dhhs.nc.gov.

****UPDATED 7/22/2020** Key Recertifications:** Key households are required to recertify annually on the anniversary of the move-in month. Currently, RCRS allows you to collect subsidy for one month following the required recertification date, after which the system takes the subsidy back for the extra month. Recertification will need to be completed to keep subsidy flowing. You may follow the streamlined income determination rules in the sections above.

For questions related to Key payment issues connected to COVID-19, please contact Sandy Harris at ssharris@nchfa.com.

NCHFA Approved Training Providers and Classes

AJ Johnson Consulting Services <http://www.ajjcs.net> (757) 259-9920

Income & Asset Verifications & Calculations (6-hour course)

- September 10, 2020 (6-hour course)

Basic LIHTC Compliance (6-hour course)

- September 23, 2020

E&A Team <https://eandateam.com> (888) 504-7483

On Demand Training Online – Available Anytime

- Hey You! An Application Process – LIHTC Webinar (1 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**

First Housing <http://firsthousingfl.com> (813) 289-9410

On Demand Training Online – Available Anytime

- Income Qualifications – Learn the Basics (two-hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**
- Income Qualifications – Advanced Methods (1 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**
- Asset Determination – Learn the Basics (one-hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**
- Asset Determination – Advanced Methods (1 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**

Housing Credit College (Elizabeth Moreland) <https://taxcredit.com> (800) 644-0390

On Demand Training Online – Available Anytime

- Housing Credits 101: Compliance Basics (three-hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**
- Housing Credits 103: Income and Assets (four-hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**
- Housing Credits 204: Unique Program Rules (four-hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**

Karen A. Graham Consulting LLC <https://compliancesupport.com/> (513) 755-7009

- Contact directly for possible online offerings

Kay-Kay Realty <https://www.kaykayrealty.com/> (888) 852-9529

- Contact directly for possible online offerings

M&L Compliance Management <https://www.mlcm.net/> (717) 731-1161

- Contact directly for possible online offerings

NAHMA <https://www.nahma.org/> (703) 683-8630

Income & Assets & Verifications & Calculations (six-hour course)

- September 10, 2020

Basic LIHTC Compliance (6-hour course)

- September 23, 2020

Nan McKay <http://www.nanmckay.com/> (800) 783-3100

Fundamentals of Low-Income Housing Tax Credit Management (21-hour course total)

- September 1-3, 2020
- September 15-17, 2020
- October 19-21, 2020

National Center for Housing Management <http://www.nchm.org/> (800)368-5625

Blended Occupancy Specialist (four-day course, four hour each day, 16 hours total)

- August 3-6, 2020
- September 9-7, 2020
- October 5-8, 2020
- November 2-5, 2020
- December 7-10, 2020

Tax Credit Specialist

- August 17-20, 2020
- September 21-24, 2020
- October 19-22, 2020

Novogradac & Company, LLP <https://www.novoco.com/> (415)356-8000

LIHTC 101: The Basics Webinar (two-hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**

- July 24, 2020

LIHTC Year 15 (two-hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**

- July 31, 2020

LIHTC Property Compliance Workshop (5 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**

- August 11, 2020
- October 6, 2020
- December 8, 2020

Preferred Compliance Solutions <https://www.preferredcompliance.com/> (321) 284-4233

- Contact directly for possible online offerings

Quadel <http://www.quadel.com/> (866) 640-1019

LIHTC + Blended Compliance (four-day course, four hours each day, 16 hours total)

- September 14-18, 2020
- October 12-16, 2020
- November 9-13, 2020

Spectrum Seminars <http://www.spectrumseminars.com/> (207) 805-0037

On Demand Training Online – Available Anytime

- Bringing It Together (two-day seminar-6+ hours at your own pace)
- LIHTC Overview (three-hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**

The Costello Companies <http://www.costelloco.com/> (800) 877-1113

- Contact directly for possible online offerings

The TheoPro Group <https://www.theopro.com/> (877) 783-1133

On Demand Training Online – Available Anytime

- Tax Credit Basis (ten-hour course)
- Tax Credit Comprehensives (ten-hour course)

US Housing Consultants <https://www.us-hc.com/> (603) 223-0003

On Demand Training Online – Available Anytime

- Conquering Student Rules in Affordable Housing (1 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**
- Income & Rent Limits for Layered LIHTC Projects (1 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**
- Working with Gif Income for HUD and LIHTC Compliance (1 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**
- LIHTC Recertification and the Next Available Unit Rule (1 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**
- The Not-So-Average LIHTC Average Minimum Set Aside (1 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**
- How to Conquer LIHTC Acquisition-Rehab (1 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**

Correcting Noncompliance for LIHTC Projects (1 ½ hour course) - **Note: Must be combined with another class to equal a minimum of 6 hours**

- August 4, 2020

Zeffert and Associates <http://www.zeffert.com/> (866) 760-6000

eLearning (all classes combined will total 6 hours)

- Essentials of the LIHTC Program 3 hours - **Note: Must be combined with another class to equal a minimum of 6 hours**
- Average Income Webinar - 1 hour - **Note: Must be combined with another class to equal a minimum of 6 hours**
- Modern Self-employment - 30 min - **Note: Must be combined with another class to equal a minimum of 6 hours**
- LIHTC Min Set-aside & NAUR - 1.5 hours - **Note: Must be combined with another class to equal a minimum of 6 hours**

Live Virtual

Mastering LIHTC Compliance - 14 hours, 7 hours each day

- August 25-26, 2020
- September 8-9, 2020
- September 22-23, 2020
- October 6-7, 2020
- November 10-11, 2020

Note:

- Courses can be combined with other courses offered by the same trainer or another trainer to equal the required six-hour requirement
- Dates and course offerings taken from trainer's website, subject to change, check for additional courses that may have been added