

Risk Mitigation Tools for Landlords, Owners, and Management Agents

The five risk mitigation tools outlined below are available to all landlords/owners/agents who rent housing to Transitions to Community Living Initiative (TCLI) participants or Targeting Program participants regardless of rental assistance type. The majority of TCLI participants use Transitions to Community Living Voucher (TCLV) assistance or Key assistance and the majority of Targeting Program participants use Key assistance to afford safe and decent housing.

1. Security Deposits

Security deposits paid on behalf of TCLI/TCLV and Targeting Program tenants will be deposited in an account specified by the landlord/owner/agent who is responsible for transferring the security deposits into the appropriate trust account to comply with North Carolina Real Estate Trust Account law. If there are funds remaining after the security deposit disposition, the funds will revert to the tenant upon move out.

Targeting Program – Key funds pay security deposits for all tenants with a Targeting Program referral letter from the NC Dept. of Health and Human Services (DHHS). If the Targeting Unit applicant is utilizing Key assistance, the security deposit will be processed automatically when the Targeting Unit applicant is set up in the Rental Compliance and Reporting System (RCRS) and Key assistance is requested. The security deposit will be paid in the amount of the current payment standard for the property based on the number of bedrooms. If the Targeting Unit applicant is not utilizing Key assistance, the North Carolina Housing Finance Agency (NCHFA) will provide a requisition form for use by DHHS and the landlord/owner/ agent. The amount of the deposit will be an amount mutually agreed upon by DHHS and the landlord/owner/ agent, and should not exceed the amount charged to other tenants. The deposit will be paid electronically with Key funds by NCHFA.

TCLV – TCLV funds pay security deposits for all TCLV participants and for TCLI participants without access to another source of security deposit assistance. The amount of the deposit will be an amount mutually agreed upon by the TCLV subsidy administrator, which is one of seven Local Management Entities/Managed Care Organizations (LME/MCOs), and the landlord/owner/agent, but cannot exceed two months of rent.

2. Reimbursement for Damages

Once the tenant permanently vacates the unit, the landlord/owner/agent may file a claim to be reimbursed for damages beyond normal wear and tear caused by the tenant to the unit or to the common areas. Security deposits, payments made by the tenant, and insurance company payments must be deducted from the claim. The landlord/owner/ agent must have a policy of conducting unit inspections at least annually to be eligible for reimbursement of unpaid damages. A copy of the most recent unit inspection is required as part of the claim documentation.

The landlord/owner/agent is encouraged to establish a repayment plan with the tenant during tenancy. A tenant repayment plan must be reasonable based on income and expenses of the tenant. The monthly payment may not exceed \$50, unless a higher amount is agreed upon by the tenant and the landlord/owner/agent. If the tenant moves out prior to completing the repayment plan, the landlord/owner/agent may file a claim to be reimbursed for the remaining unpaid damages. Documentation must be provided of the tenant repayment plan and payments made.

- *No Insurance Claim* - When there are damages that do not exceed the deductible for an insurance claim, or when an owner chooses not to file an insurance claim, the landlord/owner/ agent may file a risk mitigation claim to be reimbursed for documented damages caused by the tenant at a rate of 75% of the claim total, not to exceed \$2500.
- *Insurance Claim* - If the tenant causes damages that result in the landlord/owner/agent filing an insurance claim, the landlord/owner/agent may file a risk mitigation claim to be reimbursed for the outstanding balance at a rate of 100% of the total unreimbursed portion of the insurance claim, not to exceed \$3000. Documentation of the insurance payment must be provided.

The landlord/owner/agent must notify DHHS Staff of any damages caused by Targeting Program tenants whether found during periodic unit inspection or at another time, and must notify LME/MCO Staff of the same for TCLV tenants, or TCLI tenants with subsidy other than TCLV or Key assistance, within two business days of issuing notice to the tenant, to provide an opportunity for remediation. Documentation of notification is required (copy of email to program staff).

3. Reimbursement of Unpaid Tenant Portion of Rent and Late Fees

Once the tenant permanently vacates the unit, the landlord/owner/agent may file a claim to be reimbursed for any uncollected tenant portion of rent and late fees during the period of occupancy, (minus the security deposit), not to exceed three months of the tenant portion of rent plus late fees. The landlord/owner/agent must notify DHHS Staff of late Targeting Program tenant rent payment and must notify LME/MCO Staff of the same for TCLV tenants, or TCLI tenants with subsidy other than TCLV or Key assistance, within two business days of issuing delinquency notice to the tenant, to provide an opportunity for remediation. Documentation of notification is required (e.g. copy of email to program staff).

4. Reimbursement for Vacancy Due to Tenant Abandonment of Unit

If a tenant abandons a unit, the landlord/owner/agent may file a claim to be reimbursed for a period of time that the tenant is no longer living at the property, including the time needed for the landlord to obtain possession of the unit until the unit is re-rented. The period the payment covers ends the earlier of the following:

- The end of the lease term of the program participant
- The effective date the unit is re-rented
- Two months following the notice of or acknowledgement of abandonment of the unit by the LME/MCO or DHHS, as described below.

The landlord/owner/agent must notify DHHS Staff of Targeting Program tenant unit abandonment and must notify LME/MCO Staff of unit abandonment by TCLV tenants, or TCLI tenants with subsidy other than TCLV or Key assistance, within two business days of becoming aware of the abandonment. Documentation of notification is required (e.g. copy of email to program staff).

5. Reimbursement for Successful Eviction Costs

To be eligible for reimbursement of eviction costs the landlord/owner/agent must:

- Provide the tenant three opportunities to correct rule infractions and/or lease violations before filing for eviction, and
- Notify program staff of rule infractions and/or lease violations within two business days of the notice to the tenant to provide an opportunity for remediation, and
- Must prevail in the eviction action.

Claims for eviction costs may not exceed \$1000. The landlord/owner/agent must notify DHHS Staff of infractions/violations for Targeting Program tenants and must notify LME/MCO Staff of the same for TCLV tenants, or TCLI tenants with subsidy other than TCLV or Key assistance. Documentation of notification is required (e.g. copy of email to program staff).

All risk mitigation claims must be submitted no later than 12 months from the tenant's move out date to be eligible for reimbursement. Claims for TCLV tenants or TCLI tenants with subsidy other than TCLV or Key assistance are subject to the review and approval of the LME/MCO and DHHS. Claims for Targeting Program tenants regardless of subsidy type are subject to the review and approval of NCHFA and DHHS.