

**2024  
COMPLIANCE  
MANUAL  
LIHTC | HOME | NHTF**

*October 2024*

**Project Information:**

Project Name:

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**LIHTC**

LIHTC Project #:

Minimum Set-aside:

---

**HOME**

HOME #:

Fixed or Floating HOME (circle one)

---

**My Property is...**

Check which applies:

<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
LIHTC- Only	HOME- Only NHTF	LIHTC with HOME and/or NHTF

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

Developed by the Iowa Finance Authority with the assistance of



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## IFA Manual 2024 Update Summary

### NHTF

#### Throughout

- NHTF added where appropriate to HOME provisions.

### HOME Period of Affordability

#### Throughout

- HOME “Affordability Period” changed to “Period of Affordability” to meet new HUD consistent standard.

### Multiple Program Charts

#### Throughout

- NHTF provisions added.

### Project Information Multiple Programs Tool

#### Inside Cover

- Project information checklist updated to include the NHTF.

### Program Backgrounds

#### Page 9

- NHTF details added.

### “My Property Is...” Checklist

#### Page 9

- Updated with the NHTF option.

### NHTF Agreements

#### Page 10

- Details on NHTF regulatory agreements have been added.

### “Items to Highlight” Chart

#### Page 11

- Chart updated to include the NHTF
- The example years have been updated.

### HOME and NHTF Periods of Affordability

#### Page 17-18

- NHTF added, with the 30-year period of affordability specified. Total recapture as the penalty for noncompliance listed.

### “Overlapping Time Periods...” Chart

#### Page 17

- The chart has been renamed and updated, also with later dates.

### “HOME Period of Affordability by Expenditure” Chart

#### Page 18

- The chart has been renamed and updated, including capitalization of HOME in the header.

### Average Income Test

#### Pages 21-23

- List of IFA AIT policies.



### Fixed or Floating HOME/NHTF Units

#### Page 26-27

- Clarification is provided that NHTF extremely low income limits may differ from Section 8 or 811 ELI limits.
- Clarification provided that only HOME has high and low designations. The NHTF does not.

### HOME/NHTF Leases

#### Page 28

- IFA does not approve initial HOME/NHTF leases. A comment indicating that they do was removed.

### Nonrenewal/Eviction

#### Page 27

- Reference to examples of “good cause” in the 8823 Guide was added.

### VAWA 2022

#### Page 32

- Updated that the NHTF is covered by VAWA with the 2022 reauthorization of VAWA.
- Mention of applicability of VAWA to all future federal affordable housing programs.

### HUD 91067 Lease Addendum

#### Page 34

- Clarification provided that each adult must sign a separate VAWA lease addendum.

### Example “One program has a more restrictive...”

#### Page 35

- Clarification is provided that NHTF extremely low income limits may differ from Section 8 or 811 ELI limits and why.

### HOME: High and Low

#### Page 41

- Clarification is provided that rental subsidy is counted when determining if a household meets NHTF rent limits.

### HOME/NHTF Rent Approval Process

#### Page 43

- Example has been adjusted and years have been updated.

### PHA Estimate

#### Page 45

- PHA-based UAs must be implemented within 45 days of their effective date, not the release by the PHA.

### Application Processing and Tenant Selection Policies

#### Page 53

- Added references to the new *IFA Application*.
- Guidance on owner-developed applications is no longer applicable with the introduction of the IFA Application and has been removed.

### HOTMA Update 2024

#### Page 53

- An introduction to HOTMA was added.

### Application Processing

#### Page 53-54

- References to the IFA Application is added.

### Property/Management Rules (House Rules)

### Page 54

- House rules will only be reviewed by IFA if the owner provides them. It is not required that they be provided to IFA.

### File Organization

#### Page 56

- The file order recommendations have had the required *IFA Application* added.
- Clarification on required student forms is provided.
- References to the old \$5,000 asset form has been updated to the *Asset Self-Certification* form.
- References to the *Alimony/Child Support Self-Certification* have been removed per HOTMA requirements.

### Determining Household Size

#### Page 57

- Difference between “household” and “family” explained.
- Foster child/adult asset to live-in attendant as used when determining bedroom size.
- Fosters added to excluded household members whose status must be documented.

### Changes to Household Size

#### Page 59

- Reference to IFA Application added.

### Verification

#### Page 60-62

- HOTMA-related changes to verification rules explained, with priority placed on the Work Number and documents supplied by a household.
- HUD handbook reference replaced by HOTMA Notice 2023-10.
- Reference to a change in the 2022 IFA Compliance Manual revision has been removed.
- Clarification is added that fixed income only changes annually with a COLA and that verification of fixed income is good for the entire covered year, not 120 days.

### Voucher Holders

#### Page 63

- HOME/NHTF requirement to use PHA determinations of income for voucher holders is explained.

### Other Means-Tested Program Determinations

#### Page 63

- The option to use other program determinations of income for LIHTC units is explained, as well as how to verify it.
- TANF is clarified to be FIP in Iowa.

### Household Assets Not Exceeding \$50,000

#### Page 64-65

- The LIHTC asset self-certification threshold increased from \$5,000 to \$50,000 and will be adjusted annually.
- The \$50,000 asset self-certification does not apply to HOME/NHTF units every 6<sup>th</sup> year of the affordability period.

### Students - LIHTC

#### Page 65-68

- Fosters added to list of those not counted to meet student exceptions.
- TANF clarified to be FIP in Iowa.
- The most recent version of the “Workforce” Act is listed.

### Special Note



**Page 70**

- That there are no NHTF student rule is explained.

**Sporadic and Periodic Income**

**Page 71-72**

- Sporadic income is now included as income.
- Employment raises are only required to be verified if anticipated by the household.
- Several examples of when net income should be used have been added.
- References to “\$480” have been changed to “the dependent deduction.”

**Examples Dependent Income**

**Page 74-75**

- The \$480 amount of the dependent deduction is clarified to apply to a specific year.

**Zero Income**

**Page 75**

- Underlined emphasis added on issues commonly missed on the *Certification of Zero Income* form.

**Definitions and Examples**

**Page 76-78**

- Definitions of “periodic” and “sporadic” have been refined and “nonrecurring” added to meet HOTMA provisions.
- Examples of “nonrecurring income” have been included.

**Annual Adjustment Factors**

**Page 78**

- HOTMA Adjustment factors are explained.
- Pre-HOTMA, 2024, and 2025 adjustment factors are listed.

**Annual Income Does Not include...**

**Page 79-86**

- Added HOTMA and other federal law exclusions from income.

**Employment Income**

**Page 87-89**

- Day laborers and seasonal workers are added to temporary employment, as required by HOTMA.
- How garnishments and other withholding are handled is explained.
- The raise in the example is included after disclosure by the household.

**Self-Employment**

**Page 90**

- Contract laborers are clarified to be self-employed, as explained in HOTMA.

**Social Security**

**Page 92**

- Federal TANF is explained to be FIP in Iowa.

**Payments in Lieu**

**Page 94**

- Clarifies that unemployment benefits do not qualify as “nonrecurring” and must always be counted as income, even if anticipated to end during the coming 12 months.

**Example Welfare Benefits**

**Page 94**

- TANF has been changed to FIP in the example.

**Cash and Non-Cash Contributions**

**Page 95**

- Exclusion for food bank in-kind donations explained.

**Child Support and Alimony**

**Page 95**

- Court-ordered amounts are no longer counted, and the related IFA form no longer exists. Reference to the form was removed.
- Examples have been changed to reflect the above.

**Student Financial Assistance**

**Page 97-102**

- HOTMA student assistance rules have completely changed, and this is explained with many new paragraphs, charts, and examples.

**Income from Assets**

**Page 102**

- Reworded first paragraph to reflect that some HUD rental assistance programs now put limits on the assets a household can own, though this is clarified not to apply to the LIHTC, HOME, or NHTF programs.
- The old standard “cash value” is equivalent to the term “total net” as most often used in HOTMA and is explained here.
- When imputed asset income is used per HOTMA is explained.

**Assets Held Jointly and Example**

**Page 103**

- Full value is counted on jointly held assets, unless pro-rated ownership can be verified.

**Asset Exclusions**

**Page 103-104**

- HOTMA asset exclusions explained.

**Bank Accounts and Examples**

**Page 105**

- The old standard requiring a 6-month average for checking has been removed for a current balance on all bank accounts.

**Trusts and Example**

**Page 106-108**

- HOTMA trust requirements are explained.

**Equity in Real Property**

**Page 109**

- Reference to real estate as defined by Iowa law is provided.

**IRA, 401(k)s...**

**Page 111-112**

- HOTMA retirement account provisions are explained.

**Imputing Asset Income**

**Page 114-120**

- Asset rules, as completely changed by HOTMA are explained, with several examples.

**Exceptions Where the IFA TIC is Not Required**

**Page 122**

- The RD 3560-8 is allowable as a TIC for IFA purposes.

**NHTF Projects – Over-Income Rules and Adjusted Income-Based Rent**

### Page 130-131

- A new paragraph has been added to address this topic.
- It is clarified that the dependent deduction is subject to change.
- The elderly household deduction is clarified to change with HOTMA to \$525 and is subject to change.

### Sample Format for Calculating Adjusted Income-Based Rent and Examples

### Page 134-139

- The dependent deduction is changed throughout.
- The elderly household deduction is changed throughout.
- The health and medical expense and disability expense deductions are subject to a 10% minimum threshold. This is changed by HOTMA from 3%.
- Calculations have been adjusted to reflect numbers that would be true the first year HOTMA is in effect.

### Casualty Loss

### Page 143

- Update provided for IFA casualty loss follow-up policy.

### Yearly Compliance Reporting Requirements – Owner’s Certificate of Continuing Compliance

### Page 153-154

- References to exhibits to the annual cert and explanation of what these were for have been removed.
- IFA policy an annual reporting for AIT properties is provided

### Physical Inspection Protocol

### Page 154-159

- NSPIRE has replaced UPCS. A detailed overview of NSPIRE has been provided.

### Preparing for the Monitoring Visit – Project Level Items

### Page 160-161

- Several adjustments have been made to IFA policy listed in this section. These include references to the required *IFA Application* and *Asset Self-Certification* and removal of the child support/alimony requirements.

### PROJECT and TENANT FILE Documents Required

### Page 162

- Reformatted and adjusted for HOTMA and other changes.

### Monitoring Visit – Physical Inspection

### Page 163

- A paragraph that listed technical evaluations that IFA does not conduct has been removed.

### Issuance of Final Owners Report

### Page 164

- Timelines have been adjusted for the report from IFA to the owner.

### Administration and Notification

### Page 174

- Reference is added regarding the owner’s responsibility to report changes using the Exhibit F - *Compliance Monitoring Information Sheet*.

### Appendix 1, 2, & 3

### Page 185 on

- All three appendices have been completely changes for HOTMA and other changes.

## Chapter 1 - Introduction & Program Fundamentals

### Introduction

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



*While setting out IFA's requirements under these programs, nothing in this manual should be construed as legal or accounting advice. This manual is to be used only as a supplement to compliance with the laws, regulations, and other guidance from HUD and the IRS. This manual should also not be considered a complete guide to compliance for the programs covered. The responsibility for compliance with these federal programs lies with the owner of the building for which the funding applies. Because of the complexity of federal programs and the need to consider how they apply to specific circumstances, owners are strongly encouraged to seek competent professional legal and accounting advice regarding compliance issues. IFA's obligation to monitor for program compliance with the requirements of a program does not make IFA or its subcontractors liable for an owner's noncompliance. Additionally, this guide does not address the tax consequences of noncompliance. Taxpayers are responsible for evaluating the tax consequences of noncompliance with IRC §42.*

### Program Backgrounds

#### LIHTC

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

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

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

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

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

HOME

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

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

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

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

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

**EXAMPLE**

**Number of HOME units at a property**

A project has 50 units. If half of a project’s costs are paid for with HOME funds, at least 25 of the units will be designated HOME units.

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

**Important:** Prior to 2010, state HOME funds were committed and monitored by the agency formerly known as the *Iowa Department of Economic Development (IDED)*. IFA now monitors their past portfolio and commits new HOME funds allocated to the State of Iowa.

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

NHTF

The National Housing Trust Fund (NHTF) is an affordable housing production program that complements existing Federal, state and local efforts to increase and preserve the supply of decent, safe, and sanitary affordable housing for extremely low-income and very low-income households, including homeless families. Funds may be used for the production or preservation of affordable housing through the acquisition, new construction, reconstruction, and/or rehabilitation. All NHTF assisted units are required to have a minimum period of affordability of 30 years.

**Multiple Programs**

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

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

My Property is... Check which applies:	My Property is... Check which applies:	My Property is... Check which applies:
<input checked="" type="checkbox"/> LIHTC-Only <input type="checkbox"/> HOME-Only <input type="checkbox"/> LIHTC with HOME and/or NHTF	<input type="checkbox"/> LIHTC-Only <input checked="" type="checkbox"/> HOME-Only <input type="checkbox"/> LIHTC with HOME and/or NHTF	<input type="checkbox"/> LIHTC-Only <input type="checkbox"/> HOME-Only <input checked="" type="checkbox"/> LIHTC with HOME and/or NHTF
<b>For LIHTC-Only Properties</b>	<b>For HOME-Only Properties and/or NHTF Units</b>	<b>For LIHTC Properties with HOME and/or NHTF Units</b>

Specific regulatory requirements are included under each section.

### MEMORY AID:

Can you remember the basic compliance requirements for affordable housing?  
If you can remember "IRS", you can!

<p>To comply with affordable housing programs we must:</p>	<p>This involves:</p>
<ol style="list-style-type: none"> <li>1. RENT TO QUALIFIED HOUSEHOLDS</li> <li>2. KEEP RENTS AFFORDABLE</li> <li>3. KEEP THE PROPERTY DECENT SAFE AND SANITARY</li> </ol>	<ol style="list-style-type: none"> <li>1. INCOME LIMITS</li> <li>2. RENT LIMITS</li> <li>3. SAFE &amp; SANITARY</li> </ol>

### Regulatory Agreements

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

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

#### LIHTC Agreements

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

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

#### HOME Agreements

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

#### NHTF Agreements

Like HOME, the NHTF Regulatory Agreement in Iowa is titled *IFA National Housing Trust Fund Program Rental Contract*. This manual will abbreviate this as *NHTF Contract*. New NHTF projects committed funds by IFA will have covenants and restrictions recorded. These covenants are also part of the *NHTF Contract*.

**Items to Highlight** on an IFA Regulatory Agreement

Note: Current for 2024. Some variation may occur for older or future agreements

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

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



## Supplemental Information: Tax Credit Calculations

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

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

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

*The allowable expenses that were spent on the building at Shady Oaks Apartments totaled \$1,000,000*

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

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

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

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

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

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

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

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

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

### Employee Units

#### LIHTC

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

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

**EXAMPLE**

**Employee units and the applicable fraction**

In a building consisting of 100 units, 99 units are occupied by low-income tenants and one unit is occupied by a full-time staff member. The applicable fraction would be:

**99/99 or 100%**

**(Not 99/100 or 99%)**

**IFA SUGGESTS**

When requesting that an existing LIHTC unit be converted to an employee unit, create a job description for the employees in employee units that will delineate their responsibilities, and the number of hours expected to be worked. Clarify if they are a program-qualified household or not and the rents they pay. This will help demonstrate a need for the employee unit at the project.

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

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

In some cases, an owner might wish to convert an existing employee unit into a rental unit. Because the unit was previously considered “common area” it must be converted into an LIHTC unit and occupied by an income qualified household. IFA must be notified in the event this situation occurs so we can update the number of LIHTC units in our records.

#### HOME

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

Per the 2013 HOME regulation, for 100% HOME projects one HOME unit may be subsequently converted to an on-site manager’s unit after project completion if the PJ determines that the conversion will contribute to the stability or effectiveness of the housing. The costs of the unit, however, will not be eligible for HOME funding. IFA must be consulted before implementing any employee unit at existing HOME properties as any change in the number of HOME-assisted units could result in a re-evaluation of the initial cost allocation and HOME funds might need to be repaid to IFA.

#### Model Units

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

#### Property Milestones

##### LIHTC Placed In-Service

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

##### LIHTC Credit Deferral

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

When credits are deferred, households that were LIHTC qualified, moved in, and are in place at the start of the Credit Period can be used to claim credits. However, if they moved in more than 120 days prior to the start of credits *and* the project has non-LIHTC units (*mixed-use*), then a test (*See the Safe Harbor Rule in Chapter 6*) must be run to determine if the Available Unit Rule is triggered because any of the households have since had increases of income to over the 140% level (see Chapter 4 for further details on the AUR). The “test” consists of confirming with the household that sources and amounts of

anticipated income included on the *Tenant Income Certification* (TIC) form are still current. The TIC is a required IFA form. If additional sources or amounts of income are identified, a copy of the TIC will be updated based on documentation that the household supplies, such as paystubs. In this situation, it is not necessary to complete third-party verifications. If the household is over-income based on current income limits, the Available Unit Rule is applied to the next available unit. As with all households that were qualified at move-in but have future increases in income, their housing is not in jeopardy. The income test does not establish a new recertification cycle. Future recertifications will continue to be based on the initial qualification date for the household.

### EXAMPLE

#### When an owner may choose to defer

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

#### When an owner is not likely to defer

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

### EXAMPLE

#### When income testing is required

A LIHTC building with non-LIHTC units is placed in-service on **03/13/2019**.

Credits are deferred to start on **01/01/2020**. The following facts apply to the LIHTC move-ins.

**Unit 101 MI date 03/15/2019**

**Unit 102 MI date 08/01/2019**

**Unit 103 MI date 10/10/2019**

**Unit 104 MI date 11/01/2019**

**Unit 105 MI date 12/08/2019**

In December 2019, an income test needs to be conducted for households in units with certifications older than 120 days.

Units 101 and 102 will need to be tested. Units 103, 104 and 105 moved in within 120 days of the start of credits and will not need to be tested. If the tested units exceed 140% of the income limit, the next non-LIHTC unit to be available after 01/01/2020 will need to be rented to a LIHTC household until the AUR is satisfied. All units will be fully recertified by the anniversaries of their move-in.

Owner/managers of projects that are 100% LIHTC always intend to rent the next available unit to LIHTC households and so income testing is not required for these projects unless they also chose the Deep Rent Skew election on Form 8609.

#### LIHTC Periods

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

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

#### Credit Period

The LIHTC provides a tax credit that is generally claimed for 10 years. This is the time frame in which a tax credit is generally claimed against a taxpayer's federal income tax. It starts the first taxable year that credits are claimed and continues nine additional years for a total of 10 years.

#### Compliance Period

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

#### Extended Use Period

For properties allocated credits after January 1, 1990, after the Compliance Period there must be AT LEAST an additional 15-year commitment to housing low-income persons with affordable rents. The total 30 (or more) years is called the Extended Use Period. As with the other periods, the Extended Use Period begins with the first-year credits are claimed. It then continues at least 29 additional years. After the Compliance Period, the IRS will no longer monitor for compliance. Credits will also not be recaptured for noncompliance that occurs after the Compliance Period. IFA, however, will ensure that the compliance criteria agreed to by the owner in the LURA are met during the entire Extended Use Period and will impose penalties as necessary.

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

### CAUTION!

#### 120 days is not 4 months!

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

120 day timeframes apply to:

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

**EXAMPLE**

**Determining the end of LIHTC periods**

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

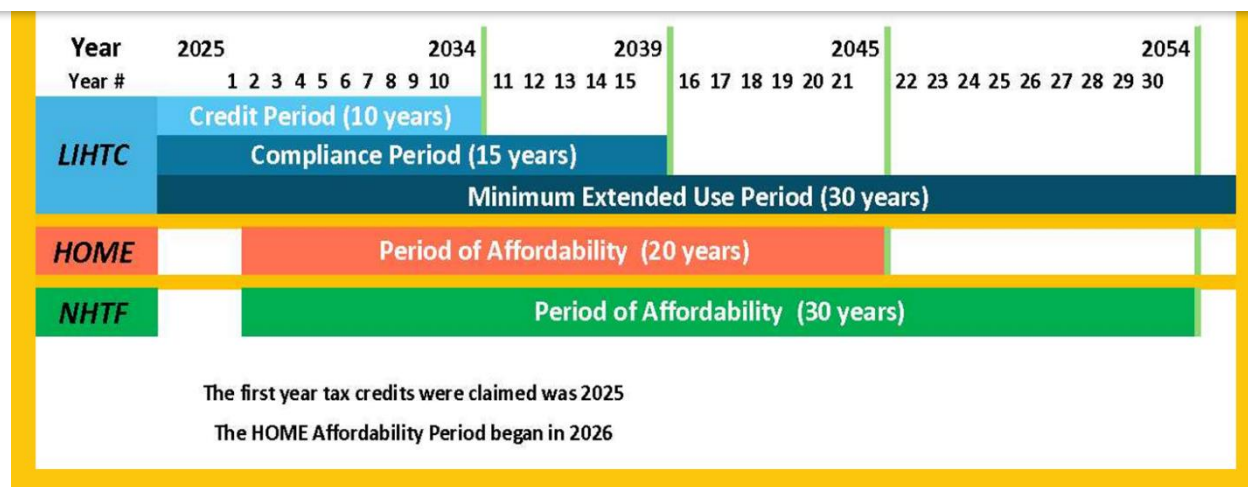
HOME and NHTF Periods of Affordability

The period of affordability is the length of time that a HOME- and NHTF-assisted project must meet the requirements of the HOME and NHTF programs. The period of affordability is like the LIHTC Compliance Period in that the owner must comply with HOME/NHTF Program requirements including rent limits, tenant income limits, tenant lease protections, affirmative marketing, and property standards. Depending on the type of HOME project and the amount of the HOME investment, the period of affordability can be different lengths of time. Most IFA projects have a 20-year HOME period of affordability. The HOME Contract or your IFA Compliance Officer can clarify the period of affordability commitment for a specific HOME project. The NHTF carries a full 30 year period of affordability.

*Note: For LIHTC projects with HOME funds, the first year of the period of affordability most likely is not the same as the first year of the Credit Period (see example below).*

**EXAMPLE**

**Overlapping time periods an LIHTC with HOME and/or NHTF project**



Rental Housing Activity Amount [per unit]	Minimum Period of Affordability [years]
Under \$15,000 rehab	5
\$15,000 to \$40,000 rehab	10
Over \$40,000 rehab or rehab involving refinancing]	15
New construction or acquisition of newly constructed housing	20

The NHTF period of affordability is 30 years with total recapture if noncompliance occurs at any point in the period of affordability.

LIHTC Minimum Set-Aside

Every LIHTC property has a minimum set-aside (MSA). There are three options available in Iowa: the 20-50 test, the 40-60 test and the Average Income Test (AIT). The minimum set-aside that must be met is elected by the owner on the IRS form 8609, line 10(c). The 8609 is a key compliance form issued by IFA and then completed by the owners and submitted to the IRS when credits start to be claimed.

HOW THE MINIMUM SET-ASIDE WORKS

**10** Check the appropriate box for each election.  
**Caution:** Once made, the following elections are irrevocable.

- a** Elect to begin credit period the first year after the building is placed in service (section 42(f)(1))  Yes  No
- b** Elect **not** to treat large partnership as taxpayer (section 42(j)(5))  Yes  No
- c** Elect minimum set-aside requirement (section 42(g)) (see instructions):
  - 20-50
  - 40-60
  - Average income
  - 25-60 (N.Y.C. only)

**20-50**  
 20% of units, minimum, must be LIHTC  
 50% is the income and rent limit for ALL LIHTC units

**40-60**  
 40% of units, minimum, must be LIHTC  
 60% is the income and rent limit for ALL LIHTC units

**Average Income**  
 40% of units, minimum, must meet the owner-assigned designation for each unit.  
 60% is the average income and rent limit designation for ALL LIHTC units, which may be 20-80% (in even 10% increments).

**Form 8609 - Low-Income Housing Credit Allocation and Certification**  
 (Rev. May 2018)  
 Department of the Treasury  
 Internal Revenue Service  
 OMB No. 1545-0888  
 Go to [www.irs.gov/Form8609](http://www.irs.gov/Form8609) for instructions and the latest information.

**Part I Allocation of Credit**  
 Check  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

**8a** Original qualified basis of the building at close of first year of credit period **8a**

**8b** Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?  Yes  No

**9a** If box 8a or box 8b is checked, do you elect to reduce eligible basis under section 42(i)(2)(B)?  Yes  No

**9b** 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)?  Yes  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))  Yes  No
- b** Elect **not** to treat large partnership as taxpayer (section 42(j)(5))  Yes  No
- c** Elect minimum set-aside requirement (section 42(g)) (see instructions):
  - 20-50
  - 40-60
  - Average income
  - 25-60 (N.Y.C. only)
  - 15-40
- d** Elect deep rent skewed project (section 142(d)(4)(B)) (see instructions)  Yes  No

Under penalties of perjury, I declare that I have examined this form and accompanying attachments, and to the best of my knowledge and belief, they are true, correct, and complete.

Signature \_\_\_\_\_ Taxpayer identification number \_\_\_\_\_ Date \_\_\_\_\_  
 Name (please type or print) \_\_\_\_\_ First year of the credit period \_\_\_\_\_

For Privacy Act and Paperwork Reduction Act Notice, see separate instructions. Cat. No. 63981U Form 8609 (Rev. 05-2018)

Once the project has been allocated an LIHTC award, the minimum set-aside election cannot be changed as this election is reflected in both the project’s Carry-Over Agreement and the recorded LURA. Please

note that, as the name indicates, the MSA requirements are *minimums* only. Most projects have more than the minimum number of required LIHTC units and may have more restrictive income limits on some units. The LURA for the property may require that you meet additional income and rent limits restrictions and/or an additional number of low-income units.

In order to determine how the minimum set-aside is met for your project, you must understand how the minimum set-aside is to be calculated. Each building in a project will receive its own Form 8609. Unless otherwise elected on Form 8609, each building in a project will be treated as its own entity/project. Line 8b reads, "Are you treating this building as part of a multiple building project for purposes of section 42?" The owner can choose to group buildings that are within the same allocation into one entity/project or divide them into separate entities/projects by selecting "yes" on line 8b by attaching a separate document that identifies which buildings should be included as part of the multiple building election.

A project that has multiple buildings can be divided in the following ways:

- All buildings in the project are treated as one entry/project for LIHTC compliance and calculation purposes (See example A below).
- All buildings in the project are treated as separate entities/projects for LIHTC compliance and calculation purposes.
- Buildings can be any combination of the above options, where some of the buildings are treated as one entity/project and some buildings are treated as separate entities/projects.

Answering "no" on line 8b on Form 8609 in a multiple building project indicates that even though each building was part of the same tax credit allocation, they are viewed by the IRS as being at least two separate entities/projects for purposes of LIHTC compliance and allocation purposes (See Example B below).

There are several compliance issues that are affected by this election including how the minimum set-aside is met, unit transfers between buildings and calculating income limits that will be discussed throughout the manual.



**EXAMPLE A:**  
The MSA at a multi-building project

b Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?  Yes  No

3 BINs, 33 Units Each  
Total 99 Units  
40/60 MSA

$99 \times .40 = 39.6$   
40 Units must be LIHTC

BLDG A      BLDG B      BLDG C

**EXAMPLE B:**  
The MSA at single-building projects

b Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?  Yes  No

3 BINs, 33 Units Each  
Total 99 Units  
40/60 MSA

$33 \times .40 = 13.2$   
14 LIHTC per BIN  
TOTAL OF 42

BLDG A      BLDG B      BLDG C

**EXAMPLE C:**  
**The MSA at a multi-building Average Income project that is 100% LIHTC**

b Are you treating this building as part of a multiple building project for purposes of section 42 (see instructions)?  Yes  No

**2 BINS, 15 Units Each  
 Total 30 Units  
 Average Income MSA**

**All LIHTC unit designations  
 must average 60% or less**

$[4 \times 30\%] + [4 \times 40\%] + [2 \times 50\%] + [10 \times 60\%] + [4 \times 70\%] + [6 \times 80\%] \div 30 = 58\%$

**30 X .40 = 12  
 12 units must meet their  
 designation for the project  
 to meet the MSA**

BLDG A		BLDG B	
30%	60%	30%	60%
30%	60%	30%	60%
40%	70%	40%	70%
40%	70%	40%	70%
50%	80%	50%	80%
60%	80%	60%	80%
60%	80%	60%	80%
60%		60%	

If the entity/project does not meet the minimum set-aside requirement during the first year of the Credit Period, the IRS states that the entity/project (as defined by the 8b election) is prohibited from ever claiming the tax credits for that entity/project. Subsequent violations of the MSA result in the loss of credits for the year that the MSA is not met as well as recapture penalties.

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

### Special Average Income Test Rules

Per Treasury Regulation 1.42-19, a project (as defined by Form 8609 Line 8b) with an Average Income Minimum Set-Aside Election meets the Minimum Set-Aside test if at least 40% of the total units in the project constitute a “qualified group of units.” To be considered a “qualified group of units”:

1. Each unit in the group must be a low-income unit- i.e., must be occupied by an eligible household, must be properly rent-restricted, and must be suitable for occupancy; and
2. The average of the imputed income limitations for all units in the group must not exceed 60% AMI. Possible imputed income and rent limit designations under the Average Income Test are 20%, 30%, 40%, 50%, 60%, 70%, or 80% AMI. Other designations are not allowed. A project is not required to have units designated at all of these various limits, as long as the average imputed income limitation for the designations that are selected for the qualified group are at or below 60% AMI.

The owner must designate units at the various imputed income and rent limits in order to demonstrate that the unit mix will result in a qualifying group of units that meets the Minimum Set-Aside test. The average is calculated based on the AMI designation of the unit, not on the actual income of the household residing in the unit. For example, if a unit is designated as a 60% AMI unit and the household moving into the unit is at 54% AMI, for purposes of calculating the average this unit is considered 60% AMI.

To be included in a building's Applicable Fraction, a unit must (1) be in that particular building and (2) be part of the qualified group of units for the project. The average income must be met on a project-level, not on a building-by-building basis.

IFA has established the following policies for the Average Income Test:

- AMI designations are allowed to float between units within the project (i.e., a particular unit is not locked into a specific AMI level), but the total unit mix must be maintained as agreed upon in the Application and as recorded in the Land Use Restrictive Covenants Agreement (LURA). The number of units agreed upon for each AMI level must be maintained if noted in the LURA.
- IFA will consider the owner to have "designated" a unit based on the AMI level being (1) recorded on the Tenant Income Certification form in the file and (2) reported through IFA's online reporting system (CP) as part of the Annual Owner Certification of Compliance.
- If a current qualified tenant transfers to another vacant unit in the project, the units swap AMI designations.
- The income and rent restriction on a unit must match. For example, a unit considered 40% AMI must be rented to a household at or below the 40% AMI income limit and gross rent must be at or below the 40% AMI rent limit.
- IFA does not impose any special rules on recertification requirements based on an Average Income election. A 100% tax credit project that has elected Average Income is still exempt from full income recertifications unless the project has agency covenants where individual units meeting state covenants are required to be recertified.
- If a project requires recertification and the household's income has increased at time of recertification, IFA will continue to use the AMI level the household initially qualified under at time of move-in to calculate the Average Income Test, as long as the unit remains restricted at that rent level. Please note that projects with agency covenants, the state available unit rule applies.

The unit is not "redesignated" due to income increases at recertification.

For example, a household had income at move-in under the 40% income limit and was treated as a 40% household with a 40% rent restriction. At recertification, the household income now exceeds 40% AMI. As long as the unit continues to be rent restricted at the 40% rent limit, IFA will continue to consider this a 40% unit for purposes of calculating the Average Income Test. Please note that projects with agency covenants, the state available unit rule applies.

- IFA allows Average Income projects to include market rate units depending on the year of the QAP. At least 40% of the units in the project must be tax credit units. Any market rate units are

excluded from the average income calculation and are not included in the qualifying group of units. The federal available unit rule also applies to projects with market units.

- IFA will work with owners to allow reasonable corrections to restore compliance with average income requirements. Such corrections may include redesignating units or adding or removing units from the qualifying group of units.
  - If an issue is discovered and corrected within the taxable year that the problem occurs, the owner will be allowed to correct the issue to ensure that there is a qualifying group of units and that the Minimum Set-aside test is met by the end of the taxable year.
  - If an issue is not discovered and corrected within the taxable year that the problem occurs, any retroactive correction to designations must be made within 180 days of discovery of an issue by the owner or IFA. If discovered by the owner, the issue and suggested correction must be promptly communicated to IFA via email to benefit from this correction period.

### Deep Rent Skewed Properties

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

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

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

The image shows a portion of Form 8609. In the 'Part 10' section, under 'Election of deep rent skewed project (section 142(d)(4)(B)) (see instructions)', the '15-40' option is circled in red. Other options include '20-50', '40-60', and 'Average income'. The form also includes a signature line for the Authorized Housing Credit Agency Official.

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

**EXAMPLE**

**Number of Deep Rent Skewed units at a 100% LIHTC property**

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

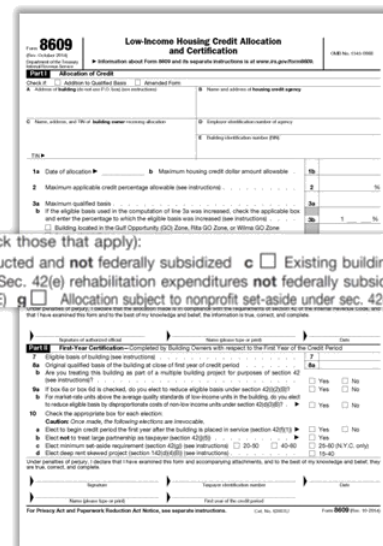
If the Deep Rent Skewed election is made on this property, the election must be applied to the LIHTC units.

Deep Rent Skewed Election:	<b>15-40</b>	
Minimum # of 40% Skewed Units:	<b>15</b>	<b>(15% x 100 LIHTC units)</b>

LIHTC units above 40% & below 60%: **85** **(100 total LIHTC units -15 Deep Rent Skewed units)**

**40-50 Set-Aside**

For projects that received their 8609s between 2003 and 2008, HOME and NAHASDA (a HUD Native American Housing program) projects were types of funding that resulted in 4% credits when combined with the LIHTC. There was a special set-aside created that allowed some of these projects to claim 9% tax credits. The set-aside required that 40% of the units in EACH BUILDING be rented to households below the 50% limit. *NOTE:* Rents are not necessarily based on 50% limits and can be charged based on the minimum set-aside limit (See the project’s LURA for further clarification). It can be determined if this rule applies to a project by checking a building’s 8609, line 6(f), which indicates that the building is subject to the “40-50 rule.”



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

*Vital Note: This is a LIHTC rule, not a HOME rule. Because of some similarities to HOME rules (such as having 50% set-aside units), some managers have allowed the number of very-low units to decrease below 40% in some buildings. HOME units*

**EXAMPLE**

**40-50 Rule**

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

may float and may require fewer very-low units. If the 40-50 rule is violated, over half of the credits may be disallowed by adjusting the 9% to 4% credits, and the IRS indicates that there may be no way to correct the noncompliance.

## Agency Covenants

### LIHTC

In addition to the minimum set-aside elected for a property, there may also be additional state set-asides made during the allocation process. It is very important to determine if a property has any additional state income limit and/or rent restrictions, known in Iowa as *agency covenants*.

IFA has numerous agency covenants that may apply in terms of income and/or rent restrictions above and beyond the minimum set aside election made on Form 8609. If there are additional agency covenants for a property, they are noted in Section 5 of the LURA. In newer projects, there may be further definitions applicable to the agency covenants, such as indicating a certain number of bedrooms at a certain AMI limit (for example two 2-bedrooms at 30%, two 2-bedrooms at 40%).

If additional agency covenants are applicable, they must be maintained throughout the Extended Use Period according to the details outlined in the LURA. These additional agency covenants will be monitored by IFA in a manner much like the federal LIHTC requirements (See Chapter 4 -Other Rules for further details). Noncompliance with these provisions will not be reported to the IRS or put tax credits at risk. However, IFA will issue a *State Notice of Noncompliance* in the case of violations of state covenants

### EXAMPLE

#### Income Average Test with Agency Covenant Units

In two 20-unit buildings, the owner selected the Average Income election on Form 8609. During allocation the owner agreed to restrict 6 units to 30% AMI income and rents. The 8b election on Form 8609 states that each of the two buildings is treated as a separate project. While the 30% units are not required to be split between the two buildings, for purposes of meeting each projects' minimum set-aside, care must be taken when filling the other units to ensure that the average in each building is at 60% or less to avoid violating the federal MSA rule.

(see Chapter 6 for further details).

### HOME

The HOME program distinguishes between units that have been assisted with HOME funds and units that are not assisted with HOME funds. When HOME funds are committed to a project, the PJ determines the total number and the type of units by bedroom size that will receive HOME funds. Sometimes these restrictions differ from the minimum requirements of the HOME rules. IFA considers these units to be governed by "project rules" not unlike the Agency Covenants found in LIHTC projects. The project rules will include the number of units that are High or Low HOME and will also note if the HOME units are Fixed or Floating units. This information is normally found in Exhibit A of the HOME Regulatory Agreement.

**EXAMPLE**

**Fixed HOME/NHTF Property**

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

**EXAMPLE**

**Floating HOME/NHTF Property**

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

High and Low HOME Units

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

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

- **Very low-income limits (VLI)** are 50% of the Area Median Income (AMI). Very low-income households must not exceed the very low-income limits of 50% AMI. These households qualify as Low HOME units.
- **Low-income limits (LI)** are 80% of the AMI. Low-income households must not exceed the low-income limits of 80% AMI. These households qualify as High HOME units.

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

If a HOME property has at least five HOME units, at least 20% of the HOME units must be Low HOME. The remainder can be High HOME. The HOME Contract may require a certain number of units of a specific bedroom size at a certain limit or that a higher number of units be designated as Low HOME units for the entire period of affordability. The required HOME High/Low mix information can generally be found in the HOME Contract (See Exhibit A). If this designation is not clearly indicated in the HOME Contract, consult your IFA Compliance Officer for further assistance.

Fixed or Floating HOME/NHTF Units

Every HOME/NHTF project is either designated as having fixed or floating HOME/NHTF units. Note that NHTF limits are a special Very-Low Income (VLI) limit unique to the NHTF. These may be different than the VLI limits used by the Section 8 and 811 programs.

- **Fixed HOME/NHTF:** HOME/NHTF properties with fixed HOME/NHTF units will have specific HOME/NHTF units that will never have to change their designation to a non-HOME/NHTF unit.

They may, however, change from High to Low HOME status (for HOME units). Non-HOME/NHTF units in these projects are never subject to HOME/NHTF restrictions.

- **Floating HOME/NHTF:** A property with floating HOME/NHTF units must maintain a mandated mix of HOME/NHTF units throughout the property, but specific units may switch status. HOME units may change from High to Low HOME and HOME units and non-HOME units may be exchanged as necessary to maintain compliance.

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

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

## Leases

### LIHTC Non-Transience

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

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

### LIHTC Lease Termination

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



your LIHTC leases. Please be aware, however, that IFA will not be able to give legal advice on federal or state law. Competent counsel should be sought on most questions relating to leasing specifics.

HOME/NHTF Leases

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

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



Required HOME & NHTF Lease Clauses

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



Prohibited HOME & NHTF Lease Clauses

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

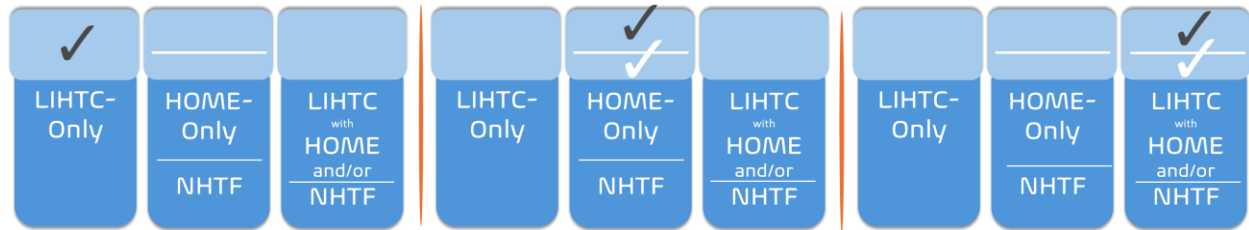
5. **Waiver of Legal Proceedings:** Agreement of the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant can present a defense, or before a court decision on the rights of the parties.
6. **Waiver of a Jury Trial:** Agreement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

#### Non-Renewal/Eviction

An owner cannot terminate the tenancy or refuse to renew the lease of a tenant except for serious or repeated violation of the terms and conditions of the lease, for violation of applicable Federal, State, or local law, or for other good cause (see IRS 8823 Guide for examples of good cause). Any termination or refusal to renew must be preceded by not less than 30 days by the owner's service upon the tenant of a written notice specifying the grounds for the action.

The 30-day waiting period is not required if the grounds for the termination or refusal to renew involve a direct threat to the safety of the tenants or employees of the housing, or an imminent and serious threat to the property (and the termination or refusal to renew is in accordance with the requirements of State or local law).

# Leases



**For LIHTC-only properties:**

**Term:** The initial lease term for new move-ins must be no less than 6 months.

**Notice of termination:** Follow state law when giving notice of termination of tenancy.

**For HOME-only properties and NHTF units:**

**Term:** The initial HOME or NHTF lease term for new move-ins must be a year unless a lesser term is negotiated. In no case can the initial term be less than 30 days.

**HOME notice of termination:** Notice of termination must never be less than 30 days without good cause.

**NHTF Notice of termination:** Follow state law when giving notice of termination of tenancy.

**For LIHTC with HOME and/or NHTF units:**

**Term:** The initial lease term for new move-ins must be a year unless a lesser term is negotiated. In no case can the initial term be less than 6 months.

**HOME notice of termination:** Notice of termination must never be less than 30 days without good cause.

### Fair Housing

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

If an owner/manager or a resident of Iowa affordable housing suspects a violation of the Fair Housing Act, they should report it to HUD or Iowa’s Civil Rights Commission. **IFA cannot handle these legal issues.** Below are several links to various organizations’ websites that may be of assistance.

- *The HUD-Fair Housing/Equal Opportunity Office* investigates complaints and helps individuals obtain agreements to resolve complaints and acts as needed to enforce the law. Their website is [https://www.hud.gov/program\\_offices/fair\\_housing\\_equal\\_opp/complaint-process](https://www.hud.gov/program_offices/fair_housing_equal_opp/complaint-process).
- *The Iowa Civil Rights Commission* provides information on filing a housing complaint. Their website is <https://icrc.iowa.gov>, keyword search “housing discrimination complaint process.”
- *HOME, Inc.* a non-profit agency located in Des Moines, also provides free tenant-landlord mediation services. See their website [www.homeincdsm.org](http://www.homeincdsm.org) for further details.

Occupancy Restrictions

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

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

Affirmative Fair Housing Marketing Plan (AFHMP)

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

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

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

**IFA NOTE:**

All properties are required to market to Persons with Disabilities in addition to other populations that exist in the housing area.

VAWA 2022

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

VAWA was reauthorized in 2000, 2005, 2013 and 2022. The 2005 version first introduced provisions that applied to housing. Specifically affected were the Section 8 programs and public housing.

The 2013 reauthorization greatly expanded the housing programs covered by the Act to include LIHTC and HOME-funded housing. Final guidance was released by HUD in the Federal Register (Vol. 81, No. 221) on November 16, 2016. This guidance has been incorporated in the following pages.

With the 2022 reauthorization, HUD was instructed to set up a Violence Prevention Office with a Violence Against Women Act Director. The law also requires HUD and the Department of Justice to enforce VAWA consistent with, and in a manner that provides the same rights and remedies as those

provided for the Fair Housing Act. The NHTF was officially added to the list of VAWA-covered properties in 2022. Any future federal affordable housing programs that control incomes and rents to benefit low income households will be automatically covered under VAWA.

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

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

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

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

HUD Guidance Effective December 16, 2016

Four new forms were created to implement the new VAWA requirements.

#### **Appendix A: HUD 5380 Notice of Occupancy Rights under the Violence Against Women Act**

The HUD 5380 form provides information to the applicant or tenant of their rights under the VAWA. This form replaces the HUD-91066 form that has been required by IFA since 2015. It is initially to be provided to applicants and households as follows:

- At move-in, if their move-in date was after 12/16/2016 *or*
- During the household’s annual recertification or lease renewal process or
- With the execution of the Student Status certification for 100% LIHTC projects with no agency covenants and when no recertification is required.

**NOTE:** When the owner/manager is considering taking a negative action against a household, the household must be given the HUD 5380 Notice of Occupancy Rights under the Violence Against Women Act. For example, a negative action might include instances when an application is denied, or if assistance is denied for properties with rental assistance, if rental assistance is terminated or when notifying of eviction. This allows victims to disclose that the reasons for the negative action may be related to the applicant or resident being a victim of violence.

#### **Appendix C: HUD 5382 Certification of Domestic Violence, Dating Violence, Sexual Assault or Stalking and Alternate Documentation**

The HUD 5382 form must be provided to the applicant or tenant at the time that you distribute the HUD-5380.

- The form may be completed by the applicant or tenant seeking to invoke their VAWA rights or someone doing so on their behalf.
- The form states that the household member may be asked (*but not required*) to provide third-party documentation if doing so potentially puts them at risk of further violence.
- This form must be used “as is” and care must be taken that the most current version is being used.

**Appendix D: HUD-5383 Emergency Transfer Request for Certain Victims of Domestic Violence, Dating Violence, Sexual Assault or Stalking**

The HUD-5383 form is to be distributed to and completed by any household member who is seeking an emergency transfer while residing in your project.

HUD advised that the owner/manager MAY require tenants to provide a written emergency transfer request. You may also accept other written or oral requests for a transfer. IFA suggests that this policy be made clear in your tenant selection plan and applied consistently.

You MAY ask for, but MAY NOT require third-party documentation if they refuse or do not have the documentation; the form lists a variety of acceptable documentation. The form advises the tenant that they only need to provide documentation if it is safe for them to do so.

**Appendix B: HUD 5381 Model Emergency Transfer Plan for Victims of Domestic Violence, Dating Violence, Sexual Assault or Stalking**

All properties were to have developed and implemented a model Emergency Transfer Plan by June 14, 2017, using the HUD 5381 as a model. The plan allows victims to transfer to another available and safe unit assisted under a covered program. The tenant must expressly request the transfer and reasonable confidentiality measures must be incorporated to prevent the perpetrator from discovering the location of the new unit. Situations where a transfer would be allowed might include:

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

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

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

**CAUTION!**

**VAWA and Tax Credit Loss**

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

**HUD 91067 Lease Addendum**

The existing HUD 91067 is to be utilized until an updated document is released by HUD.

- The lease addendum must be signed by all adult household members that are required to sign the lease agreement according to your management policy.
- The lease addendum must also be signed with the same frequency as your other lease addendums. Each adult must sign a separate VAWA lease addendum. It is a good practice to review this policy with your tenants annually during the lease renewal process.

**Acknowledgment of Receipt of HUD Forms 5380 and 5382**

Each adult household member must be given IFA Form Acknowledgement of Receipt of HUD Forms 5380 and 5382 at move-in. An attempt must be made to obtain the signature of the appropriate household members and the management representative to indicate their receipt of the VAWA forms.

**When Combining Programs**

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

1. **There is no corresponding rule.**

**EXAMPLE**

**One program has a rule that the other does not**

**Example 1:** HUD housing programs (like Section 8) have citizenship requirements: The LIHTC, HOME, and NHTF programs do not have explicit citizenship requirements and do not object to the application of citizenship standards if they are required by your HUD program.

2. **Programs adjust by design.**

**EXAMPLE**

**One program has a rule that adjusts to another program rule**

The LIHTC rules require that tax credit properties with RD or HUD funding use the utility allowances from HUD or RD for LIHTC purposes (see this Manual Chapter 2).

**Response: Use the rules as adjusted.**

**3. There are corresponding rules:**

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

**EXAMPLE****One program has a more restrictive rule**

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

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

**HUD Section 8, Section 811 and the NHTF - Use of 30% Income and Rent limits:**

Although HUD publishes both 30% and 80% (*low-income*) limits, these are rounded in a way that may be inconsistent with LIHTC use. It is also important to know that, by statute, HUD's *extremely low-income* limit (ELI), although often referred to as 30% limits, can be as low as the 30% area median income but could be higher based on the poverty level in the area. There is a cap at 50% area median income (also known as *very low-income*) for Section 8 ELI limits. HUD Section 8 has income targeting requirements that require forty percent (40%) of all anticipated new move-ins each year to be at ELI limits. The NHTF and Section 811 limits are also ELI, but the NHTF is also potentially different than the Section 8/811 version of the ELI. The Section 8/811 version is capped at the 50% limit and the NHTF is not.

Additionally, the RD program uses the 80% *low-income* HUD limits as well as "moderate-income" to units by adding \$5,500 to the 80% AMI. Care should be taken when combining RD with an Average Income LIHTC project as using the 80% or *moderate-income* RD designations in LIHTC 80% units would trigger noncompliance with the LIHTC program.

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



**B. There are corresponding rules that are different, each is applied independently.****EXAMPLE****Both programs have different, but not conflicting, rules**

**Example 1:** HUD, RD and HOME all have student rules that are completely different from the LIHTC student rules (see Chapter 3).

**Example 2:** In Iowa, tax exempt bonds have the same minimum set-aside options as pre-2018 tax credit projects did; 20-50 and 40-60. Unlike the LIHTC MSA election, which interacts with the applicable fraction to determine the level of credits to be claimed, bond properties only must house the requisite percentage of units (20-50 or 40-60) to retain their tax-exempt status.

Bond projects do not have the Average Income MSA option added in 2018 which means that the bond MSA may not coincide with the tax credit MSA. If a bond project selects the Average Income Test option on Form 8609, the owner/manager will have to watch carefully to ensure that, *at a minimum, at least* the minimum number of units will be below the 60% MTSP limits.

To illustrate: Sarasota Villa's, a tax-exempt bond project, elected the 40-60 MSA at allocation. The project consists of 10 units in one building. However, the owner determines that they will elect the Average Income Test at the property to take advantage of the higher rents the project would be able to achieve with the higher 70-80% households.

To meet their Bond requirements, at least 4 of the 10 units must be rented to households at 60% or less in order to meet their minimum set-aside requirement.

If the project designates 2 units at 80%, 1 unit at 70%, 2 units at 60%, 1 unit at 40% and 1 unit at 30%, and the remaining 3 units as market rate, 7 of the 10 units are designated as LIHTC and their average income percentage is 60% thus satisfying both the bond and the LIHTC requirements.

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

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

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

## Chapter 2- Income Limits & Rents

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

### Source of Limit Data

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

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

## EXAMPLE

An IFA printout with features to assist with selecting LIHTC limits

**County**

If HERA Special limits apply, they will be listed (for projects placed in service in 2008 or earlier).

**MTSP Limits**  
When HERA special limits do not apply.

**LIHTC income and rent limit options**

**140% limits for the Available Unit Rule**  
Apply:  
140% of the 50% limit for 20-50 projects.  
140% of the 60% for 40-60 properties and Average Income 20% - 60% designations as well as 140% of 70% or 80%, respectively.

Income Limits and Maximum Rents

**ADAIR**

MEDIAN INCOME (AMI) 65,400

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

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
20%	9,720	11,120	12,500	13,880	15,000	16,120	17,220	18,340
30%	14,580	16,680	18,750	20,820	22,500	24,180	25,830	27,510
40%	19,440	22,240	25,000	27,760	30,000	32,240	34,440	36,680
50%	24,300	27,800	31,250	34,700	37,500	40,300	43,050	45,850
60%	29,160	33,360	37,500	41,640	45,000	48,360	51,660	55,020
70%	34,020	38,920	43,750	48,580	52,500	56,420	60,270	64,190
80%	38,880	44,480	50,000	55,520	60,000	64,480	68,880	73,360

Rents

	0 Bdrm.	1 Bdrm.	2 Bdrm.	3 Bdrm.	4 Bdrm.	5 Bdrm.
20%	243	260	312	361	403	444
30%	364	390	468	541	604	666
40%	486	521	625	722	806	889
50%	607	651	781	902	1,007	1,111
60%	729	781	937	1,083	1,209	1,333
70%	850	911	1,093	1,263	1,410	1,555
80%	972	1,042	1,250	1,444	1,612	1,778

140% of Income Limit (To be used during recertification only)\*

	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
50%	34,020	38,920	43,750	48,580	52,500	56,420	60,270	64,190
60%	40,824	46,704	52,500	58,296	63,000	67,704	72,324	77,028
70%	47,628	54,488	61,250	68,012	73,500	78,988	84,378	89,866
80%	54,432	62,272	70,000	77,728	84,000	90,272	96,432	102,704

\*Please note that the 50% limits are to be used only on projects that elected the 20/50 minimum set-aside on Form 8609

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

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

### LIHTC: Calculating Limits

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

1. **MTSP Income Limits 20% through 80%**
  - Select the limits based on the property’s minimum set-aside, which includes the average income test.
2. **HERA Special Income Limits 50% and 60% (if applicable)**
  - These limits can only be applied to projects that had at least one building in the project placed in-service prior to 01/01/09.
  - Not all MSAs or counties in Iowa have projects that are eligible to use the HERA special limits. If the HERA limits are not listed in the datasets for the project’s MSA or county income limits, the project is not eligible. Also, counties with HERA special limits may change from year to year so it is best not to assume that if you had HERA special limits one year that you will automatically have them the next (or vice-versa).

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

Since 2008, LIHTC limits are subject to a process called “*hold harmless*”. This process is beneficial to projects where income limits might fluctuate from year to year and helps the project to achieve economic stability. Hold harmless is a term that HUD uses to describe a situation where, once a project is placed in-service, it never has to decrease the limits that it uses from year to year. For purposes of this rule, a project “placed in-service” when the first building in the project places in-service. “Project” is defined by the 8609 8(b) multi-building election (see Chapter 1, *Minimum Set-Aside* for further information on the 8(b) election).

### EXAMPLE

#### Holding harmless LIHTC limits

##### 2016

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

##### 2017

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

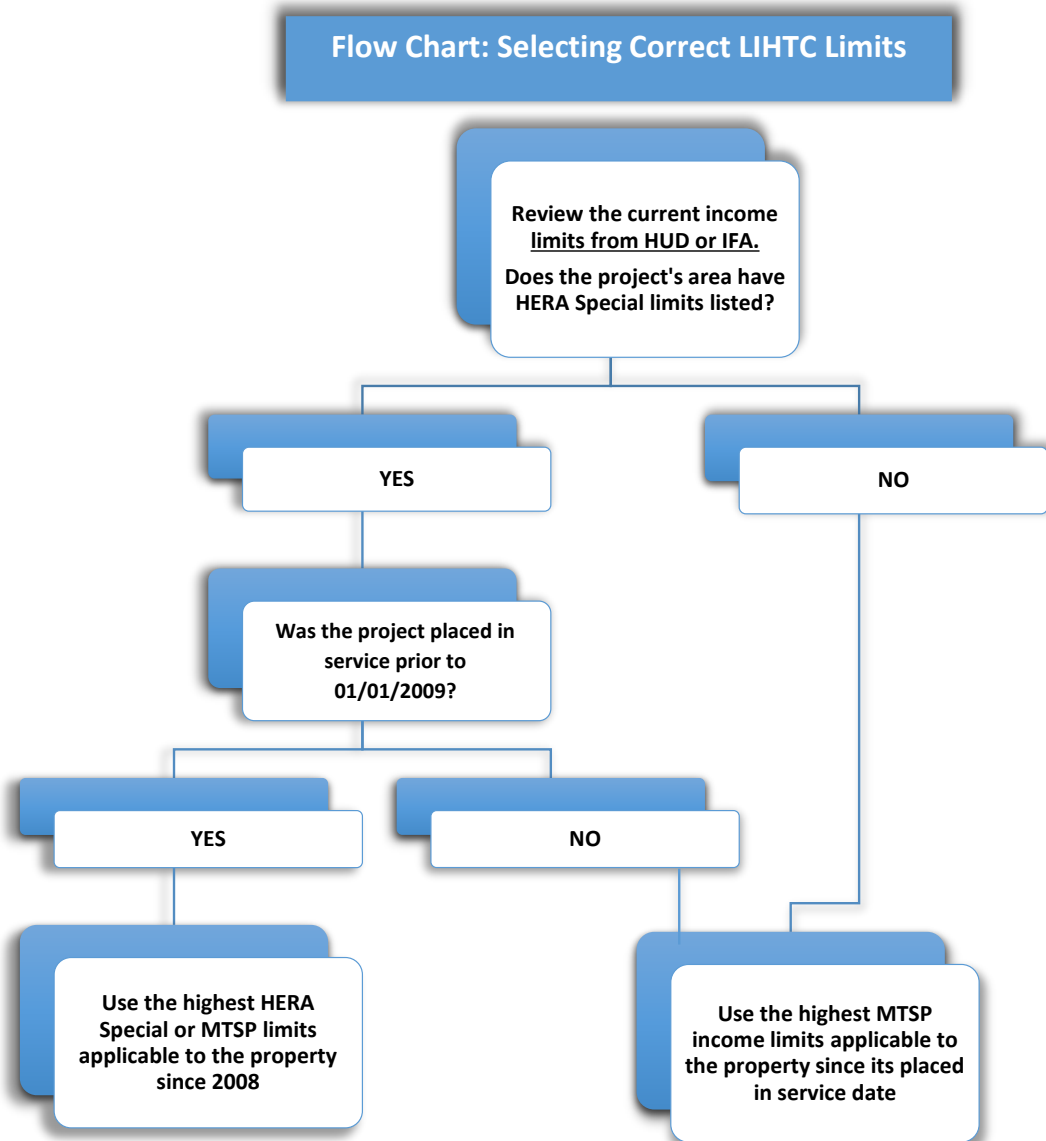
A property next to Sunny Acres, Shady Lawns, places in-service in 2017. They must use the 2017 limits, which are lower than the limits allowable to the older Sunny Acres.

##### 2018

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

##### 2019

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



### Rent Limit Calculations

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

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

**EXAMPLE:**

**Calculating Rent Limits**

**Sample 60% MTSP Limits (for examples below)**

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

Annual Rent Limits for Units with an <b>Even</b> Number of Bedrooms	Annual Rent Limits for Units with an <b>Odd</b> Number of Bedrooms
2 bedroom	1 bedroom
3 person income limit X 30%	1.5 person income limit X 30%
$\$27,240 \times 30\% = \$8,172$	Since $1 + 2 \div 2 = 1.5$ , the 1 person income limit + the 2 person income limit $\div 2 =$ the 1.5 person limit  $\$21,180 + \$24,180 \div 2 = \$22,680$  $\times 30\% = \$6,804$
Annual rent limits are finally converted to monthly amounts by dividing by 12 (if cents are rounded, round DOWN, not up).	
$\$8,172 \div 12 = \$681$ 2 BR rent	$\$6,804 \div 12 = \$567$ 1 BR rent

**EXAMPLE**

**Deep Rent Skewed Maximum Rents**

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

Deep Skewed Rents

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

gross rent for the non-LIHTC units of comparable size in the development. Projects that are 100% LIHTC do not have non-LIHTC units, so the limits are effectively always based on the 40% set aside for these projects.

HOME: High and Low

The total of tenant rent, applicable utility allowance and tenant-based subsidy are compared to the HOME rent limits. This is unlike the LIHTC program, which **excludes** the subsidy. Only **project-based** federal or state subsidy **IS NOT included in rents for very low-income**, Low-HOME households who pay 30% of their adjusted income. NHTF Note | Although the NHTF program only has one limit type, it also includes tenant-based subsidy when determining compliance with the rent rules.

## HOME Set-Aside Overview

Low HOME	Tenant rent + Rental assistance + <u>Utility allowance</u> = HOME Rent	High Home
<ul style="list-style-type: none"> <li>Income Limit = 50% AMI (very-low)</li> <li>Rent limit = Low HOME limit</li> </ul>		<ul style="list-style-type: none"> <li>Income Limit = 80% AMI (low)*</li> <li>Rent limit = High HOME limit</li> </ul>
<p>Properties with 5 or more HOME units must have at least 20% of the HOME unit designated as Low HOME.</p>		

**EXAMPLE**

**Special Rent Rule for Low HOME and NHTF Project-based Subsidy**

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

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

Low HOME rent	<b>\$688</b>
High HOME rent is	<b>\$733</b>
Section 8 Contract Rent	<b>\$840</b>

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

**Four years later...**

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

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

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

**HOME/NHTF Rent Approval Process**

HOME and NHTF regulations require that the PJ review and approve rents each year. IFA is responsible for approving rents in all HOME/NHTF-assisted units funded through the program currently being administered by IFA. This is done to ensure that the rents comply with the HOME/NHTF rent limits and do not result in undue increases from the previous year that would be difficult for low-income households. Decreases in HOME/NHTF limits may also necessitate a change in HOME/NHTF rents; therefore, a review of rents by IFA of all HOME/NHTF projects is required annually.

## General Guidelines:

- All properties must report on the IFA required form HOME/NHTF Rent Approval Worksheet anticipated rents for their project and indicate whether they are requesting an increase, reporting rent decreases or are making no changes to their current rent schedules.
- If, in addition to HOME/NHTF, the project is also either a Section 8 Project-Based project or an RD project, anticipated rents must still be reported to IFA. The most recent rent approval documentation from RD or HUD must be submitted with the worksheet.
- Decreases resulting from lower HOME/NHTF rent limits or increases in utility allowances must be processed immediately and no later than the effective date listed on the HOME/NHTF Rent Limit documentation from HUD. Any delay in implementing a rent decrease will require repayment to the tenant of the amounts overcharged and the project will be out of compliance until such time as the rents are repaid.
- The HOME/NHTF Rent Approval Worksheet will be due to IFA **within 45 days** after the release of the HOME/NHTF income and rent limits to minimize the number of projects having to make mid-year adjustments when limits decrease. An email notice will be sent to all owner/management contacts when the limits have been released and all related documents posted on the IFA compliance web page.
- The effective date of a proposed rent increase must be at least one year from the effective date of the property's last approved rent increase. IFA's Certification Portal will track rent increase effective dates so that we can confirm that rent increases were approved.
- A notice to residents of management's *intention* to submit a rent increase to IFA for approval must be made available to all households in HOME/NHTF units at least 15 days prior to submitting the rent increase to IFA for approval. This notice does not need to include your proposed rent amounts; it may serve as a heads-up to your residents that you are intending to request an increase which allows them a chance to talk with management prior to submission of your request for an increase.

**Note:** Any requests for rental increases received after the 45-day period will be automatically denied. Additionally, any project that does not submit the HOME/NHTF Rent Approval Worksheet will be issued a State Notice of Noncompliance which will remain uncorrected until IFA receives the required form.

**EXAMPLE**

The 2024 HOME High/Low and NHTF Rent & Income Limits were released April 29, 2024, with a June 1, 2024, effective date. The new limits can be implemented immediately, but no later than June 1<sup>st</sup>.

On April 29, 2024, IFA sends a notice to all owners/managers of the release of the new limit and advises that the HOME Rent Approval Worksheet is due no later than July 15, 2024.

Shady Oaks has budgeted for a rent increase of \$10 for their 1-bedroom units. The proposed rent falls within the allowable limit. The manager sends all tenants a notice on June 30<sup>th</sup> that a rent increase is being proposed and then submits their HOME/NHTF Rent Approval Worksheet to IFA on July 1<sup>st</sup>. IFA approves their rent increase on July 20<sup>th</sup>.



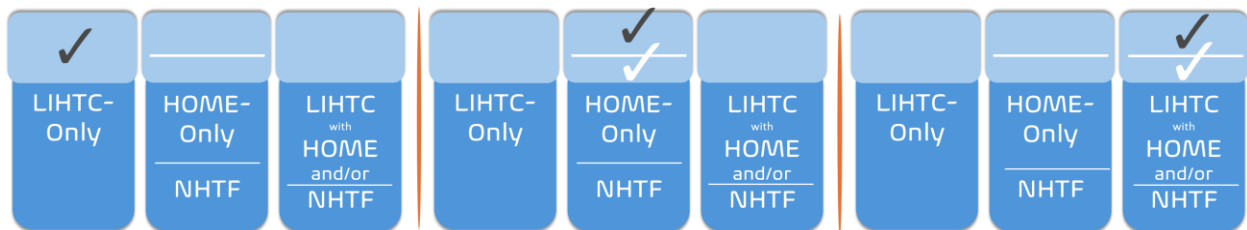
**EXAMPLE**

**Rents and UAs**

If the maximum gross rent on a unit is \$450 and the tenant pays utilities with a utility allowance of \$66 per month, the maximum rent chargeable to the tenant is:

**\$384**  
 (\$450 - \$66)

# Gross Rent Limits



**For LIHTC-only properties:**

LIHTC limits apply.

**Rent subsidy payments** are not included in the rent calculation.

**For HOME-only properties and NHTF units:**

High and Low HOME and NHTF limits apply.

**Rent subsidy payments** are included in the rent calculation. Unless the unit is a **low HOME or NHTF** unit with project based rental assistance.

**For LIHTC properties with HOME and/or NHTF units:**

The lower of LIHTC, HOME, or NHTF limits apply. Generally, the HOME or NHTF limits will be lower.

**Rent subsidy payments** are included in the max rent compliance rent calculation.

## Utility Allowances

In theory, what households pay for rent and utilities must be kept at or below the maximum rent limits. In actual practice, it is impossible to know what utility usage will be for most situations, and the amounts change from month to month. To deal with this, LIHTC, HOME, and NHTF units where residents pay any utilities out of their pockets must have utility cost estimates assigned to units. These are called *utility allowances* (UAs). Utilities paid by residents commonly include electricity, water, sewer, oil, gas, and trash. Telephone, cable TV and internet costs which are not required as part of tenancy are considered

optional items and are therefore excluded from the utility allowance. The rent that a tenant pays plus the utility allowance must not exceed the rent limits. For HOME units, tenant-based subsidy payments and project-based subsidy for High HOME units are also included when calculating gross rent. This is also true for tenant-based subsidy and NHTF units (see *HOME: High and Low* section).

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

#### LIHTC and NHTF UA Methodologies

The IRS has offered several alternatives for calculating UAs for the Low-Income Housing Tax Credit program, as the following will discuss. The IRS and IFA do not recognize Ratio Utility Billing System ("*RUBS*") as an acceptable method for determining utility allowance. *RUBS* cannot be used when determining how a project arrives at the UAs for a LIHTC, HOME or NHTF projects in Iowa.

### 1. Projects or households with other funding that provide UAs

#### a. RD regulated buildings

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

#### b. HUD regulated buildings

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

#### c. PHA estimate

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

#### IFA SUGGESTS

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

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

*If any of the following are gathered when determining UAs for any given year, the new UAs must be used at the project for the entire year.*

**2. Estimate from a local utility company**

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

**3. HUD Utility Schedule Model (HUSM)**

The HUD Utility Schedule Model (HUSM) UA is designed by engineers and HUD for use by LIHTC and HOME properties. The HUSM produces a UA that is accurate but doesn't involve getting a ton of resident utility bills or crunching endless numbers. The HUSM has been an option for tax credit properties since 2009 and one of the few allowed options for properties with HOME commitments after August of 2013. This model can be found at the [HUDuser.org](http://HUDuser.org) website, keyword search "Utility Schedule Model". When completing the Model, the property's utility rate information and the Model's zip code function must be entered to access the location and heating degree data to calculate the estimate. Rates inputted must not be older than the rates in place 60 days prior to the date the utility allowance will change. A training provided by the Iowa Finance Authority and Costello University for IFA HOME properties will provide the framework that you need to accurately enter data into the HUSM and get results acceptable to IFA. For more information, contact your IFA Compliance Officer.

**4. Energy Consumption Model**

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

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

**Additional UA Considerations**

If the utility allowances increase, it may change the out-of-pocket rent owner/managers can charge their households, especially if the maximum allowable rent did not keep pace. If it turns out that the actual out-of-pocket rent must be decreased to remain in compliance, owner/managers must be sure the affected households begin paying the new rent no later than the end of the 90-day period applicable to

the UA method being used. When consideration is being given to which UA to use, the following should be kept in mind.

- Utility allowance Information is to be provided annually along with other IFA-required annual reporting information by March 1 of each year for existing projects. Newly placed in-service projects must submit their information by April 1<sup>st</sup> of the first year.
- Projects that are using methods 2-4 above must submit to IFA and their tenants their proposed UAs 90 days prior to the UA being implemented. IFA will acknowledge receipt of your documentation and review it for compliance with IRS regulations. You will be contacted if IFA requires further information within the 90-day period allowed by IRS regulation. An owner must entertain tenant comments during this same period. If you are not informed of any issues by IFA, the new UA may be implemented at the end of the 90 days.
- IFA requires that one UA methodology be used per property. This means that different methods may not be used for different utilities at the same property.
- Owner/managers can change the estimate options used for calculating utility allowances from one review to the next with IFA's approval.
- Any costs associated with obtaining utility allowance estimates are the responsibility of the owner unless the utility company estimate is chosen. Then, unless otherwise agreed upon by the parties involved, the costs are the responsibility of the party requesting the estimate.
- Utility allowances must be reviewed annually to ensure the estimates approximate what the households are paying. However, if the property has just been placed in-service, owner/managers are not required to review the utility allowances until the building has achieved 90% occupancy for a period of 90 consecutive days or the end of the first year, whichever is earlier. Except for the PHA-provided estimates, review of calculations need only take place one time per year even if known rate fluctuations occur (for concerns with updates on the PHA estimate, see above). However, if the owner/manager chooses to review them more frequently, they may if they follow the proper procedures.
- Owner/managers must retain any supporting determination data. Failure to retain adequate data that will allow IFA to conclude accurate allowances were used in the rent computation will result in noncompliance.

#### HOME UAs

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

Historically, PJs were required to adopt utility allowances either by developing their own utility allowances, adopting the utility allowance of local PHA, or establishing project-specific allowances.

The HOME rules (which were revised in 2013) contain a provision that will apply to new projects committed HOME funds on or after August 23, 2013. IFA, as the PJ, will offer a UA HUSM Model training, for free, for one person per management company. Otherwise, the management company can create their own HUSM model by visiting <http://www.huduser.gov/portal/resources/utilallowance.html>.

HOME projects allocated prior to August 23, 2013, may continue to utilize the local PHA utility allowance schedules or may develop UAs based on the specific utilities used at the project. Please contact your IFA Compliance Officer if you would like assistance.

## Fees

### Non-Optional Fees

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

Charging application/screening fees is acceptable if the fees are reasonable and comply with state and local laws. The fees assessed are for the purpose of reimbursing owners for the actual average out-of-pocket costs incurred when screening reports, not to make a profit, nor to discourage applicants or tenants from applying to a project or requesting a service or reasonable accommodation.

For instance, the average costs to run credit and criminal background checks are an allowable basis for an application fee but charging an excessive fee to discourage households from requesting a unit transfer is not allowed.

### Optional Fees

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

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

(See table below for additional details.)

### Fees Not Permitted

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

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

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

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

Fee Type	Acceptable	Not Acceptable	Notes
<b>Application fees</b>	X		Must not exceed the average out-of-pocket costs to run background checks.
<b>Unit transfer fees</b>	X		Must not exceed the average out-of-pocket costs to process a unit transfer and may not include expenses to make a unit “rent ready.”
<b>Month-to-month tenancy fee</b>		X	The IRS considers this a non-optional fee even if the tenant is given the option to sign a long-term lease.
<b>Security deposits</b>	X		Security deposits must be fully refundable if the unit is left clean and does not have damage beyond normal wear and tear.
<b>Renter’s Insurance</b>	X		Only acceptable if made optional and not a condition of tenancy. If required, then must be deducted from maximum rent.
<b>Pet deposits</b>	X		Assistance animals that help a person with a disability do not qualify as pets and are not legally subject to deposits. However, actual costs to repair damage caused by assistance animals beyond wear and tear may be charged.
<b>Fee to pay for third-party verification</b>		X	If there is a cost for verification, the owner may use source documentation supplied by the household. If they choose to require verification that costs money, the owner must bear the cost. NOTE: This is not to be confused with fees for recouping actual costs for processing applications (see application fees).
<b>Coin-operated laundry machines</b>	X		If the room is accessible to all residents and the machines are not in eligible basis.
<b>Community room usage fee</b>		X	A deposit may be charged if it is fully refundable if the room is left clean and undamaged.

Fee Type	Acceptable	Not Acceptable	Notes
Parking fees	X		Only acceptable for LIHTC projects <b>if the parking lot is not in eligible basis</b> . Assigned parking is not acceptable to IFA.
Late rent fees	X		Per Iowa statute: <ul style="list-style-type: none"> <li>• <b>When rent is \$700 or less a month</b> the fee may be no more than \$12 per day (up to \$60 per month).</li> <li>• <b>When rent exceeds \$700 a month</b> the fee may be no more than \$20 per day (up to \$100 per month).</li> </ul> Note: This may be subject to adjustment. Confirm current levels at Iowa Code Chapter 562A.
Penalty fees (for example lockout or key loss)	X		May be charged if the rates are explicitly spelled out in writing (in-house rules, or lease).
Maintenance completed by the owner that is normally required to be completed by the household (such as removing furniture).	X		May be charged if the rates are explicitly spelled out in writing (in-house rules, or lease).
Make-ready fees (cleaning, turnaround, preparation, decorating, mandatory carpet cleaning)		X	Only costs <b>beyond normal wear-and-tear</b> may be charged. Helpful hint: pictures are very effective in documenting the state a unit was left in and demonstrating damage beyond normal wear and tear. (See the next page for further information.)
Lease breakage fee	X		Charging a lease breakage fee as a contingency does not make a lease transient. This is true even if the tenant breaks the lease less than six months after move-in, as long as the initial term of the lease was at least six months.
Reservation Fee (Holding Fee)		X	Charging an applicant, a reservation (or holding fee) to reserve a unit for an applicant until they move in is not allowed under any circumstances.

HUD has provided the below guidance on what is normal wear and tear, and what is not. Although not all-inclusive, the list is helpful in establishing housing policy. This guidance is found in the HUD 4350.3 Appendix 5-C.

## Normal Wear and Tear

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

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

**Note: Periodic or routine updates to the property i.e., flooring, etc. may not be charged to any tenant.**

## Tenant Damage

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

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



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#### HOME and NHTF Fees

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

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

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

## Chapter 3 - Qualifying Households

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

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

**HOTMA Update 2024!** | Starting in 2024, HUD regulations for the Housing Opportunities Through Modernization Act (HOTMA) became effective. This regulation significantly impacts how income and assets are calculated for HUD housing. It also changes all the programs that use the HUD income rules including the LIHTC, HOME, and NHTF programs. This manual has been updated with HOTMA changes. Many of the updates are indicated with the HOTMA call-out used at the start of this paragraph.

### Application Processing and Tenant Selection Policies

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

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

Upon starting the certification process, all adult (age 18+ or emancipated minor except live-in aides and foster adults) household members should be interviewed. The basics of the housing programs at the property should be explained. Some suggested topics are:

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

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

The IFA Application must be completed by each adult household member. This applies to married couples as well as other adults living in the unit. These household members must complete their individual *IFA Application* in its entirety, leaving no blank spaces. Adults with minor dependents in the unit must include their children when answering the questions. The *IFA Application* must be signed and dated.

### Property/Management Rules (House Rules)

An owner/manager will have clearly spelled out expectations for residents of a property that are beyond the regulatory requirements covered in this manual. These are commonly called *property rules* or *house rules*. Generally, each household is provided a copy of these rules and acknowledges receipt of them at move-in.

Any changes to the rules are also communicated prior to the changes being implemented. The household's receipt of the changes must also be documented in the tenant file. Although the rules may be as extensive as necessary, they must not conflict with any regulatory compliance provisions of the housing programs or the Fair Housing Act. To ensure that there are no such conflicts, IFA will review a property's house rules when conducting monitoring duties if provided.

### Tenant Selection Plan

To ensure that everyone who applies is treated fairly, and to make sure that program requirements are covered, owner/managers must adopt a written Tenant Selection Plan (TSP) which will be reviewed by IFA when conducting monitoring duties. IFA has provided sample templates on the IFA website under the heading "Other Forms" for you as a starting point. The callout box, *Tenant Selection Policy Guidance*, below is an outline of required and suggested topics. These are based on best-practice guidance in a HUD Handbook. For topics covered in this manual, chapter references are included.

#### IFA SUGGESTS

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

## Tenant Selection Policy Guidance

Based on HUD Handbook 4350.3 - Figure 4-2

### Required Topics

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

### Recommended Topics

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

## File Organization

To maintain compliance, owner/managers must practice good organizational skills. This includes the order that the paperwork is arranged in a file. Neat and consistent files also help regulatory audits to go more smoothly. For these reasons, IFA strongly suggests the following file order as best practice.

**Initial move-in**

- TIC form
- IFA Application
- Income Verification(s)
- Asset Verification(s)
- Move-In Lease
- Move-in Lease addendums (as applicable)
- VAWA Acknowledgement
- Student Status Certification form(s)
- Student Status Verification (*if applicable*)
- Certification of Zero Income (if applicable)
- Self-Certification of Student Financial Assistance (*if applicable*)
- Asset Self-Certification, if applicable (LIHTC only or during HOME self-certification years)
- Consent to Release Forms (blanket release forms will not be accepted)

**Recertification****Most recent recertification documents only**  
**100% LIHTC (without HOME)**

- *Most recent Student Status Certification* form and related verifications

**Mixed-use LIHTC projects, mixed-income LIHTC units, HOME and NHTF recertifications**

- TIC form
- IFA Application
- Income Verification(s)
- Asset Verification(s)
- Move-In Lease
- Move-in Lease addendums (as applicable)
- VAWA Acknowledgement (*if not obtained at initial move-in*)
- Student Status Certification form(s)
- Student Status Verification (*if applicable*)
- Certification of Zero Income (*if applicable*)
- Asset Self-Certification, if applicable (LIHTC only or during HOME/NHTF self-certification years)
- Consent to Release Forms (blanket release forms will not be accepted)

### Determining Household Size

**“Household” vs. “Family.”** Technically, HUD considers a “household” to include all persons who are legal residents (including fosters and live-in assistants), while “families” are members counted for income limit purposes. This distinction is crucial for many HUD rules, primarily relating to expenses and allowances. As this distinction is less vital for the programs covered by this Manual and the term “family” is often believed to imply that persons must be related by blood or marriage, we use the term “household” to describe those counted toward the income limits. The few times that fosters or live-in assistants relate to passages herein, the context will make the meaning of the term “household” clear, or the difference will be explained.

Income limits are based on the number of members in a household. Household members include all persons who occupy the unit as their primary residence.

Besides the obvious members, household members may also include:

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

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

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

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

A live-in attendant/aide or foster child/adult may be counted when determining unit size.

Occupancy standards (that is the number of bedrooms assigned) do include these people, as they are legal residents. The time that a “guest” can stay before the household must report them to management and add them to the household should be clearly spelled out in the lease or house rules.

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

**Temporarily** absent household members include, for example, dependent students away at school and military members assigned out of town that have a spouse or a dependent child residing in the unit. These types of individuals must always be counted as household members along with their income as applicable.

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

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

**EXAMPLE**

**Household size**

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

<b>June’s parents (head and co-head)</b>	<b>2</b>
<b>June</b>	<b>1</b>
<b>Stu (on active duty with a spouse the unit)</b>	<b>1</b>
<b>May (dependent daughter of head)</b>	<b>1</b>

**May’s daughter is not counted, as she is in the unit less than 50% of the time. Five total are included in the household size.**

## Changes in Household Size

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

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

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

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

**EXAMPLE****Adding a new member**

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

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

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



**EXAMPLE****Subtracting a household member**

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

**Verification**

Student status, income, some assets, and other crucial eligibility items must be verified through documents prepared by knowledgeable third parties. IFA looks for the following methods of verification:

**1. For employment (all forms of employment verification must be within 120 days of the effective date):**

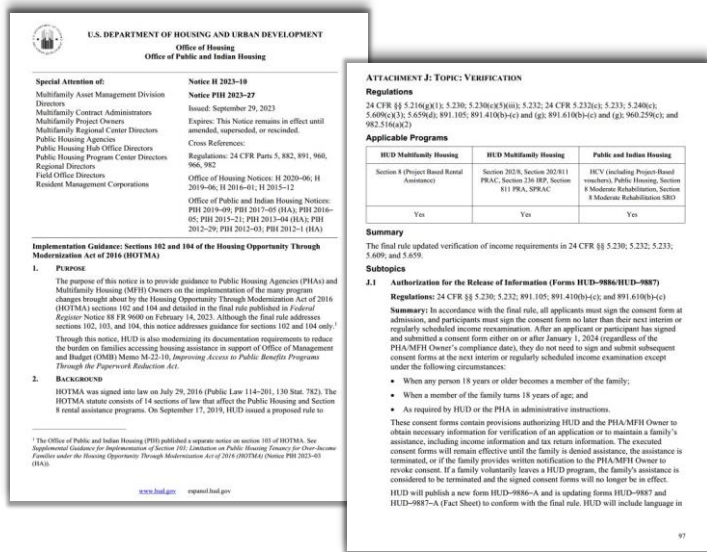
*IFA no longer requires that both a verification of employment form and paystubs be gathered. One consistent method is sufficient, following the below priority order.*

1. Information obtained from the well-known service *Work Number* or other database documentation. HUD calls this Upfront Income Verification (UIV). **This also meets the HOME /NHTF requirement.** There is a cost to owner/managers to use some forms of UIV, including the Work Number. Owners/managers are not required to pay for the Work Number, but they are encouraged to consider using the service when feasible, though it is costly. Quicker applications and less vacancy loss are often benefits that more than recoup the cost. Of course, not all employers work with the Work Number, so even if an owner/manager uses Work Number verification, it will not work for all applicants/tenants.
  2. Two months of consecutive pay stubs, Leave and Earnings Statements (LES) for military pay, or other payroll summary reports **supplied by the household**. If an applicant does not yet have two months of consecutive paystubs because they have recently started a new job, you must thoroughly document the file explaining the situation or use another form of verification.
  3. If the above is not available or insufficient, an acceptance letter of employment from the Employer or a verification of employment form may be completed by the employer.
  4. The IFA Notarized Affidavit of Income form should only be used in the rare instance of the inability to obtain third-party documentation.
- 2. For other income sources:**
1. Social security benefit letters, unemployment letters, bank or other asset statements that supply current balance and income, and similar documentation **supplied by the household**. NOTE: For fixed income sources (benefit income that only changes with a COLA each year) the most recent benefit letter covering the year that the certification is effective can be used all year – even if older than 120 days.

- If the above options are not available or are insufficient, verification forms completed by a third party may be used.

HUD has produced a document (*HUD Notice 2023-10, Joint HOTMA Implementation Guidance, Attachment J, as adjusted*) that can be used for LIHTC and HOME as a list of best practices relating to what forms of verification are allowed. This document can be used until such time as the HUD Handbook 4350.3 is updated. We have included this document at the end of this manual.

**IFA SUGGESTS**  
A “date received” stamp is extremely helpful in establishing when paperwork was received.



**Please note:** HUD has a database system of income verification called Enterprise Income Verification (EIV). EIV is only available to HUD properties and reports that EIV generates cannot be shared with IFA Compliance Officers. Any reference to EIV or Forms-9887 in *HUD Notice 2023-10* does not apply to programs covered in this manual.

Except where noted above, verification must be received no longer than 120 days prior to the effective date of the certification that the verification supports.

WORKSHEET

Required number of paystubs

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

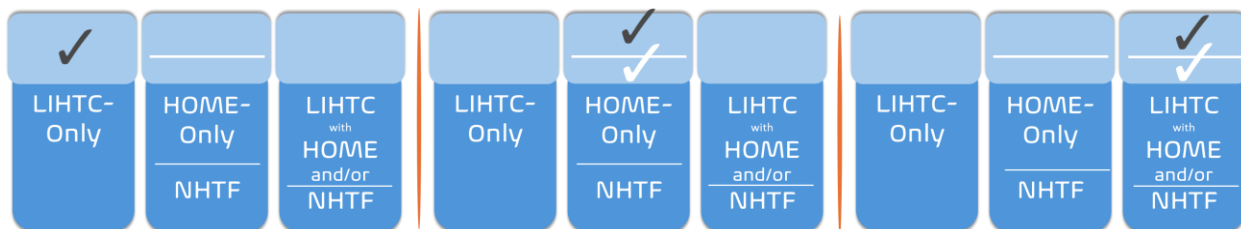
The most recent annual benefit letter for social security, pensions, and other fixed-income sources that only change annually with a COLA can be used to verify those income sources, even if they are older than 120 days. ) This does not apply to SSI, which can change during a year. SSI verification must be verified within 120 days.

**EXAMPLE**

**Inadequate Verification**

A beneficiary of a trust applies for a unit. The beneficiary has access to the balance in the trust and can withdraw amounts “as needed,” but state that they are not aware of the value of the trust. They do not get any statements or other documentation prepared by a third party related to the trust. During the follow-up attempt to verify the asset, the person responsible for administering the trust will not reveal any information about the balance. There is insufficient data to determine household income. The household is ineligible because of inadequate available verification.

**Verification**



**For LIHTC-only Properties:**

**PHA Verification:** the PHA may be used to verify income and assets as a third-party for voucher-holding households at move-in and at recertifications, as long as it is within 12-months of the move-in/effective date.

**Assets (If not using PHA verification):** If the cash value of household assets does not exceed \$50,000 (as adjusted annually), the household may complete the *IFA Asset Self-Certification form* instead of third-party verification both at initial move-in and at recertification (if required).

**For HOME only Properties and NHTF Units:**

**PHA Verification:** the PHA determination of income and assets **must** be used for voucher holding households at move-in and recertifications, as long as each determination was conducted within 12-months of the move-in or recertification effective date.

**Assets (If not using PHA verification):** All assets must be verified every 6<sup>th</sup> year of the HOME period of affordability. For other years, the *IFA Asset Self-Certification form* may be used instead of third-party verification.

**For LIHTC Properties with HOME or NHTF Units:**

**PHA Verification:** the PHA **must** be used to verify income and assets as a third-party for voucher-holding households at move-in and at recertifications, as long as it is within 12-months of the move-in/effective date.

**Assets (If not using PHA verification):** All assets must be verified every 6<sup>th</sup> year of the HOME period of affordability. For other years, the *IFA Asset Self-Certification* may be used instead of third-party verification.

## Voucher-Holders

**LIHTC**

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

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

**HOME/NHTF**

**HOTMA Update 2024!** While it is an option for LIHTC purposes, the provision to accept PHA verification of income is **REQUIRED** for households at move-in and recertification in HOME and NHTF units that hold Housing Choice Vouchers with the PHA. The basic process for verification is the same as for the LIHTC program. It is the gross income that is used for HOME/NHTF purposes, before any adjustments that the PHA may make before rent is calculated (see Chapter 4 for further details on HOME/NHTF recertification).

## Other Means-Tested Program Determinations of Household Income for the LIHTC

**HOTMA Update 2024!** HOTMA expanded the above PHA verification rules into a bigger allowance, although **this does not apply to HOME units**. It allows owners/agents to use income determinations from, not just PHAs, but several other means-tested programs listed below. The income determination of the program must have occurred in the last 12 months from receipt by the owner/manager. These programs determine eligibility using income limits and have their own rules to determine income. They do not have to use HUD rules to be acceptable for HUD purposes. HUD refers to this verification process as a "safe harbor." The allowed programs are:

- Temporary Assistance for Needy Families (**TANF**). This is the FIP Program in Iowa.
- Medicaid.
- The Supplemental Nutrition Assistance Program (**SNAP**).
- The Earned Income Tax Credit (**EITC**).
- The Low-Income Housing Credit (**LIHTC**).
- The Special Supplemental Nutrition Program for Women, Infants, and Children (**WIC**).
- Supplemental Security Income (**SSI**).
- Other programs administered by the HUD.
- Other means-tested forms of Federal public assistance for which HUD has established a memorandum of understanding.
- Other Federal benefit determinations made in other forms of means-tested Federal public assistance that HUD determines to have comparable reliability and announces through the Federal Register.

**Verification.** If an owner/manager of an LIHTC property uses the annual income determination from one of the above-listed forms of means-tested federal public assistance, then they must obtain the income information using third-party verification. The third-party verification must state the family size, must be for the entire family (that is, the family members listed in the documentation must match the owner's records of who resides in the unit), and must state the amount of the family's annual income. The annual income need not be broken down by family member or income type. Annual income includes income earned from assets, therefore when using this safe harbor to verify a household's income, owners/agents will neither further inquire about a family's net family assets, nor about the income earned from those assets.

The safe harbor third-party verification may be in the form of an award letter from the relevant federal program and must show that the family's income determination was made in the previous 12 months. The verification will be considered acceptable if the documentation meets the criteria that the income determination was made ***within the 12 months prior to the receipt of the verification*** by the owner/manager. This satisfies all verification date requirements for the safe harbor income determinations. The safe harbor documentation will be considered acceptable if any of the following dates fall into the 12 months before the receipt of the documentation by the owner/manager:

- The income determination effective date.
- The program administrator's signature date.
- The household's signature date.
- The report's effective date.
- Other report-specific dates that verify the income determination date.

The only information that owners/agents are permitted to use to determine income under this safe harbor is the total gross income determination made by the federal means-test program administrator. Other federal programs may provide additional information about income inclusions and exclusions in their award letters. However, these determinations and any other information must not be considered by the owner/manager for purposes of the HOTMA safe harbor provision. Owner/managers are not permitted to mix and match safe harbor income determinations and other income verifications. If using the safe harbor, the one verification covers all household income.

Note: as the safe harbor provision allows owner/managers to use other programs' income determinations, PHAs are also allowed to use the LIHTC owner/manager determination of income for their certifications using information provided by the owner/manager per the same above rules. For instance, the LIHTC TIC may be used, or a form supplied by the PHA to be completed by the owner/manager. This is because the LIHTC is explicitly on the list of allowable means-tested programs. Similarly, HOME is an 'other program administered by HUD', and HOME income determination may be used by PHAs. HUD and DCA/GHFA encourage all parties to work together to utilize the HOTMA safe harbor to minimize the number of times households must provide sensitive information, to make the certification process as efficient as possible, and to reduce property vacancy losses.

Household Assets not Exceeding \$50,000 (as adjusted)

**HOTMA Update 2024!** When the cash value of a household's assets is \$50,000, as adjusted, or less, third-party verification of assets is not required, and self-certification is allowed. The household is required to complete an *Asset Self-Certification* indicating that household assets do not exceed \$50,000.

## LIHTC

When the *cash value* of all household assets does not exceed \$50,000, third-party verification of assets is not required. The household is required to complete the IFA form *Asset Self-Certification* indicating household assets are \$50,000 or under. This required form can be found on the IFA website.

The household's declared income from assets on the *Asset Self-Certification* must be included in the calculation of annual income. If it is determined that the income from assets declared by the household is not reasonable, it is management's responsibility to obtain third-party documentation of the assets. For instance, if a household declares no assets, but pays an application fee with a personal check, the *Asset Self-Certification* is incorrect as a checking account is considered an asset.

## HOME/NHTF

For the HOME and NHTF programs, the *Asset Self-Certification* form may be used in years when self-certification is allowed but **not** during the years when full tenant recertification must be completed. If a project is required to obtain third-party verification for a unit due to participation in other housing programs, such as Section 8 or Rural Development, the use of the *Asset Self-Certification* form is not acceptable.

## Students

### LIHTC

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

**“Are ALL household members (including minors) full-time or part-time students?” Note: fosters and live-in aides are not considered for this rule.**

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

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

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

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

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

## Verification

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

## Exceptions

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

1. Any of the adult household members are married and entitled to file a joint tax return.  
Verification required: copy of joint tax return or marriage certificate.
2. An adult member is a single parent with a minor child in the unit, the adult is not a tax dependent of any third party, and the child is not claimed as a tax dependent by anyone other than one of their parents (even if the other parent is not in the unit).  
Verification: Copy of tax returns (if possible) or a signed affidavit that the adult in the household is not a dependent of anyone outside the household and that, if the children are claimed on anyone's taxes, it is only by one of their parents.
3. The household includes a member who receives welfare assistance in the form of Family Investment Program (FIP – the federal TANF program), federal foster care, or adoption assistance payments under Title IV of the Social Security Act.  
Verification: FIP, foster care, or adoption assistance award letter.
4. The household includes a member who formerly received foster care assistance (that means they were a foster child or adult).  
Verification: Foster paperwork from the placing welfare agency.
5. The household contains a member who gets assistance from the Job Training Partnership Act (JTPA) or similar programs such as General Education Diploma (GED) or High School Equivalency Test (HiSET). (NOTE: The "Workforce Investment Act", then the "Workforce Innovation and Opportunity Act" replaced JTPA).

**EXAMPLE****Five-month student rule**

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

**YES**

When will she no longer be considered a full-time student?

**January 1<sup>st</sup> of the next year**

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

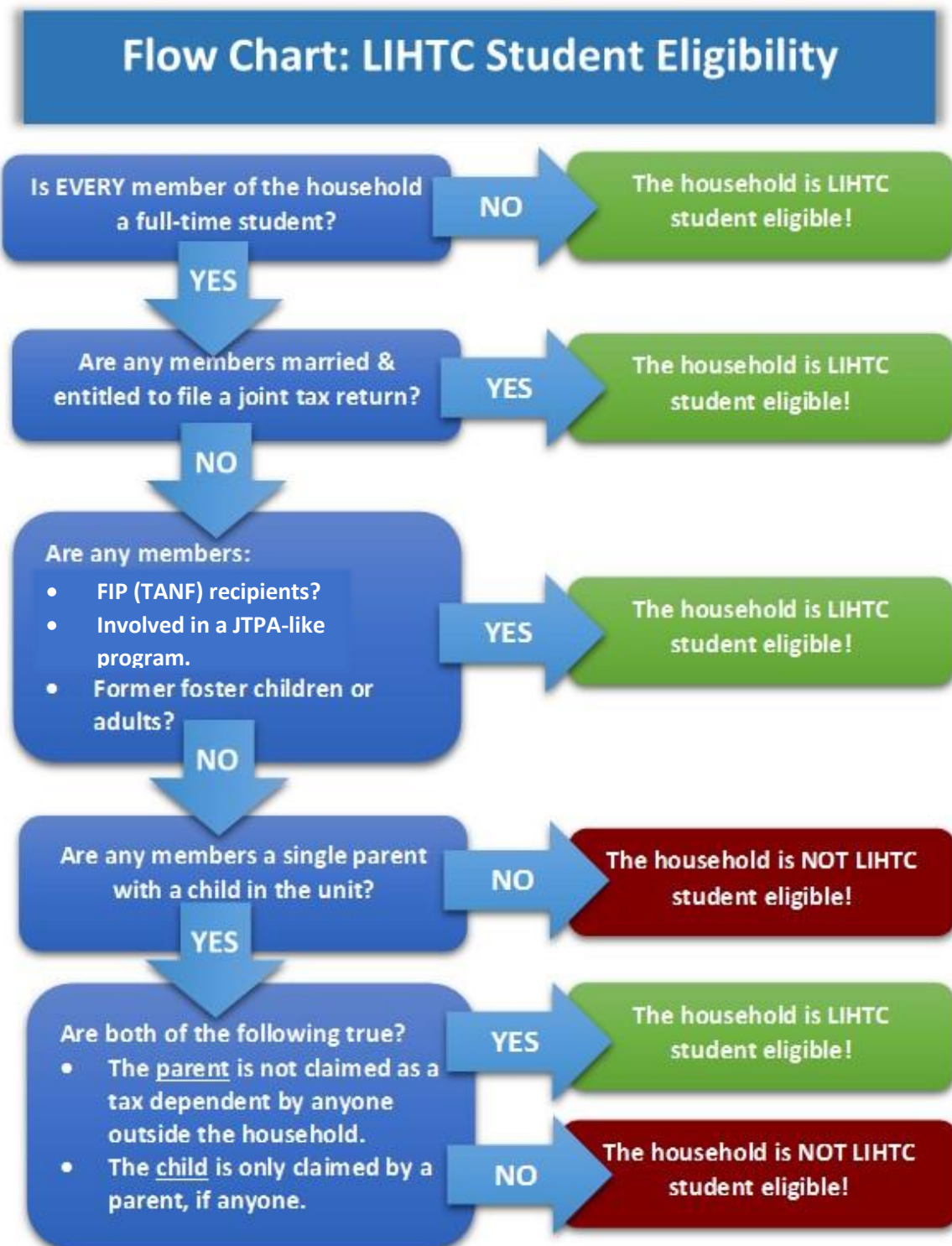
- a. Gets federal, state or local government funding; and,
- b. Has a mission similar to the one for the JTPA program (see below).

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

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

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





HOME

The HOME program also has a student rule. The program adopted the Section 8 student rules in a 2013 HOME regulation revision. Section 8 student eligibility rules are very different from the LIHTC rules.

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

To determine eligibility for HOME occupancy, an individual adult student, full-time or part-time at an institute of higher learning must be one of the below:

- A dependent of the household
- 24 years old or older
- Married
- A U.S. military veteran
- Have a dependent child(ren) living with them in the unit
- An orphan or ward of the court
- Disabled and was receiving section 8 assistance on 11-30-2005

If the answer is "yes" to one or more of the above, the student may qualify for occupancy. If the answer is no to each of the above, then the student must be independent from their parents. The student can demonstrate his or her independence from parents, including that they:

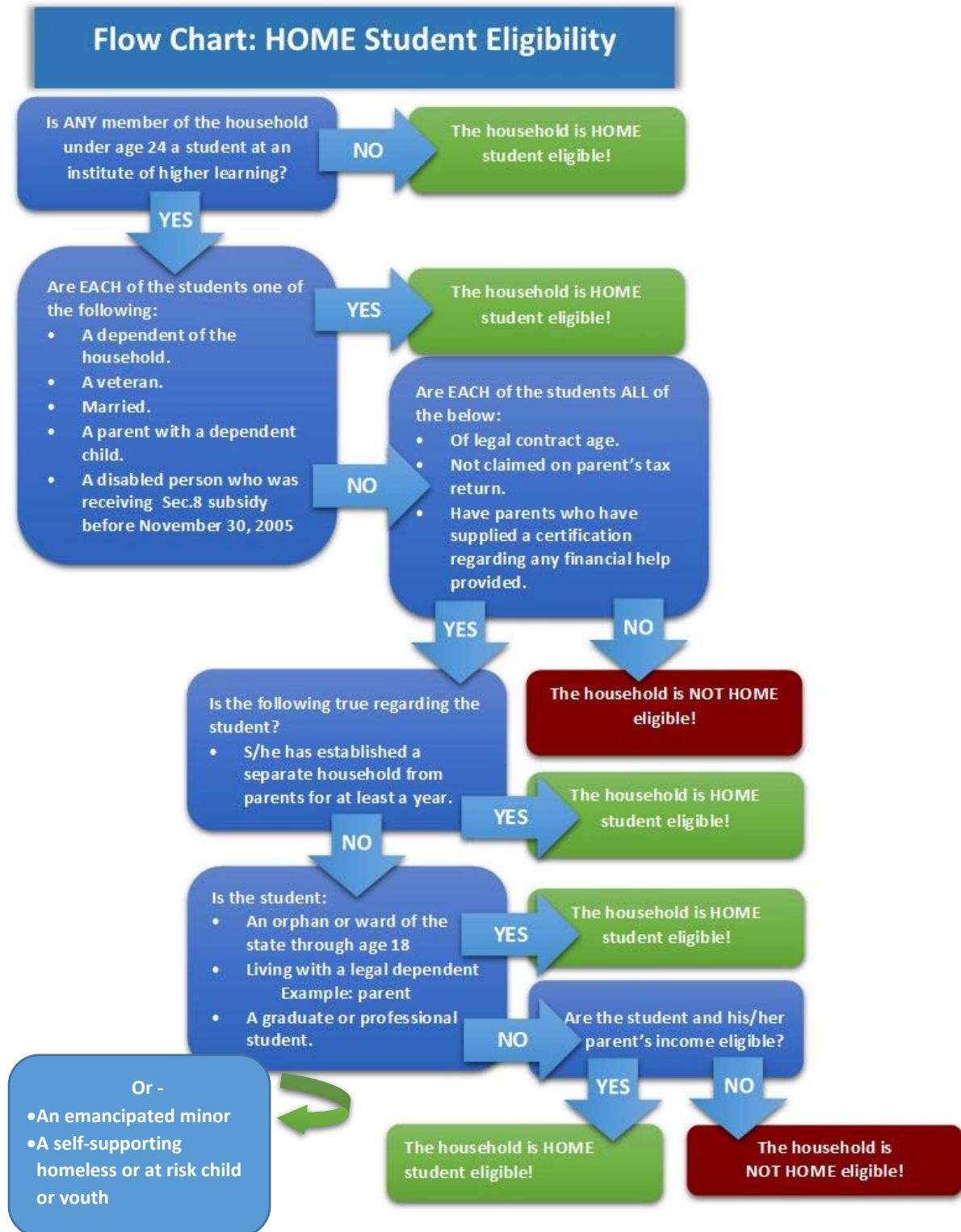
1. Must be of legal contract age under state law AND
2. Have established a household separate from parents or guardians for at least one year

**OR** Meet the U.S. Department of Education's definition of an independent student, including being any one of the below:

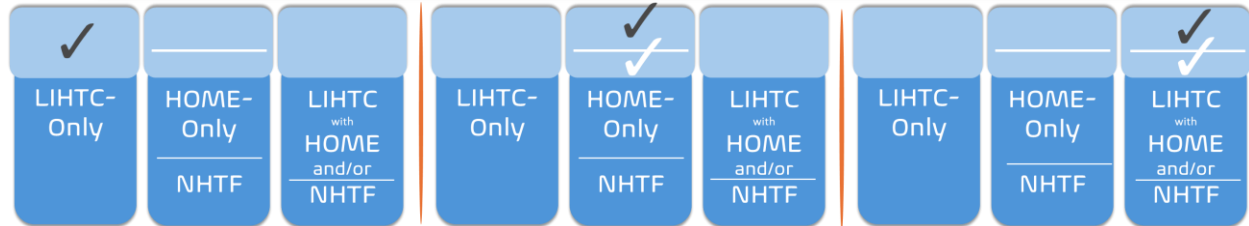
- At least 24 years old by December 31 of the current year
  - A veteran of the U.S. Armed Forces
  - Have legal dependents other than a spouse (i.e., an elderly dependent parent)
  - A graduate or professional student
  - Married
  - Is an emancipated minor or was one before they became an adult
  - Is or was an orphan or a ward of the State or in foster care at any point since age 13
  - Been established this school year to be an unaccompanied homeless child or youth and self-supporting as defined by:
    - The McKinney-Vento Act,
    - Runaway and Homeless Youth Act or
    - A financial aid administrator.
1. If the student meets the U.S. Dept. of Education definition of Independence, above, the student qualifies. If not, they must not be claimed as a dependent by parents or legal guardians pursuant to IRS Regulations; AND
  2. The parents must provide signed certification if financial support will be provided.

If none of the above applies, the student must demonstrate that they are income qualified AND that the student's parents or guardian, individually or jointly, are at or below the low-income limits (80% AMI). Finally, student eligibility status must be examined at each recertification.

**Special Note | NHTF and Students**  
 Unlike most other affordable housing, there are no student restrictions on NHTF units.



# Student Status



**For LIHTC-only Properties:**

**For HOME only Properties and NHTF Units:**

**For LIHTC Properties with HOME and/or NHTF Units:**

*Apply LIHTC student rules*

Tax credits cannot be claimed for a unit that contains a household that becomes an ineligible student household. The lease should be designed so that the household is in violation of their lease to allow termination of tenancy.

*Apply HOME student rules*

A household that contains an ineligible student will be treated as “over-income”, but their tenancy is not terminated.

*Apply BOTH rules to LI units.*

Violations of the LIHTC rule result in termination of tenancy. Violation of the HOME rule does not. Floating HOME units may change designations to make a non-LIHTC unit HOME, if available. For fixed HOME, the owner/manager will need to decide which program’s non-compliance represents the greatest risk to the project.

**NOTE:** There is no student rule for NHTF units.

**NOTE:** Households in units that are only subject to one program are only subject to the student rule for the program applicable to the unit.

### Sporadic and Periodic Income

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

Annual income, as defined by HUD, is the amount of income that is used to determine a household’s eligibility for LIHTC, HOME and NHTF housing. Annual income includes all amounts, monetary or not,

that go to or are received by any household member and amounts anticipated to be received from sources outside the household during the 12-month period following income certification. Annual income includes all amounts that are not specifically excluded by regulation. HUD regulation 24 CFR 5.609 (b), provides a complete list of exclusions.

Anticipated income includes any raises, new jobs, or any other income reasonably expected and verifiable to be received within the next twelve months, based on information supplied by the household. Paystubs, for example, do NOT provide raise information. If the household does not anticipate a raise, the owner may use the paystubs to calculate annual income without further inquiry.

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

**Earned income**

Employment, self-employment & military pay.

**Unearned income**

Income that is not earned income, such as benefit income, alimony/child support & gift income.

**Asset income**

Unless specifically indicated in this chapter, annual income includes gross EARNED income, before any deductions, that are anticipated to be received by all adult (non-dependent) members of the household. UNEARNED and ASSET income of all members (adult and dependent) are also counted. Income from Live in Aides, Foster adults and Foster children is entirely excluded. Whether no income or very limited earned income is received by a dependent, it must be shown and counted towards the household’s combined income. See the chart below for specifics.

At times, a minor member of the household who is age 17 at the time of certification will be turning 18 during the year. These cases will need to be examined closely. If the 17-year-old has any earned income, it will need to be verified and the annual income prorated for the portion of the year that they will be an

**NOTE**

**Gross or Net Income?**

In almost all cases, annual income includes GROSS income, before any deductions. However, there are several cases where NET income is used per HUD rules. Below is a list of some of these cases. Further details on each can be found in the discussion of *Sporadic and Periodic Income* later in the chapter.

1. **Social security:**
  - a. Delayed benefits
  - b. Adjustments for prior overpayments
  - c. Amounts split by court order
2. **Self-employment**
3. **Rental income** when real estate rentals are a person’s primary source of income.
4. **Military Hostile Fire Payments**
5. **Nonrecurring income**
  - a. Amounts specifically excluded by reg as nonrecurring
  - b. Amounts that will end during the upcoming year and not repeat in future years.
6. **Income from assets** (for instance, NET rental income from real estate that is not a person’s primary source of income)

Note: Net income is never counted lower than \$0, even if the net amount is a loss.

adult. If the owner/manager determines that the dependent will continue to be a dependent because they will still be a full-time student, only the amount of the dependent deduction of their earned income will be prorated for the remainder of the year that they are anticipated to be an adult dependent full-time student.

<b>How do we Count Household Members' Income?</b>		
<b>Members</b>	<b>Earned Income</b>	<b>Unearned &amp; Asset Income</b>
<b>Head, Spouse, Co-Head</b>	<b>YES</b>	<b>YES</b>
<b>Other Adult</b>	<b>YES</b>	<b>YES</b>
<b>Dependents</b>		
- <b>Child Under 18</b>	<b>NO</b>	<b>YES</b>
- <b>Adult Full-time Student</b> (Not Head, Spouse, Co-Head)	<b>YES</b> <b>YES</b> (up to the dependent deduction) *	<b>YES</b>
<b>Temporarily Absent Member</b>	<b>YES</b>	<b>YES</b>
<b>Permanently Living in a Hospital or Nursing Home</b>	<b>Household Decision – Only counted if part of the household</b>	<b>Household Decision – Only counted if part of the household</b>
<b>Non-Members</b>		
<b>Live-in Attendant</b>	<b>NO</b>	<b>NO</b>
<b>**Foster Adult</b>	<b>***NO</b>	<b>***NO</b>
<b>**Foster Child</b>	<b>NO</b>	<b>***NO</b>
<b>Guest****</b>	<b>NO</b>	<b>NO</b>

\* Changed by HOTMA from a permanent \$480  
 \*\* Changed by HOTMA from household members  
 \*\*\* Changed by HOTMA from "YES" to "NO"  
 \*\*\*\* The term "guest" identifying a temporary resident should be defined in the lease and must not be of long duration.

**EXAMPLE**

**Dependent Income: Taye**

16-year-old Taye is a dependent of his mother, who is the head of household and a widow. He makes \$16,000 a year working for a local fast-food restaurant. He also receives \$6,000 annual gross social security benefits from his deceased father. He puts his earnings and benefit money into a savings account, which is anticipated to generate \$100 a year in interest. He is the sole owner of the account. The dependent deduction that year was \$480.

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

**NO**

<b>Wages (earned income from a minor is not counted)</b>	<b>\$ 0</b>
<b>Social Security (unearned Income of a minor is counted in full)</b>	<b>\$6,000</b>
<b>Asset Income (counted in full)</b>	<b><u>\$ 100</u></b>
<b>Total</b>	<b>\$6,100</b>

Five years later, 21-year-old Taye is an adult full-time student and is still considered a dependent of his mother because of his student status. He now makes \$21,000 a year working for the restaurant. He also receives \$7,000 annual social security gross benefits from his deceased father. He puts his earnings and benefit money into a savings account, which is anticipated to generate \$300 a year in interest. He is the sole owner of the account. The dependent deduction that year was \$480.

The manager determines that his income contribution to the household is \$7,780. Is this correct?

**YES**

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

**EXAMPLE**

**Dependent Income: John and Phillip**

John is the head of household. He works a job with a total anticipated income of \$24,000. His spouse, Phillip, is an adult full-time student. He also works a full-time job with an anticipated annual income of \$36,000. The dependent deduction that year was \$480.

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

**NO**

<b>Wages (earned income for John)</b>	<b>\$24,000</b>
<b>Wages (earned income for Phillip)</b>	<b><u>\$36,000</u></b>
<b>Total</b>	<b>\$60,000</b>

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

Zero Income

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

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

The IFA *Certification of Zero Income* form is required for any household member claiming zero income. This form will help an owner/manager determine if the household has any income that must be counted that the household may not have revealed on other documentation. For instance, the form asks about how a person is meeting their rent and other expenses. **Pay very close attention to this section of the form. If it is not filled out in its entirety, the form will be considered incomplete, and the unit considered out of compliance.** This section often reveals that other household members are paying the bills with already-verified income, gift income from persons or organizations outside of the household, or that the person intends to use their assets to meet their needs. The unit will remain out of compliance until the completed form is received by IFA.

If an applicant intends to use only saved assets to pay expenses, the following steps must be taken:

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



## DEFINITIONS

HUD does not provide definitions for the terms periodic and sporadic, although the terms are used throughout HUD guidance. With HOTMA, both are counted as income. Only “nonrecurring” income is excluded and explicitly defined by HUD. For IFA purposes, the following definitions will be used.

**Periodic** | Occurring or appearing at regular intervals, on a pre-determined schedule. Often in the same or similar amount. Periodic income is counted in household income.

**Sporadic** | Occurring occasionally, irregularly, on no pre-determined schedule or amount. If it occurs more than once and has not definitely ended, it cannot be considered “nonrecurring.” Gig income is often sporadic. Sporadic income is counted in household income.

**Nonrecurring** | Income that will end within the 12 months following a certification date and will not be repeated beyond the coming year. Nonrecurring income is excluded from household income.

### Overview: Sporadic and Periodic Income

**HOTMA Update 2024!** Annual income includes all amounts that are not specifically excluded by HUD regulation. HUD Regulation 24 CFR 5.609(b) provides a complete list of exclusions. Effective 01/01/2024, this replaced relevant portions of the HUD Handbook 4350.3, especially Exhibit 5-1. HUD Notice H-2023-10 – HOTMA Joint Implementation Guidance provides additional guidance on how to apply HOTMA changes.

Income that has a discrete end date and will not be repeated beyond the coming year during the family’s upcoming annual reexamination period will be excluded from a family’s annual income as nonrecurring income. This does not include payments that are received at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that can be extended, such as unemployment benefits. However, Workers’ Compensation is always excluded, even if it lasts more than a year. If documentation from third parties is unclear, owners/agents may accept a self-certification from the family stating that the income will not be repeated in the coming year. Examples of nonrecurring income include the following (these are examples and not an exhaustive list).

- Payments from the U.S. Census Bureau for employment (relating to the decennial census or the American Community Survey) lasting no longer than 180 days and not culminating in permanent employment.
- Direct Federal or State payments intended for economic stimulus or recovery.
- Amounts directly received by the family as a result of State refundable tax credits or State tax refunds at the time they are received.
- Amounts directly received by the family as a result of Federal refundable tax credits and Federal tax refunds at the time they are received.
- Gifts for holidays, birthdays, or other significant life events or milestones (such as wedding gifts, baby showers, anniversaries).
- Non-monetary, in-kind donations, such as food, clothing, or toiletries, received from a food bank or similar organization.
- Lump-sum additions to net family assets, including but not limited to lottery or other contest winnings.

## EXAMPLES

### Nonrecurring Income | Workers' Comp Year One

A household is moving into an LIHTC property on 4/01/2024. The head of the household was injured at work shortly before their move-in date and she is anticipated to receive Workers' Compensation for 18 months after move-in. How much of the benefits should be counted at move-in?

**\$0** Workers' Compensation is excluded from income.

### Nonrecurring Income | Workers' Comp Year Two

Continuing the previous example, the property is not 100% LIHTC and so households are subject to annual income recertification. Leading up to the household's 2025 income recertification, the Workers' Compensation that the head of household is still receiving will end 6 months into the certification year. How much of the benefits should be counted?

**\$0** Workers' Compensation is excluded from income.

### Nonrecurring Income | Employer Out of Business

Mitchell Michael lives at an LIHTC property that is less than 100% LIHTC. He worked for five months over the past year for a company that has since gone out of business. During the income recertification interview, the owner/manager asks Scott whether he expects to work for the company again in the coming year. Justin provides proof that the company went out of business. How much of this income is counted?

**The owner/manager must exclude Mitchell's earned income received from the company that went out of business from the family's annual income.**

### Nonrecurring Income | Sporadic Contractor

Sandra Owen works as an independent phone installation contractor during various times of the year, when her client phone companies require additional contract support. Missy reasonably believes that she will be contracted again the following year based on discussions with her clients.

**The owner/manager must include the income that Sandra earns as an independent contractor in the family's annual income.**

**EXAMPLE**

**Nonrecurring Income | Research Stipend**

Eric Solvano lives at a project that requires income recertification for all residents because it is less than 100% LIHTC. He reports for the annual reexamination to be effective 7/01/2024 that he receives monthly payments for participation in a research project that is expected to last for 18 months and will end on 12/31/2025. How will this income be handled for the 2024 and 2025 recerts?

**2024 | The owner/manager includes this as income because the amounts will be received through the next annual recertification on 7/01/2025.**

**2025 | The income will end on 12/31/2025, so the owner/manager will exclude the income received after the 7/01/2025 recertification.**

**Annual Adjustment Factors**

After HOTMA, several factors affecting income calculations will change annually. Most of these will be adjusted for inflation based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W). This is the same factor used to determine social security COLAs. The one exception is the passbook savings rate, which will be adjusted based on an average of recent FDIC national average passbook savings rates. The factors that will affect LIHTC and HOME income calculations are listed below. This manual will refer to these factors with the amount at the outset of HOTMA, then “as adjusted.” For instance, “non-necessary personal property that does not exceed \$50,000, as adjusted, is excluded.” That means that the amount will be different depending on the year involved.

HUD intends to publish a Notice and update a web page each year before September 1, to allow for factors to be in place by January 1 of the applicable year the factors will apply. Owner/managers will need to be aware of the changes to ensure that the factors are in place (most likely by updating property management software) in time to conduct accurate income determinations. Auditors reviewing past years will need to maintain an accurate list, by year, of past factors, as adjusted.

Factor	Pre-HOTMA	At start of HOTMA [2024]
Passbook savings rate	.06%	.4%
Threshold to impute asset income	\$5,000	\$50,000
Threshold to self-certify asset value and income	\$5,000	\$50,000
Threshold where non-necessary personal property is excluded.	N/A	\$50,000
Annual dependent deduction	\$480	\$480
<ul style="list-style-type: none"> <li>• Not used directly for LIHTC/HOME, but does set these limits:                             <ul style="list-style-type: none"> <li>○ Earned income for adult full-time student dependents</li> <li>○ Adoption assistance payments</li> </ul> </li> </ul>		

### Annual Income Does Not Include...

HUD excludes 28 types of income at 24 CFR §5.609(b). These are listed below, quoted word for word from the regulation (except where there is a “Note”. More details are provided in the sections that follow.

**Note | Income types unchanged by HOTMA are indicated in this font.**

(1) Any imputed return on an asset when net family assets total \$50,000 or less (which amount HUD will adjust annually per the Consumer Price Index for Urban Wage Earners and Clerical Workers) and no actual income from the net family assets can be determined.

(2) The following types of trust distributions:

- For an **irrevocable trust or a revocable trust outside the control of the family** or household excluded from the definition of net family assets in the HUD regulation § 5.603(b)
  - A. Distributions of the principal or corpus of the trust; and
  - B. Distributions of income from the trust when the distributions are used to pay the costs of health and medical care expenses for a minor.
- For a **revocable trust under the control of the family** or household, any distributions from the trust; except that any actual income earned by the trust, regardless of whether it is distributed, shall be considered income to the family at the time it is received by the trust.

(3) *Earned income of children under 18 years of age.*

(4) *Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments.*

(5) Insurance payments and settlements for personal or property losses, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation.

(6) *Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.*

(7) Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, that resulted in a member of the family becoming disabled.

(8) *Income of a live-in aide, foster child, or foster adult as defined in §5.403 and §5.603, respectively.*

(9) **Student Assistance Type 1** | Any assistance under Title IV, 479B of the Higher Education Act of 1965 (HEA), as amended, is excluded from income.

**Student Assistance Type 2** | Student financial assistance for tuition, books, and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and other fees required and charged to a student by an institution of higher education (as defined under Section 102 of the Higher Education Act of 1965) and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

(A) **Student financial assistance means** a grant or scholarship received from—

- (1) The Federal government
- (2) A State, Tribe, or local government

- (3) A private foundation registered as a 501(c)(3) nonprofit
- (4) A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, a public benefit corporation, or nonprofit entity), or
- (5) An institution of higher education.

**(B) Student financial assistance does not include—**

- (1) Any assistance that is excluded pursuant to the HEA Title IV, 479B (see above)
- (2) Financial support provided to the student in the form of a fee for services performed (e.g., a work study or teaching fellowship that is not excluded pursuant to the HEA Title IV 479B)
- (3) **Gifts, including gifts from family or friends, or**
- (4) Any amount of the scholarship or grant that, either by itself or in combination with assistance excluded under this paragraph or the HEA 479B (see above), exceeds the actual covered costs of the student. The actual covered costs of the student are the actual costs of tuition, books, and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, or other fees required and charged to a student by the education institution, and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

**(C) Student financial assistance must be expressly:**

- (1) for tuition, books, room and board, or other fees required and charged to a student by the educational institution
- (2) to assist a student with the costs of higher education, or
- (3) to assist a student who is not the head of household or spouse with the reasonable and actual costs of housing while attending the educational institution and not residing in an assisted unit.

**(D) Student financial assistance may be paid** directly to the student or to the educational institution on the student's behalf. Student financial assistance paid to the student must be verified by the responsible entity as student financial assistance.

**(E) When the student is also receiving assistance excluded under HEA Title IV 479B** (see above) the amount of student financial assistance that must be counted is determined by adding the HEA 479 B assistance to the other assistance.

- (1) If the amount of the HEA 479B assistance excluded above is equal to or exceeds the actual covered costs, all of the other assistance is counted as income.
- (2) If the amount of HEA 479B assistance excluded above is less than the actual covered costs, the amount of assistance that is considered student financial assistance is the amount by which the actual covered costs exceed both types of student assistance.

(10) Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, “baby bond” accounts created, authorized, or funded by Federal, State, or local government.

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**Note | According to HUD, baby bonds are “money held in trust by the government for children until they are adults” These “are being authorized in various States and localities in an effort to combat the wealth gap and address systemic poverty.”**

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(11) *The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.*

(12) (i) 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);

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**Note | PASS is an SSI provision to help individuals with disabilities return to work.**

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(ii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (e.g., special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program;

(iii) *Amounts received under a resident service stipend not to exceed \$200 per month. A resident service stipend is a modest amount received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development.*

(iv) *Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in qualifying Federal, State, Tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. 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 unless those amounts are excluded under paragraph (b)(9)(i) of this section.*

(13) *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.*

(14) *Earned income of dependent full-time students in excess of the amount of the deduction for a dependent in § 5.611.*

(15) *Adoption assistance payments for a child in excess of the amount of the deduction for a dependent in § 5.611.*

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**Note | (14) & (15) will be \$480 through 2024 but will be indexed for inflation annually starting in 2025.**

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(16) *Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.*

(17) Payments related to aid and attendance under 38 U.S.C. 1521 to veterans in need of regular aid and attendance.

(18) 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.

(19) *Payments made by or authorized by a State Medicaid agency (including through a managed care entity) or other State or Federal agency to a family to enable a family member who has a disability to reside in the family's assisted unit.* Authorized payments may include payments to a member of the assisted family through the State Medicaid agency (including through a managed care entity) or other State or Federal agency for caregiving services the family member provides to enable a family member who has a disability to reside in the family's assisted unit.

(20) Loan proceeds (the net amount disbursed by a lender to or on behalf of a borrower, under the terms of a loan agreement) received by the family or a third party (e.g., proceeds received by the family from a private loan to enable attendance at an educational institution or to finance the purchase of a car).

(21) Payments received by Tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States, to the extent such payments are also excluded from gross income under the Internal Revenue Code or other Federal law.

(22) Amounts that HUD is required by Federal statute to exclude 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 the exclusions in the HUD regulations apply. **HUD will publish a notice in the Federal Register** to identify the benefits that qualify for this exclusion. Updates will be published when necessary.

(23) Replacement housing “gap” payments made in accordance with 49 CFR part 24 that offset increased out-of-pocket costs of displaced persons that move from one federally subsidized housing unit to another Federally subsidized housing unit. Such replacement housing “gap” payments are not excluded from annual income if the increased cost of rent and utilities is subsequently reduced or eliminated, and the displaced person retains or continues to receive the replacement housing “gap” payments.

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**Note | “Gap” payments are payments made to persons who are displaced by a federally funded program under the Uniform Relocation Act.**

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(24) **Nonrecurring income**, which is income *that will not be repeated in the coming year* based on information provided by the family. **Income received as an independent contractor, day laborer, or seasonal worker is not excluded** from income under this paragraph, even if the source, date, or amount of the income varies. Nonrecurring income includes:

- Payments from the U.S. Census Bureau for employment (relating to the decennial census or the American Community Survey) lasting no longer than 180 days and not culminating in permanent employment.
- Direct Federal or State payments intended for economic stimulus or recovery.
- Amounts directly received by the family as a result of State refundable tax credits or State tax refunds at the time they are received.

- Amounts directly received by the family as a result of Federal refundable tax credits and Federal tax refunds at the time they are received.
- Gifts for holidays, birthdays, or other significant life events or milestones (e.g., wedding gifts, baby showers, anniversaries).
- Non-monetary, in-kind donations, such as food, clothing, or toiletries, received from a food bank or similar organization.
- ***Lump-sum additions to net family assets, including but not limited to lottery or other contest winnings.***

(25) Civil rights settlements or judgments, including settlements or judgments for back pay.

*(26) Income received from any account under a retirement plan recognized as such by the Internal Revenue Service, including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals; except that any distribution of periodic payments from such accounts shall be income at the time they are received by the family.*

(27) Income earned on amounts placed in a family's Family Self Sufficiency Account.

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**Note | FSS is a program that enables HUD-assisted families to increase their earned income and reduce dependency on welfare assistance and rental subsidies. Goals are set that a family must work toward to graduate from the program. An interest-bearing escrow account is established by the PHA for each participating family. Any increases in the family's rent as a result of increased earned income during the family's participation in the program result in a credit to the family's escrow account. Once a family graduates from the program, they may access the escrow and use it for any purpose.**

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*(28) Gross income a family member receives through self-employment or operation of a business; except that the following shall be considered income to a family member:*

- *Net income from the 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; and*
- *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.*

**But Wait! There's More...** [See (22) above] Excluded are "amounts that HUD is required by Federal statute to exclude 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 paragraph (b) of this section apply. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary". The list will include, at a minimum, updates made by HUD since the publication of Exhibit 5-1 in the 2013 Change 4 to the HUD Handbook 4350.3. Below is this updated list.

#### **24 CFR 5.609(b) and (c) (updated on 1/31/2024) | Other Federal Exclusions (2024)**

(1) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017(b)). ***This exclusion also applies to assets.***



(2) Payments, including for supportive services and reimbursement of out-of-pocket expenses, for volunteers under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 5044(f)(1), 42 U.S.C. 5058), are excluded from income except that the exclusion shall not apply in the case of such payments when the Chief Executive Officer of the Corporation for National and Community Service appointed under 42 U.S.C. 12651c determines that the value of all such payments, adjusted to reflect the number of hours such volunteers are serving, is equivalent to or greater than the minimum wage then in effect under the Fair Labor Standards Act of 1938 (29 U.S.C. 201 et seq.) or the minimum wage, under the laws of the State where such volunteers are serving, whichever is the greater (42 U.S.C. 5044(f)(1)). *This exclusion also applies to assets.*

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**Note | This corrects an exception to payments, including for supportive services and reimbursement of out-of-pocket expenses, for volunteers under the Domestic Volunteer Service Act of 1973.**

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(3) Certain payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(c)). *This exclusion also applies to assets.*

(4) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 5506). *This exclusion also applies to assets.*

(5) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f)(1)). *This exclusion also applies to assets.*

(6) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L. 94–540, section 6). *This exclusion also applies to assets.*

(7) The first \$2000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U.S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first \$2000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. This exclusion does not include proceeds of gaming operations regulated by the Commission (25 U.S.C. 1407–1408). *This exclusion also applies to assets.*

(8) Amounts of student financial assistance funded under title IV of the Higher Education Act of 1965 (20 U.S.C.1070), including awards under Federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu).

For section 8 programs only (42 U.S.C. 1437f), any financial assistance in excess of amounts received by an individual for tuition and any other required fees and charges under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall not be considered income to that individual if the individual is over the age of 23 with dependent children (Pub. L. 109–115, section 327) (as amended)

(9) Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056g).

(10) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund (Pub. L. 101–201) or any other fund established pursuant to the settlement in In Re Agent Orange Product Liability Litigation, M.D.L. No. 381 (E.D.N.Y.). *This exclusion also applies to assets.*

(11) Payments received under the Maine Indian Claims Settlement Act of 1980 (Pub. L. 96–420 section 9(c)). *This exclusion also applies to assets.*

(12) The value of any childcare 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).

(13) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, for programs administered under the United States Housing Act of 1937, title V of the Housing Act of 1949, section 101 of the Housing and Urban Development Act of 1965, and sections 221(d)(3), 235, and 236 of the National Housing Act (26 U.S.C. 32(l)). *This exclusion also applies to assets.* Please note: While this income exclusion addresses EITC refund payments for certain HUD programs, the exclusion in 26 U.S.C. 6409 excludes Federal tax refunds more broadly for any Federal program or under any State or local program financed in whole or in part with Federal fund.

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**Note | This is a provision that applies only to specific HUD programs.**

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(14) The amount of any refund (or advance payment with respect to a refundable credit) issued under the Internal Revenue Code is *excluded from income and assets* for a period of 12 months from receipt (26 U.S.C. 6409).

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**Note | This adds the amount of any refund (or advance payment for a refundable credit) issued under the Internal Revenue Code is excluded from income and assets for 12 months from receipt.**

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(15) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of the Yakima Indian Nation or the Apache Tribe of the Mescalero Reservation (Pub. L. 95–433 section 2). *This exclusion also applies to assets.*

(16) Allowances, earnings and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637(d)).

(17) Any allowance paid to children of Vietnam veterans born with spina bifida (38 U.S.C. 1802–05), children of women Vietnam veterans born with certain birth defects (38 U.S.C. 1811–16), and children of certain Korean and Thailand service veterans born with spina bifida (38 U.S.C. 1821–22) is *excluded from income and assets* (38 U.S.C. 1833(c)).

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**Note | This adds allowance paid to children of certain Thailand service veterans born with spina bifida.**

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(18) Any amount of crime victim compensation that provides medical or other assistance (or payment or reimbursement of the cost of such assistance) under the Victims of Crime Act of 1984 received through a crime victim assistance program, unless the total amount of assistance that the applicant receives from all such programs is sufficient to fully compensate the applicant for losses suffered as a result of the crime (34 U.S.C. 20102(c)). *This exclusion also applies to assets.*

(19) Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 reauthorized as the Workforce Innovation and Opportunity Act of 2014 (29 U.S.C. 3241(a)(2)).

(20) Any amount received under the Richard B. Russell School Lunch Act (42 U.S.C. 1760(e)) and the Child Nutrition Act of 1966 (42 U.S.C. 1780(b)), including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC). *This also applies to assets.*

(21) Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990 (Pub. L. 101–503 section 8(b)). *This exclusion also applies to assets.*

(22) Payments from any deferred U.S. Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts (42 U.S.C. 1437a(b)(4));

(23) Any amounts (i) not actually received by the family, (ii) that would be eligible for exclusion under 42 U.S.C. 1382b(a)(7), and (iii) received for service-connected disability under 38 U.S.C. chapter 11 or dependency and indemnity compensation under 38 U.S.C. chapter 13 (25 U.S.C. 4103(9)(C)) as provided by an amendment by the Indian Veterans Housing Opportunity Act of 2010 (Pub. L. 111–269 section 2) to the definition of income applicable to programs under the Native American Housing Assistance and Self Determination Act (NAHASDA) (25 U.S.C. 4101 et seq.)

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**Note | This corrects the exclusion of income applicable to programs under the Native American Housing Assistance and Self Determination Act (NAHASDA) to more accurately capture the language of 25 U.S.C. 4103(9). This is a provision that applies only to specific HUD programs.**

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(24) A lump sum or a periodic payment received by an individual Indian pursuant to the Class Action Settlement Agreement in the case entitled *Elouise Cobell et al. v. Ken Salazar et al.*, 816 F.Supp.2d 10 (Oct. 5, 2011 D.D.C.), for a period of one year from the time of receipt of that payment as provided in the Claims Resolution Act of 2010 (Pub. L. 111–291 section 101(f)(2)). *This exclusion also applies to assets.*

(25) Any amounts in an “individual development account” are *excluded from assets* and any assistance, benefit, or amounts earned by or provided to the individual development account are *excluded from income*, as provided by the Assets for Independence Act, as amended (42 U.S.C. 604(h)(4)).

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**Note | This corrects that any assistance, benefit, or amounts earned by or provided to the individual development account are excluded from income, as provided by the Assets for Independence Act, as amended.**

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(26) Per capita payments made from the proceeds of Indian Tribal Trust Settlements listed in IRS Notice 2013–1 and 2013–55 must be *excluded from annual income* unless the per capita payments exceed the amount of the original Tribal Trust Settlement proceeds and are made from a Tribe’s private bank account in which the Tribe has deposited the settlement proceeds. Such amounts received in excess of the Tribal Trust Settlement are included in the gross income of the members of the Tribe receiving the per capita payments as described in IRS Notice 2013–1. The first \$2,000 of per capita payments are also *excluded from assets* unless the per capita payments exceed the amount of the original Tribal Trust Settlement proceeds and are made from a Tribe’s private bank account in which the Tribe has deposited the settlement proceeds (25 U.S.C. 117b(a), 25 U.S.C. 1407).

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**Note | This corrects that the first \$2,000 of per capita payments are also excluded from assets unless the per capita payments exceed the amount of the original Tribal Trust Settlement proceeds and are made from a Tribe’s private bank account in which the Tribe has deposited the settlement proceeds.**

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(27) Federal assistance for a major disaster or emergency received by individuals and families under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Pub. L. 93–288, as amended) and comparable disaster assistance provided by States, local governments, and disaster assistance organizations (42 U.S.C. 5155(d)). This exclusion *also applies to assets*.

(28) Any amount in an Achieving Better Life Experience (ABLE) account, distributions from and certain contributions to an ABLE account established under the ABLE Act of 2014 (Pub. L. 113–295.), as described in Notice PIH 2019–09/H 2019–06 or subsequent or superseding notice is *excluded from income & assets*.

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**Note | This adds the value of, distributions from, and certain contributions to Achieving Better Life Experience (ABLE) accounts established under the ABLE Act of 2014.**

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(29) Assistance received by a household under the Emergency Rental Assistance Program pursuant to the Consolidated Appropriations Act, 2021 (Pub. L. 116–260, section 501(j)), and the American Rescue Plan Act of 2021.

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**Note | This adds assistance received by a household from payments made under the Emergency Rental Assistance Program under the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021.**

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**HOTMA Update 2024!** The below merges still-current guidance from the HUD 4350.3 Handbook with new HOTMA-based rules.

## HUD SAYS Employment Income is...

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

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

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

When a family member’s wages or benefits are garnished, levied, or withheld to pay restitution, child support, tax debt, student loan debt, or other applicable debts, owners/managers must use the gross amount of the income, before the reduction, to determine a family’s annual income.

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

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

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

**EXAMPLE****A change in anticipated employment**

A household lists on their application that their employer has informed them of a raise that will occur six weeks after the household will move in. This is verified with the employer and the raise used when calculating income based on their paystubs, which indicate an average of 40 hours a week. The manager performs the following calculation:

Hourly rate at move-in	\$7.50 per hour
Rate after 6 weeks	\$8.00 per hour
<b>6 weeks x 40 hours x \$7.50 =</b>	<b>\$ 1,800</b>
<b>46 weeks x 40 hours x \$8.00 =</b>	<b>\$14,720</b>
<b>Annual Income</b>	<b>= \$16,520</b>

**Important lessons from the above:**

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

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

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

**EXAMPLE**

**A Sample YTD Annualization Method**

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

**According to the employment verification:**

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

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

**EXAMPLE**

**Gross employment income**

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

**YES**

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

**EXAMPLE**

**Semi-monthly vs. bi-weekly pay**

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

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

**Qualified?**

Donna:  $\$1000 \times 24 = \$ 24,000$  **YES**

Kya:  $\$1000 \times 26 = \$ 26,000$  **NO**

## HUD SAYS Self-Employment Income is...

**“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 IRS regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the household.”**

This is a specific time that NET income is used and includes when a person owns a business or is a contract laborer. Annualize self-employment based on information collected from the following documents, in order of preference (as applicable):

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

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

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

**Question:** Can a resident use their unit for business purposes? A household member wants to do bookkeeping in one of the bedrooms in her unit. What if she claims business use of the unit on her tax returns?

**Answer:** For a tax credit project the answer is, yes. A household member may run a business out of a unit, if it remains their primary residence, even if they claim part of the unit on their taxes.

For a HOME project, information contained in the HUD 4350.3 Rev-1 Chg-4 in Chapter 6-9, discusses tenant’s conducting “incidental business,” such as computer work, limited babysitting, etc. within their unit as allowed and goes on to outline rules that should be contained in the properties House Rules to govern the usage of a unit that may also be used for incidental business purposes. IFA should be consulted if there is any question about whether a proposed “business” being run in a HOME unit would be considered incidental (secondary to use as a residence), or primary use in nature.



### Things to watch for on a Schedule C

Note: line numbers may change from year to year

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

<b>H</b>	If you started or acquired this business during 2012, check here . . .
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Make sure to include any wages or contract labor listed on the schedule C that owner paid to him or herself or any other household member. (Line items 11 and 26)

<b>11</b>	Contract labor (see instructions)	<b>11</b>	
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<b>26</b>	Wages (less employment credits)	<b>26</b>	
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Make sure that if depreciation is listed, clarification is obtained to demonstrate what method of depreciation was applied. If an accelerated depreciation method was used, the household must provide an accountant’s calculation of depreciation using the straight-line method. The net income should then be determined using the expense based on the straight-line method. (Line item 13)

<b>13</b>	Depreciation and section 179 expense deduction (not included in Part III) (see instructions)	<b>13</b>		
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<b>31</b>	<b>Net profit or (loss).</b> Subtract line 30 from line 29.
	• If a profit, enter on both Form 1040, line 12 (or Form 1040NR, line 13) and on Schedule S (If you checked the box on line 1, see instructions). Estates and trusts, enter on Form 1041, line

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

#### EXAMPLE

##### Self-employment: Business losses

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

John’s self-employment	\$ 0
John’s wife	<u>\$34,560</u>
<b>Total</b>	<b>\$34,560</b>

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

#### EXAMPLE

##### Self-employment: Partial year business income

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

$$\$4,000 \text{ (net income from half of last year)} \times 2 = \$8,000$$

### Income Statement

Name: Ellie's Creations  
Time Period: January 1, 2019 through March 31, 2019

Financial Statements in U.S. Dollars

Revenue	
Gross Sales	\$ 12,000
Less: Sales Returns and Allowances	
<b>Net Sales</b>	<b>\$ 12,000</b>
Cost of Goods Sold	
Beginning Inventory	\$ 3,000
Add: Purchases	\$ 100
Freight-in	
Direct Labor	
Indirect Expenses	\$ 500
Inventory Available	\$ 3,600
Less: Ending Inventory	
<b>Cost of Goods Sold</b>	<b>\$ 3,600</b>
<b>Gross Profit (Loss)</b>	<b>\$ 8,400</b>
Expenses	
Advertising	\$ 60
Licenses and Fees	\$ 100
Miscellaneous	\$ 100
Supplies	\$ 600
Vehicle Expenses	\$ 200
Wages	\$ 5,000
<b>Total Expenses</b>	<b>\$ 6,060</b>
<b>Net Operating Income</b>	<b>\$ 2,340</b>
<b>Net Income (Loss)</b>	<b>\$ 2,340</b>

### EXAMPLE

#### Self-employment: New business

Ellie applies to Alpine Manor and reports that she receives social security, but also has started new business creating high end custom artwork. She has not yet filed her income taxes but has created an income statement in order to apply for a small business loan.

In addition to her monthly SS payment of \$760, she was able to pay herself a quarterly salary and reported net income in the amount of \$2,340 for the quarter.

Her income calculation would be:

Social Security	\$760 x 12	\$ 9,120
Salary	\$5,000 x 4	\$20,000
Net Income	\$2,340 x 4	<u>\$ 9,360</u>
<b>Total</b>		<b>\$38,480</b>

**HUD SAYS Social Security & Other Benefit Income is...**

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

- Keep the following guidelines in mind when it comes to social security income. (SS) and supplemental security income (SSI) benefits:
- Count gross amounts BEFORE Medicare or any garnishments are taken out.
  - Delayed SS and SSI payments are not counted as income (this also applies to VA benefits).
  - Count AFTER adjustments for past overpayments (also applies to FIP (TANF) and unemployment)
  - Be aware of the Cost-of-Living Adjustment (COLA) which will be announced each year (although there may not always be an increase given). This is typically announced in October and a person begins receiving it either December 1<sup>st</sup> of the current year or January 1<sup>st</sup> of the upcoming year. Once the COLA is announced, income for SS recipients who have recently been approved, but have not moved in, will need to have their income eligibility re-examined to ensure that they are still income eligible.

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

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

- If there is no “lump sum” that can be cashed in, with periodic payments as the only option, it is income.
- If the household can cash in the lump sum amount of the annuity, then it is an asset (see asset section for further details).

### IFA SUGGESTS

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

### EXAMPLE

#### Social Security Income

##### Adjustment for prior overpayment

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

##### Delayed benefits

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

**HUD SAYS Payments in Lieu of Earnings Income is...**

“Payments in lieu of earnings, such as unemployment, disability compensation, ... and severance pay.”

Unemployment compensation may always be extended and is never considered “nonrecurring” income. It is always counted even if it is anticipated to end during the coming year. It must be annualized unless a future job that will replace the unemployment benefits is verified via a third party.

**EXAMPLE****Unemployment Benefit Income**

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

$$\$125 \times 52 \text{ weeks} = \$6,500 \text{ per year.}$$

**HUD SAYS Welfare Assistance Income is...**

“Welfare assistance received by the household.”

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

**EXAMPLE****Welfare benefit income**

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

$$\$450 \times 12 = \$5,400$$

Note: the value of food stamps is not counted.

## HUD SAYS Periodic Allowance Income is...

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

### 1. Cash and Non-Cash Contributions

ALL periodic cash and non-cash contributions (such as rent and utility payments paid on behalf of the household) to the household are counted as income except:

- a. Food groceries given to the household (NOT money to buy groceries).  
As we will discuss later in this chapter when covering exclusions to income, many sources of food for low-income families are excluded from income per HUD rules. Examples include food stamps, the WIC programs, and meals on wheels. Similarly, periodic contributions of groceries to a household are excluded.
- b. Childcare paid directly to the care provider on behalf of the household.
- c. Non-monetary in-kind donations (such as clothing and toiletries) from a food bank or a similar charitable organization.

### 2. Alimony and Child Support

**HOTMA Update 2024!** Annual income includes “all amounts received.” In many cases, alimony and/or child support has been ordered but is not being paid. A family’s child support or alimony income must be based on payments actually received, not the amounts to which the family is entitled by court order.

#### EXAMPLE

##### Child support

Bob was court-ordered to receive child support of \$940 a month. His ex-wife has paid sporadic amounts every month, but Bob has not pursued the case through child support enforcement. A printout from the enforcement agency shows the following payments, and the manager calculates income accordingly.

Jan:	\$ 1,004	
Feb:	\$ 450	
Mar:	\$ 450	<b>\$ 3,664 ÷ 6 x 12 = \$ 7,328</b>
Apr:	\$ 200	
May:	\$ 960	
Jun:	\$ 600	
<b>Total</b>	<b>\$3,664</b>	

#### EXAMPLE

##### Alimony

Marcia was court-ordered to receive alimony of \$800 a month. Her ex-husband has not been paying his alimony, and Marcia has made no efforts to pursue collection of the arrears. No income is counted.

To provide this information, proof of payment such as a printout from DHS can be gathered. An average of amounts received must be counted.

**EXAMPLE**

**Cash and non-cash contributions from outside the household**

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

Utility payment	\$120 x 12 =	\$ 1,440
Money for groceries	\$200 x 52 =	\$10,400
Clothes	\$ 50 x 12 =	\$ 600
<b>Total</b>		<b>\$12,440</b>

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

**HUD SAYS Military Pay Income is...**

**“All regular pay, special pay, and allowances of a member of the Armed Forces, except...the special pay to a family member serving in the Armed Forces who is exposed to hostile fire.”**

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

**EXAMPLE**

**Military pay**

Mary is in the military. She receives a total of \$2,200 a month, **which includes hazardous duty pay** (duties deemed more dangerous than others for which the military offers special incentive pay) of \$300. What is her total income from the military for tax credit purposes?

**\$2,200 x 12 = \$26,400**

Note: Only hostile fire pay is excluded from the types of military allowances, incentives, bonuses and special pay that are available to service personnel.

## HUD SAYS Student Financial Assistance Income is..

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

**HOTMA Update 2024!** Before HOTMA, for households not receiving Section 8 assistance, any scholarships or grants were excluded as income while assistance income was counted for Section 8 recipients. HOTMA introduced a new way to calculate student assistance income. Eventually, it is expected that all households will apply the HOTMA student assistance rules. However, language in HUD annual appropriations bills for recent years present a different rule for Section 8 recipients. Until the appropriations language changes, HUD has opted to continue to follow the former student assistance rules for households receiving Section 8 assistance (project-based or Housing Choice Vouchers). The new HOTMA student assistance rules apply to every other household.

If and when the involved appropriations language is removed from HUD funding bills, all households will follow the new HOTMA rule. Owners/agents should watch for this development when it is announced by HUD. The primary differences between the Section 8 and HOTMA student assistance approaches are how the Higher Education Act of 1965 (HEA) assistance and money from private sources (such as parents and grandparents) are counted. Under HOTMA, HEA assistance is not counted as income, and money from private sources is gift income, not student assistance.

[Student Assistance for Section 8 Recipients \(while certain HUD annual Appropriations Act language exists\).](#)

As stated above, student financial assistance for Section 8-assisted households includes

**Note:** this will not apply for any year that HUD appropriations bills remove this approach. Once the language is removed, the HOTMA Non-Section 8 approach will apply to all households (see below).

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

Generally, for LIHTC and HOME households, student financial assistance is counted per the HOTMA student assistance rules. However, there is an exception for LIHTC households (with or without HOME) that receive Section 8 rental assistance while the HUD Appropriations Act language is in place.

If the household is in an LIHTC unit (with or without HOME) and is receiving Section 8 rental assistance (through a Section 8 Housing Choice Voucher or project-based Section 8), income is counted differently.

This makes it an important compliance matter to ask a household in an LIHTC unit if they are receiving or anticipate receiving Section 8 assistance.

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

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

All amounts of student assistance more than total student actual covered costs are counted as income. Student loans are not considered student assistance and are never counted as income. Total student actual covered costs include all the costs a student must pay to attend school, such as tuition and other fees, room and board, course books, etc. These are the same as actual covered costs in the non-Section 8-assisted HOTMA student assistance rule.

**HOME-Only. HOTMA Update 2024!** For HOME units (with or without LIHTC funding), the same student financial assistance rules apply as the LIHTC.

**EXAMPLE**

**Student Financial Assistance Section 8 Recipient | Counted**

Tomas is 21 years old and lives in an LIHTC unit with his dependent son Remy. They have rent assistance through a Section 8 Housing Choice Voucher. Tomas goes to school part-time. His tuition is \$5,500 a year and required lab fees are \$1,000 annually. He has no other student covered costs Tomas’ grandparents pay \$10,000 a year toward his tuition and other school expenses. What student financial assistance will be counted?

<b>Student assistance</b>	<b>\$ 10,000</b>
<b>Tuition</b>	<b>\$ 6,500</b>
<b>Total</b>	<b>\$ 3,500</b>

Tomas is not over age 23. Even with a dependent in his household, he must also meet the age requirement. He does not meet an exception and must have some of his student assistance counted. If he had met the exception, the HOTMA non-Section 8 student assistance rule would have been applied

[Student Financial Assistance for Non-Section 8 Recipients \[HOTMA\]](#)

Assistance from section 479B of the Higher Education Act of 1965 (HEA) is excluded from a family's income. Note that assistance from the HEA may be partially counted as student assistance for Section 8 assistance recipients while certain HUD appropriations language exists (see above).

Below is a list of HEA Title IV programs. There may be additional sub-programs:

**Grants to Students in Attendance at Institutions of Higher Education**

- Federal Pell Grants
- Federal early outreach and student services programs
  - Federal TRIO Programs
  - Gaining Early Awareness and Readiness for Undergraduate Programs



- Model Program Community Partnership and Counseling Grants
- National Student Savings Demonstration Program
- Federal supplemental educational opportunity grants
- Leveraging Educational Assistance Partnership program
- Special programs for students whose families are engaged in migrant and seasonal farmwork
- Robert C. Byrd Honors Scholarship Program
- Childcare access means parents in school
- Teach grants
- Scholarships for veteran’s dependents

**Federal Family Education Loan Programs****Federal Work-Study Programs****William D. Ford Federal Direct Loan Program****Federal Perkins Loans****Higher Education Relief Opportunities for Students**

Note that the following was added effective July 1, 2024

**Section 134 of the Workforce Innovation and Opportunity Act (WIOA).**

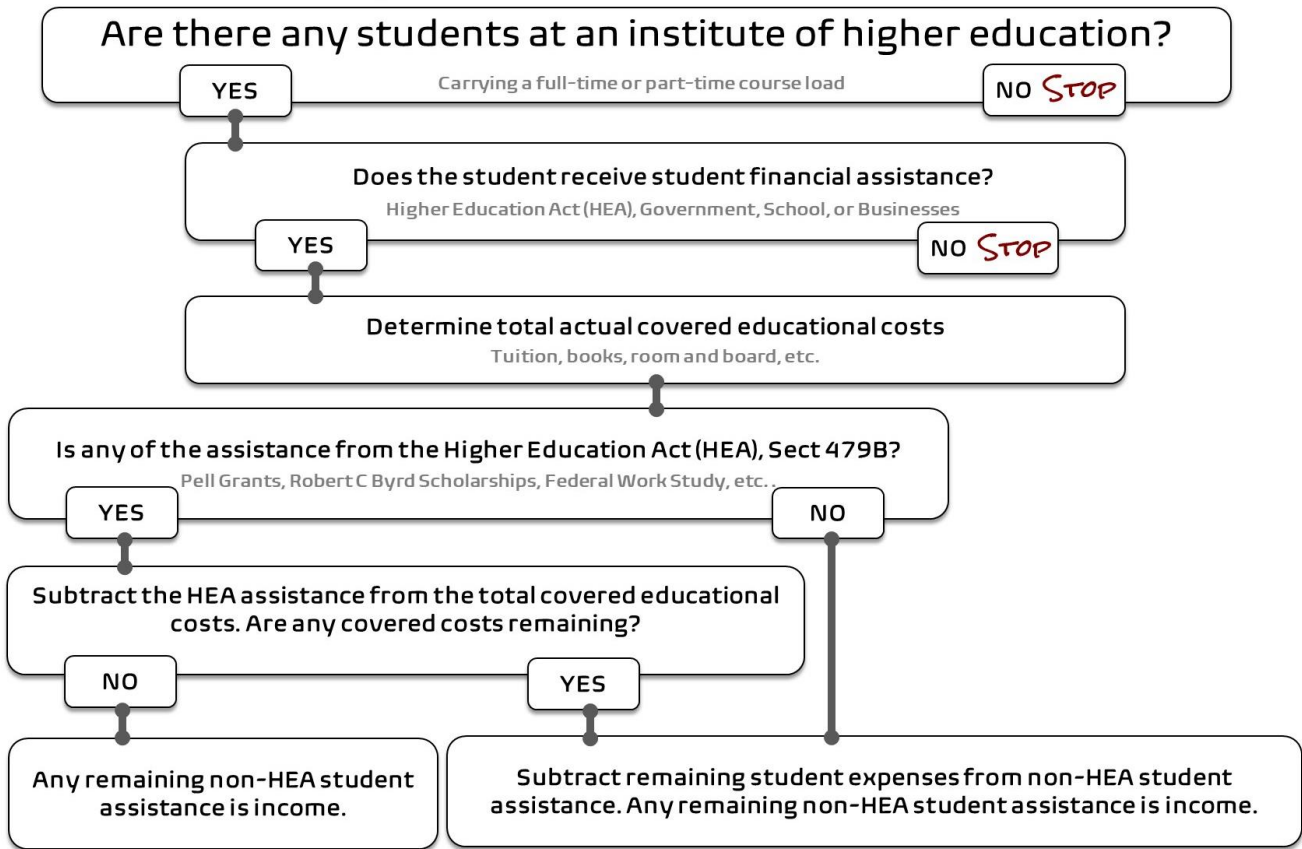
This includes income earned in employment and training programs including workforce investment activities for adults and workers dislocated as a result of permanent closure or mass layoff at a plant, facility, or enterprise, or a natural or other disaster that results in mass job dislocation, to assist such adults or workers in obtaining reemployment as soon as possible.

Other non-HEA student assistance for purposes of the HOTMA student assistance rule may come from the Federal government, a State, Tribe, or local government, a private nonprofit foundation, a business, or an institution of higher education. It may be paid directly to the student or the educational institution on the student's behalf. Student financial assistance paid to the student must be verified with the entity responsible for the assistance. ***Student assistance does NOT include*** financial support provided to the student in the form of a fee for services performed (such as any work-study or teaching fellowship that is not from the HEA of 1965) which is counted as income. It also does not include gifts, including gifts from private sources such as family or friends. ***Note that assistance from private sources is counted as student assistance for Section 8 assistance recipients while certain HUD appropriations language exists (see above).***

Non-HEA student assistance is excluded to the extent that it covers tuition, books, and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and other fees required and charged to a student by an institution of higher education. It is counted as income if it exceeds these costs.

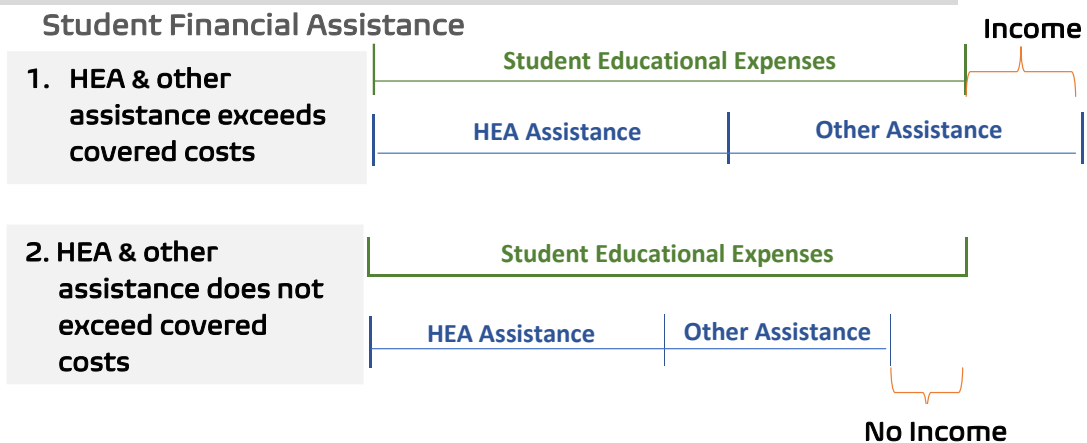
Important note: although HEA assistance is not counted as income, it is subtracted to covered student expenses FIRST to determine if any remaining assistance exceeds the remainder of the covered costs. If there is an excess, the remaining student assistance is income.

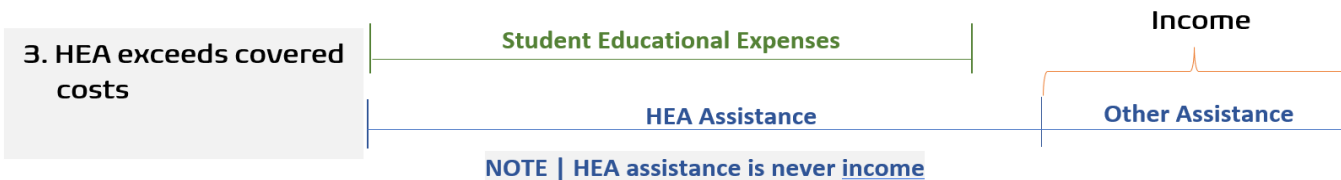
# Flow Chart Student Income Non-Sec. 8



Note: this will not apply to Section 8 assistance recipients for any year that HUD appropriations bills dictate this. Once the language is removed, the HOTMA Non-Section 8 approach will apply to all households.

## Charts





**EXAMPLE**

**Student Assistance | Section 8 vs. Non-Section 8 Households**

A household pays for school in the following ways.

A Pell Grant	\$ 10,000
A scholarship from a local business	\$ 6,000
Parents outside the household	\$ 20,000
Paid in semester installments	
Total covered education costs	\$29,000.

Section 8-assisted household income is \$ 7,000

- The student costs minus all three types of income leaves \$ 7,000
- Non-Sec 8 household income is \$ 0 student assistance & gift income \$20,000

**Student costs exceed assistance, but the gift income is counted.**

**EXAMPLE**

**Student Assistance | HEA Assistance Exceeds Expenses**

A non-Section 8 assisted household has the following assistance.

A Pell Grant	\$12,000
A scholarship from a local business	\$ 6,000
Covered education costs	\$10,500

\$6,000 of the scholarship is counted as income.

**As the HEA Pell assistance covers the entire covered costs, the entire scholarship is income.**

**EXAMPLE**

**Student Assistance | Expenses Exceed HEA Assistance**

A non-Section 8-assisted household has these forms of student financial assistance.

A Pell Grant	\$12,000
A scholarship from a local business	\$ 6,000
Covered education costs	\$15,000.

\$3,000 of the scholarship is counted as income.

**The HEA Pell assistance and \$3,000 of the scholarship cover the expenses. The remaining \$3,000 is income.**

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

Income from Assets

**HOTMA Update 2024!** How assets and asset income is treated has changed in many ways with HOTMA.

There are three types of assets under HOTMA, as shown in the below chart.

Type of Asset	How Value is Treated	How any income is treated
1. Necessary Personal Property	Excluded	Excluded
2. Non-necessary Personal Property (NNPP)		
- If all NNPP totals \$50,000 (as adjusted) or less	Excluded	Included
- Exceeding \$50,000	Included	Included
3. Real Property	Included	Included

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

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

An asset has a “market” value and a “total net” or “cash” value.

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

Necessary vs. Non-Necessary Personal Property

Necessary items of personal property are part of normal life and the use of an apartment. Non-necessary personal property includes financial accounts and luxury items or investments. Determining what is necessary under this rule depends heavily on the use. For instance, a vehicle for daily transport to jobs, school, and appointments is considered *necessary* personal property. On the other hand, vehicles that are recreational (such as RVs or ATVs) or investments (an antique car) are non-necessary.

*Examples of necessary and non-necessary personal property.*

Necessary Personal Property	Non-Necessary Personal Property
<ul style="list-style-type: none"> <li>• Car(s)/vehicle(s) that a family relies on for transportation for personal or business use (e.g., bike, motorcycle, skateboard, scooter)</li> <li>• Furniture, carpets, linens, kitchenware</li> <li>• Common appliances</li> <li>• Common electronics (e.g., radio, television, DVD player, gaming system)</li> <li>• Clothing</li> <li>• Personal effects that are not luxury items (e.g., toys, books)</li> <li>• Wedding and engagement rings</li> <li>• Jewelry used in religious/cultural celebrations and ceremonies</li> <li>• Religious and cultural items</li> <li>• Medical equipment and supplies</li> <li>• Health care–related supplies</li> <li>• Musical instruments used by the family</li> <li>• Personal computers, phones, tablets, and related equipment</li> <li>• Professional tools of trade of the family, for example professional books</li> <li>• Educational materials and equipment used by the family, including equipment to accommodate persons with disabilities</li> <li>• Equipment used for exercising (e.g., treadmill, stationary bike, kayak, paddleboard, ski equipment)</li> </ul>	<ul style="list-style-type: none"> <li>• Recreational car/vehicle not needed for day-to-day transportation (campers, motorhomes, travel trailers, all-terrain vehicles (ATVs))</li> <li>• Bank accounts or other financial investments (e.g., checking account, savings account, stocks/bonds)</li> <li>• Recreational boat/watercraft</li> <li>• Expensive jewelry without religious or cultural value, or which does not hold family significance</li> <li>• Collectibles (e.g., coins/stamps)</li> <li>• Equipment/machinery that is not used to generate income for a business</li> <li>• Items such as gems/precious metals, antique cars, artwork, etc.</li> </ul>

**NOTE:** Actual Income from an asset where there is an interest rate is based on the **market** value. Total net value is used for several asset rule thresholds (as discussed later in this chapter).

If the value of net family assets exceeds \$50,000 (which amount HUD will adjust annually per the Consumer Price Index for Urban Wage Earners and Clerical Worker) and the actual returns from a given asset cannot be calculated, imputed returns on the asset are based on the current savings rate, as determined by HUD yearly.

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

### Assets Owned Jointly

If more than one person owns an asset, its value may be pro-rated based on the percentage of ownership. For example, if verification indicates that an asset is jointly owned by two individuals, one who does not live in the unit, typically the full value is counted to the resident of the unit, unless pro-rated ownership of the asset can be verified.

The above is important to document, because just because a household member has their name on an account does not mean that they truly “own” it. For example, adult children may be on their parent’s checking account for survivorship purposes. To help establish who owns such assets, gather documentation to establish answers to the following questions.

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

#### EXAMPLE

##### Jointly held assets

Nick and his spouse, Erin, jointly own a piece of real estate with a value of \$80,000. Nick applies to live at Marble Acres Estates. During the application process, the manager determines that Erin is permanently confined to a nursing home and that Nick has decided not to include Erin as part of the household. Nick cannot provide proof of pro-rated ownership or that he cannot sell the asset without Erin’s permission. What amount should the manager count for the real estate?

**\$80,000**

Two people jointly own this asset. Without further proof of more specific prorated ownership, the full asset value is counted to the household.

### Asset Exclusions... [The 11 Exclusions]

Since HOTMA, HUD rules focus on assets that are excluded. If not on the list of exclusions, an asset is counted. The list of asset exclusions is found in HUD regulation 24 CFR § 5.603, *definition “Net Family Assets.”*

Below is the list of assets that are excluded from the calculation of net family assets:

**Note | The asset type unchanged by HOTMA is indicated in this font.**

- (1) The value of **necessary items of personal property**.
- (2) The combined value of all **non-necessary items of personal property** if the combined total value does not exceed \$50,000 (adjusted for inflation based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)).

- (3) The value of any account under a **retirement plan recognized as such by the Internal Revenue Service**, including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals.
- (4) The value of **real property that the family does not have the effective legal authority to sell** in the jurisdiction in which the property is located.
- (5) Any **amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty** owed to a family member arising out of law, **that resulted in a family member being a person with a disability.**
- (6) The value of any **Coverdell education savings account** under section 530 of the Internal Revenue Code of 1986, the value of any qualified tuition program under **section 529** of such Code, the value of any **Achieving a Better Life Experience (ABLE) account** authorized under Section 529A of such Code, and the **value of any “baby bond” account** created, authorized, or funded by Federal, State, or local government.

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**Note | According to HUD, baby bonds are “money held in trust by the government for children until they are adults.” These “are being authorized in various States and localities in an effort to combat the wealth gap and address systemic poverty.”**

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- (7) *Interests in Indian trust land.*
- (8) Equity in a manufactured home where the family receives assistance under 24 CFR part 982.
- (9) Equity in property under the Homeownership Option for which a family receives assistance under 24 CFR part 982.

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**Note | The above two provisions relate to Housing Choice Vouchers that assist manufactured and other homeowners.**

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- (10) Family Self-Sufficiency Accounts.

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**Note | FSS is a program that enables HUD-assisted families to increase their earned income and reduce dependency on welfare assistance and rental subsidies. Goals are set that a family must work toward to graduate from the program. An interest-bearing escrow account is established by the PHA for each participating family. Any increases in the family’s rent as a result of increased earned income during the family’s participation in the program result in a credit to the family’s escrow account. Once a family graduates from the program, they may access the escrow and use it for any purpose.**

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- (11) Federal tax refunds or refundable tax credits for a period of 12 months after receipt by the family.

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**Note | The HOTMA Joint Implementation Notice 2023-10 F.4.e [as updated in February 2024] instructs us to subtract the value of any tax return that a household has received in the last 12 months from total net assets.**

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**HOTMA Update 2024!** The below merges still-current guidance from the HUD 4350.3 Handbook with new HOTMA-based rules.

## HUD SAYS Cash, Checking & Savings...

“Cash held in savings and checking accounts, safe deposit boxes, debit cards, homes, etc.”

### Bank Accounts

- For savings and checking accounts, the current balance is used to determine cash value.

### Debit Cards

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

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

The balance can be obtained from:

- An ATM
- Through online account services
- Paper statements

The verification document must identify the account and the account holder. If the total household non-necessary personal property does not exceed \$50,000, no value will be assigned to any of the non-necessary personal property assets, but any actual income will be added to household income (see the section below on imputing asset income for further details). If the total net value of all assets exceeds \$50,000, any assets for which income cannot be determined will have income imputed at the current HUD Passbook Rate. The rate can be found in an annual HUD Notice and on the HUD website.

### EXAMPLE

#### Checking and savings

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

$$\mathbf{\$450 + \$120 + \$200 = \$770}$$



## HUD SAYS Trusts Under Control of the Household...

“Include the cash value of any trust that is under control of the household.”

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

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

When the creator of a non-revocable trust establishes the trust, it is no longer accessible to them or anyone. It is not a current asset. It is also not considered an asset disposed of for less than fair market value. See the sections below in this chapter on assets disposed of and imputing asset income for further details. If a trust is established that is revocable, it is accessible to someone, but the person(s) in control may not be the beneficiary household. It is who controls the revocable asset, not the fact that it is revocable, that determines if it is an asset to a household.

When an asset is ***under the control*** of the household, they can access the balance and make withdrawals. The trust is counted as an asset and Income is counted as it is generated, like any other asset. Any withdrawals are not counted as income. When a trust is ***outside the control*** of the household, it is not an asset. Any distributions the household receive are income except that 1) any distributions from the principal balance of the trust and 2) any amount distributed to pay the medical expenses of a minor in the household are excluded. **Note:** since HOTMA, all trusts are handled using the above rules, including special needs trusts for persons with disabilities.

### DEFINITIONS

#### Trust terminology

When reading trust documents or asking questions of a trust administrator, the following terms will be useful in establishing how to value and count income for the trust:

#### ***Revocable***

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

#### ***Creator or grantor***

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

#### ***Beneficiary***

The person that the trust is set up to benefit.

**EXAMPLE****Trust | The Applicant/Tenant is the Trust Beneficiary**

Diego is 19 and applies for a unit. He lists a trust as an asset on his application. The owner/manager secures the trust documentation. Diego is the beneficiary of the trust, which was created by his grandparents. It is worth \$579,000. According to the terms of the trust, he will not have access to any balance of the trust until he reaches age 30. He does receive \$550 a month **from the income generated by the trust** until age 30. What are the asset value and annual income that must be counted for this trust to Diego?

**\$0 and \$6,600 (\$550 x 12)**

**As he has no access to the trust, it is not an asset.**

**The monthly payments from the trust income are counted**

**EXAMPLE****Trust | The Applicant/Tenant is the Trust Creator**

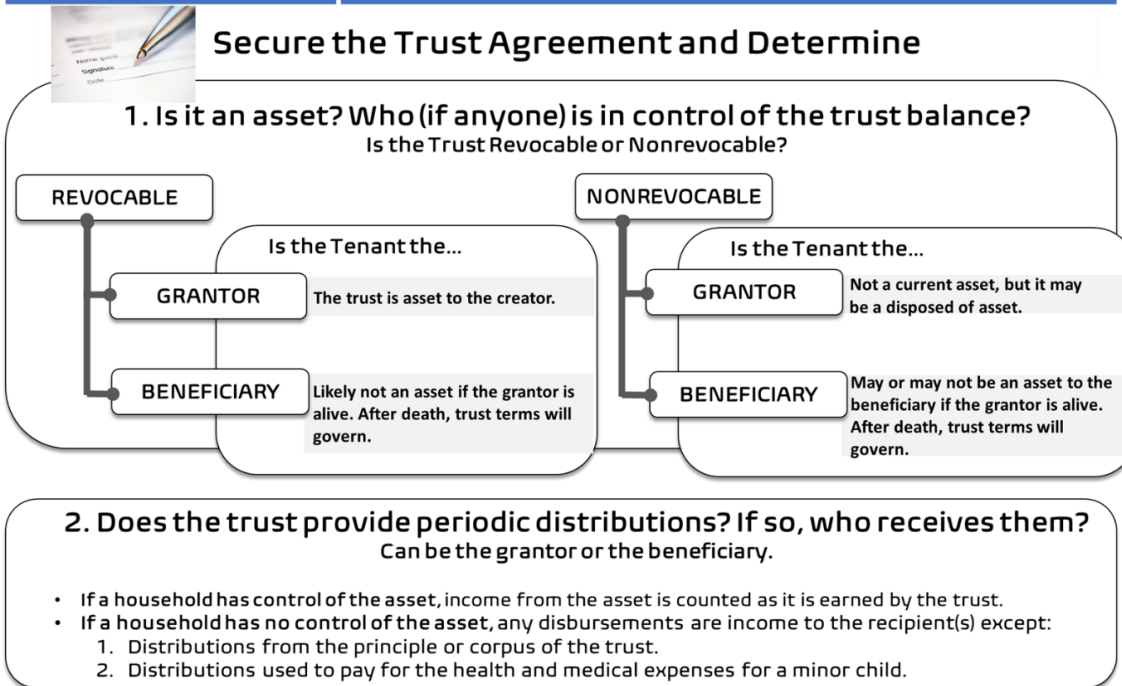
Miquel and Sara are Diego's (from above) grandparents, and they apply for a unit. They also list the trust as an asset on their application. The owner/manager secures the trust documentation. They created the trust 18 months before the anticipated move-in date. The trust is irrevocable and is worth \$579,000. They retained no access to any balance and are not getting any periodic amounts from the trust. What is the asset value that must be counted for Miquel and Sara?

**\$579,000**

**The amount put into an inaccessible trust is counted as a disposed-of asset for 24 months, which continues 6 months after move-in.**

Income will be pro-rated and imputed at the current passbook savings rate for 6 months after move-in (see the header on disposed of assets, below).

## Flow Chart Trusts



**HUD SAYS Equity in Real Property...**

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

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

<b>Determining Real Estate:</b>	
<u>Value</u>	<u>Annual Income</u>
Fair Market Value	Annual rental payments
- Outstanding mortgage principal	- Annual mortgage interest payments
- Cost to sell =	- Other allowed expenses* =
<b>Cash Value</b>	<b>Annual Net Income</b>
	*: Taxes, insurance, maintenance (or other tax form schedule E costs)



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

HOTMA requires that the state legal definition of real property be used. In Iowa, this definition, as amended, can be found in Iowa Codified Law Chapter 427A.

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

**EXAMPLE**

**Real estate value and income**

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

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



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

**Answer:** Per Iowa Code 435.2, property tax rules on manufactured and mobile homes distinguish a difference as to where the “home” is placed; if it is in a mobile home (or manufactured or modular home) park or community then it is not to be assessed or taxed as real estate. If it is outside of such a community, then it is taxed and assessed as real estate. The assumption is that the owner of the “home” must also own the land on which the “home” is affixed (either the home is placed on a foundation or is otherwise no longer “moveable”).

## HUD SAYS Stocks, Bonds, etc....

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

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

Stock Market Vehicles	CDs and Money Markets
(Individual stocks and mutual funds) <b>Market Value</b> = # of shares owned X price per share <b>Cash Value</b> = Market Value less costs to sell (commissions) <b>Actual Income</b> = Annual Dividend X # of shares	<b>Market Value</b> = Current Balance <b>Cash Value</b> = Market Value less fees for withdrawal <b>Actual Income</b> = Interest rate X Market Value
Savings Bonds	A great tool to calculate bonds can be found at <a href="http://www.savingsbonds.gov">www.savingsbonds.gov</a>  You just need a record of the bonds, or the bond type (EE, for example), face value and date issued.



Face Value    Bond Type    Date Issued

**EXAMPLE**

**Certificate of deposit**

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

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

**EXAMPLE**

**Stocks**

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

<b>Market value:</b>	<b>1,034 x \$2.30</b>	<b>\$2,378.20</b>
<b>Income:</b>	<b>1,034 x \$.50 x 2</b>	<b>\$1,034.00</b>

**HUD SAYS IRA, 401(k)s, Keoghs...**

**The value of any account under a retirement plan recognized as such by the Internal Revenue Service are excluded, including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals.” Any income these accounts earn is also excluded, until the owner of the account starts taking periodic withdrawals. These withdrawals are income.**

**HOTMA Update 2024!** | Accounts recognized as retirement accounts by the IRS are no longer counted as assets at any point. Periodic distributions or withdrawals, once the person starts taking them, are income. This includes any Required Minimum Distribution (RMD) that a person is required to take upon reaching a certain age.

Types of retirement accounts recognized by the IRS according to IRS.gov:

- Individual Retirement Arrangements (IRAs)
- Roth IRAs
- 401(k) Plans
- SIMPLE 401(k) Plans
- 403(b) Plans
- SIMPLE IRA Plans (Savings Incentive Match Plans for Employees)
- SEP Plans (Simplified Employee Pension)
- SARSEP Plans (Salary Reduction Simplified Employee Pension)
- Payroll Deduction IRAs
- Profit-Sharing Plans
- Defined Benefit Plans
- Money Purchase Plans
- Employee Stock Ownership Plans (ESOPs)
- Governmental Plans
- 457 Plans
- Multiple Employer Plans

**EXAMPLE****Retirement Account | Periodic Withdrawals**

A 401(k) account that a retired person has full access to has a balance of \$420,000. The resident is withdrawing \$425 monthly from the account.

- 1) Is the account counted as an asset?
- 2) What is the annual income associated with the 401(k)?

1) **No.** 401(k)s are never assets.

As periodic withdrawals are being made, these are income.

2) **\$ 5,100**

\$ 425 monthly withdrawals x 12 months. This is listed on the periodic income portion of the TIC, not the asset section.

**EXAMPLE****Retirement Account | RMD**

An IRA account that a retired person has full access to has a balance of \$62,345. The resident has reached an age where they must withdraw a required minimum distribution (RMD) of \$2,619 annually from the account.

- 1) Is the account counted as an asset?
- 2) What is the annual income associated with the 401(k)?

1) **No.** IRA accounts are never assets.

As periodic withdrawals are being made in the form of the RMD, these are income.

2) **\$ 2,619**

This is listed on the income portion of the TIC, not the asset section.

**HUD SAYS Whole Life Insurance...**

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

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

**EXAMPLE****Whole v. Term Life Insurance**

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

$$\$45,000 \times 4\% = \$1,800$$

**HUD SAYS Lump-sum and One-time Receipts...**

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

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

If a lump-sum or one-time receipt of an asset occurs and the full amount is not distributed into another verifiable asset,

it is important to determine what was done with the asset to ensure that it is not an asset disposed of for less than fair market value (see below for further on that topic). However, amounts used to pay for living expenses or purchase personal property for the household are allowable and only the remaining value is counted as an asset.

**EXAMPLE****Lump sum one time receipt**

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

**\$27,320**

**HUD SAYS Mortgage, Deeds of Trust...**

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

Also known as a “contract for deed”, this is a seller-financed mortgage. A household member may be selling real estate on such an arrangement. To verify this asset, an amortization (loan payment) schedule is needed for the mortgage. This will break out each payment, and how much of it is interest and how much is principal. The cash value and market values are the principal balance on the loan at the effective date of the certification. The income is the interest payments that will be received for 12 months from the certification effective date.



**Amortization Example**

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

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

Enter Loan Information in Light Blue Cells Below				Loan Summary			
Name of Loan And/Or Lender	Bailout Bank Inc.			Scheduled Payment Amount (Per Period)	\$1,070.88		
Face Value of Loan (Original Amount)	\$86,000.00			Scheduled Number of Payments	120		
Annual Interest Rate	8.60%			Actual Number of Payments*	120		
Loan Period in Years	10			Loan Payoff Date	10/1/2023		
Number of Payments Per Year	12			Total Amount of Extra Payments	\$0.00		
Loan Commencement Date	10/1/2013			Total Interest Paid	\$42,505.83		
Extra Payment Per Period (If Any)	\$0.00						

Amortization Table								
Payment Number	Payment Date	Beginning Balance	Schedule d Payment	Extra Payment	Total Payment	Principal	Interest	Ending Balance
1	11/1/2013	\$86,000.00	\$1,070.88	\$0.00	\$1,070.88	\$454.55	\$616.33	\$85,545.45
2	12/1/2013	\$85,545.45	\$1,070.88	\$0.00	\$1,070.88	\$457.81	\$613.08	\$85,087.65
3	1/1/2014	\$85,087.65	\$1,070.88	\$0.00	\$1,070.88	\$461.09	\$609.79	\$84,626.56
4	2/1/2014	\$84,626.56	\$1,070.88	\$0.00	\$1,070.88	\$464.39	\$606.49	\$84,162.17
5	3/1/2014	\$84,162.17	\$1,070.88	\$0.00	\$1,070.88	\$467.71	\$603.17	\$83,694.46
6	4/1/2014	\$83,694.46	\$1,070.88	\$0.00	\$1,070.88	\$471.05	\$599.83	\$83,223.37
7	5/1/2014	\$83,223.37	\$1,070.88	\$0.00	\$1,070.88	\$474.41	\$596.47	\$82,748.93
8	6/1/2014	\$82,748.93	\$1,070.88	\$0.00	\$1,070.88	\$477.79	\$593.09	\$82,271.06
9	7/1/2014	\$82,271.06	\$1,070.88	\$0.00	\$1,070.88	\$481.19	\$589.69	\$81,789.81
10	8/1/2014	\$81,789.81	\$1,070.88	\$0.00	\$1,070.88	\$484.61	\$586.27	\$81,305.09
11	9/1/2014	\$81,305.09	\$1,070.88	\$0.00	\$1,070.88	\$488.05	\$582.83	\$80,816.04
12	10/1/2014	\$80,816.04	\$1,070.88	\$0.00	\$1,070.88	\$491.51	\$579.37	\$80,322.53
13	11/1/2014	\$80,322.53	\$1,070.88	\$0.00	\$1,070.88	\$495.00	\$575.88	\$79,824.53
14	12/1/2014	\$79,824.53	\$1,070.88	\$0.00	\$1,070.88	\$498.50	\$572.38	\$79,322.03
15	1/1/2015	\$79,322.03	\$1,070.88	\$0.00	\$1,070.88	\$502.02	\$568.86	\$78,815.01
16	2/1/2015	\$78,815.01	\$1,070.88	\$0.00	\$1,070.88	\$505.56	\$565.32	\$78,303.45
17	3/1/2015	\$78,303.45	\$1,070.88	\$0.00	\$1,070.88	\$509.12	\$561.76	\$77,787.33
18	4/1/2015	\$77,787.33	\$1,070.88	\$0.00	\$1,070.88	\$513.22	\$558.16	\$77,266.61

**Asset**  
Balance as of the certification date

**Income**  
Interest payments for 12 months

**Three Important Asset Thresholds**

When calculating assets, there are three \$50,000 (as adjusted) asset thresholds. The first two are based on total net assets. The last is limited to the total net value of non-necessary personal property. These thresholds are:

1. When self-certification of assets is allowed (based on total net assets)
2. When asset income must be imputed (based on total net assets)
3. When non-necessary personal property is excluded (based on total net non-necessary personal property)

**Imputing Asset Income**

**HOTMA Update 2024!** Residents in affordable housing with a substantial amount of assets may have some assets that cannot have income calculated. A piece of real property that is not being rented, for instance, does not have income that can otherwise be assigned.

If the total **cash** value of a household’s assets exceeds \$50,000, imputed income must be calculated for assets that cannot otherwise have income calculated using the current HUD passbook rate. This rate is based on the recent average FDIC passbook interest rate for the country. This amount will change

annually. Imputed asset income is no longer done on total household assets, but rather just on individual assets. The imputed asset income is then added to the income for assets that can be determined to calculate total income from assets. An annual HUD Multi-family Notice issued before September 1 will establish the current passbook rate for the following year.

### Steps to Determine Asset Value and Income

**Step 1 |** Collect a list of non-necessary personal and real property from the household after explaining that necessary personal property can be excluded, with examples.

**Step 2 |** Identify assets as necessary personal property, non-necessary personal property, and real property.

**Step 3 |** Exclude any *necessary personal property* the household listed in error.

**Step 4 |** Determine the total value of non-necessary personal property.

If the total value of all non-necessary personal property is \$50,000, as adjusted, or less  
Assign a \$0 value to each piece of non-necessary personal property but assign income to the asset.

If the total value of all non-necessary personal property exceeds \$50,000, as adjusted  
Assign the full value and income to each piece of non-necessary personal property.

**Step 5 |** Add non-necessary personal property to any real property. Subtract any tax return or refundable tax credit the household received in the past 12 months.

If the total net value does not exceed \$50,000, as adjusted

The process is concluded.

If total net assets exceed \$50,000, as adjusted

- 1) Fully verify all assets, and
- 2) Impute asset income for any assets that cannot otherwise have income determined.
- 3) Add the imputed income to the actual income from the other assets.

**EXAMPLE**

**Household Asset Income 1**

A household discloses the following assets.

<b>Asset</b>	<b>Market Value</b>	<b>Cash Value</b>	<b>Annual Income</b>
Cars for daily commutes	\$ 34,000	\$ 34,000	\$ 0
Checking (no interest rate)	\$ 120	\$ 120	\$ 0
Certificate of Deposit	\$ 5,320	\$ 3,912	\$ 113
Mutual Fund (no dividend)	\$ 1,212	\$ 998	\$ 0
Real Estate (leased out)	\$ 400,009	\$ 20,234	\$ 1,799
<b>TOTAL</b>	<b>\$ 440,661</b>	<b>\$ 59,264</b>	<b>\$ 1,912</b>

What income is counted for these assets? The applicable passbook savings rate was .4%  
**\$1,912**

Step 1 | All of the assets are disclosed, as listed above.

Step 2 | The cars are necessary personal property. The rest (except for the real property) are non-necessary personal property.

Step 3 | The cars are removed.

Step 4 | Non-necessary personal property totals \$5,030

[\$120 checking + \$3,912 CD + \$998 mutual fund]

Non-necessary does not exceed \$50,000, so values are excluded, but any income (\$113 here) is counted.

Step 5 | Cash value of net assets total \$20,234 (see below).

Total net assets do not exceed \$50,000, so no assets have asset income imputed and added to other income.

<b>Asset</b>	<b>Market Value</b>	<b>Cash Value</b>	<b>Annual Income</b>
Checking (no interest rate)	\$ 0	\$ 0	\$ 0
Certificate of Deposit	\$ 0	\$ 0	\$ 113
Mutual Fund	\$ 0	\$ 0	\$ 0
Real Estate	\$ 400,009	\$ 20,234	\$ 1,799
<b>TOTAL</b>	<b>\$ 400,009</b>	<b>\$ 20,234</b>	<b>\$ 1,912</b>

**EXAMPLE**

**Household Asset Income 2**

A household has the following assets.

Asset	Market Value	Cash Value	Annual Income
Checking (no interest)	\$ 620	\$ 620	\$ 0
Real Estate	\$ 290,123	(\$ 4,000) *	\$ 0
<b>TOTAL</b>	<b>\$ 290,743</b>	<b>\$ 620</b>	<b>\$ 0</b>

\* The mortgage balance on the property exceeds the market value by \$4,000.

The applicable passbook savings rate was .4%. What income from assets will be used?

**\$0**

**Since the cash value of assets does not exceed \$50,000, actual income will be used.**

Step 1 | All of the assets are disclosed, as listed above.

Step 2 | No necessary personal property is listed.

Step 3 | N/A.

Step 4 | Non-necessary personal property totals \$620

[ \$620 checking]

Non-necessary assets do not exceed \$50,000, so values are excluded, but any income is counted. In this case, there is no income.

Step 5 | Cash value of net assets total \$0 (see below).

Total net assets do not exceed \$50,000, so no assets have asset income imputed.

Asset	Market Value	Cash Value	Annual Income
Checking (no interest)	\$ 0	\$ 0	\$ 0
Real Estate	\$ 290,123	(\$ 4,000)	\$ 0
<b>TOTAL</b>	<b>\$ 290,123</b>	<b>\$ 0</b>	<b>\$ 0</b>

**EXAMPLE**

**Tax Return and Assets**

A household has a checking account with a current balance of \$900 and a certificate of deposit worth \$52,367. The checking account has 0% interest and the CD has 1%. Eleven months before the household had a tax return of \$3,100.

What is the [1] value of net family assets and [2] the income from assets? [3] Is imputing asset income necessary?

[1] \$50,167. [\$53,267 – tax return of \$3,100].

[2] \$523.67 [\$52,367 x 1%]

[3] No. While total net assets exceed \$50,000, an actual income can be calculated on both assets and imputing is not necessary.

**EXAMPLE**

**Household Asset Income 3**

A household discloses the following assets.

Asset	Market Value	Cash Value	Annual Income
Car for daily commutes	\$ 22,000	\$ 22,000	\$ 0
Checking (no interest rate)	\$ 240	\$ 240	\$ 0
Bonds	\$ 1,230	\$ 1,230	\$ 48
Real Estate (not leased out)	\$ 601,567	\$ 601,567	\$ 0
<b>TOTAL</b>	<b>\$ 625,037</b>	<b>\$ 625,037</b>	<b>\$ 48</b>

What income is counted for these assets? The applicable passbook savings rate was .4%  
**\$2,454.27**

Step 1 | All of the assets are disclosed, as listed above.

Step 2 | The car is necessary personal property. The rest (except for the real property) are non-necessary personal property.

Step 3 | The car is removed.

Step 4 | Non-necessary personal property totals \$1,470  
 [\$240 checking + \$1,230 CD]

Non-necessary does not exceed \$50,000, so values are excluded, but any income (\$48 here) is counted.

Step 5 | Cash value of net assets total \$601,567 (see below).

Total net assets exceed \$50,000, so assets that cannot otherwise have income calculated have asset income imputed and added to other income.

Asset	Market Value	Cash Value	Annual Income
Checking (no interest rate)	\$ 0	\$ 0	\$ 0.00
Bonds	\$ 0	\$ 0	\$ 48.00
Real Estate(not leased out)	\$601,567	\$601,567	\$ 2,406.27 (imputed income)
<b>TOTAL</b>	<b>\$ 601,567</b>	<b>\$601,567</b>	<b>\$2,454.27</b>

**EXAMPLE****Charitable Donations**

Emily moved into a unit on 01/01/2024. She had made a charitable donation to a cancer foundation totaling \$340,000 on 06/01/2023.

- a) The value of the disposed of cash must be counted until when?
- b) Assuming a HUD Passbook Rate of .4%, what is the amount of imputed income that was included on their move-in certification?

- a) 06/01/2025.
- b) \$1,360  
 $\$ 340,000 \times .4\% (.004)$

**EXAMPLE****Imputing Income with Disposed Asset**

Ryan and Amy moved into a unit on 08/01/2024. They had given a home to their son William on 01/01/2023. The home's cash value was \$210,000.

- a) The owner/manager must count the value of the home as if they still own it until when?
- b) Assuming a HUD Passbook Rate of .4%, what is the amount of imputed income that should be included for the disposed of asset on their move-in certification?

- a) 01/01/2025.
- b) \$ 350.00  
 $\$ 210,000 \times .4\% (.004) = \$840 \div 12 \times 5.$

As the 24-month period ended during the first certification year, the imputed income was prorated for the five months (Aug-Dec) until the asset was no longer counted. Note: because the one asset alone has a net value that exceeds \$50,000, asset income will be imputed for all assets that cannot otherwise have income calculated because total net household assets exceed \$50,000.

**Disposed of Assets**

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

**EXAMPLE****Internet Fund Account**

A family had a GoFundMe account set up on their behalf that they have access to. The fund raised \$23,257.45, which was counted at move-in. At their first recertification, it was determined that during the year they used \$19,455 to pay medical bills and the remainder of the money paid for a vacation.

- a) What is the value of the account at recertification?
- b) Is the \$23, 257.45 income?

a) **\$0**

**The household paid bills or otherwise spent the cash balance. They did not deliberately sell or give away the asset for less than fair market value.**

b) **No. A one-time funding is not income, just an asset.**

Additional fact: During the initial certification, it was discovered that seven months after the \$23,257.45 fund was collected, another GoFundMe was set up to benefit the household, and they also had access to that. It raised \$13,418.00. How is the GoFundMe treated at move-in with this additional information?

**The GoFundMe happened more than once in the year prior to move-in. It is not a one-time event and the total \$36,675.45 of both fundings is now anticipated sporadic income counted at move-in. The total unspent value of the funds prior to move-in are also counted as an asset.**

**EXAMPLE****Disposed assets**

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

$$\mathbf{\$89,000 - \$1,800 - \$10,000 = \$77,200}$$

**EXAMPLE****Disposed assets**

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

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

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

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

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

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

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

$$\$400,000 \times .06\% (.0006) = \$240 \div 12 \times 6 = \$120$$

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

### Tenant Income Certification (TIC)

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

#### The TIC:

- Should be typed or completed in pen. Pencil is not acceptable. *If handwritten, it must be legible, or it will be returned for correction.*
- Should never be signed blank. The signature is how the manager and household attest that the information on the form is accurate. Signing a blank TIC is a form of fraud.
- Should always have the signature dated when it is signed. It must never be backdated to match the effective date in cases where the TIC is signed late.
- Any corrections that are necessary (such as math errors resulting in incorrect income totals) should be made by crossing out the incorrect information and adding the correct information. Whiteout does not show what correction was necessary and should never be used. Both the tenant and the manager must initial all changes on the TIC.



- Can reflect the past effective date where a late certification is being created retroactively. However, it must be signed using the current date and include a statement by the signature that the information was “true and accurate as of” the effective date.

**Exceptions where the IFA TIC is not required**

As explained earlier in this chapter, households receiving Housing Choice Voucher assistance may have their income verified by the PHA providing their voucher at initial move-in or recertification. The certification form 50058 produced by the PHA can serve as both the verification of income and TIC during the recertification process only. IFA will also allow the Rural Development (RD) TIC form 3560-8 to be used at initial move-in and recertification.

**NOTE:** The documents from RD and Section 8 must be accompanied by the proper verification of income documentation.

## Chapter 4 – Other Rules

### Recertification

Not all LIHTC projects require annual income recertification as detailed in the following pages. Projects with HOME or NHTF do have annual recertification requirements. If the project is required to perform an annual recertification of either its LIHTC, HOME, and/or NHTF households, they are to be processed by the anniversary date of the effective date of the most recent Tenant Income Certification. IFA allows an owner/manager to move effective dates to meet other program requirements or for other reasons. The process of recertification is like the initial verification process for new move-ins.

#### IFA SUGGESTS

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

### LIHTC – 100% Projects

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

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

**NOTE:** Owners/managers need to demonstrate due diligence when moving in all households to make sure that all available units are rented to qualified households. If an ineligible household is moved in and it cannot be demonstrated that due diligence measures were in place the Available Unit Rule is violated and an 8823 will be issued.

### LIHTC – Mixed-Use Projects

Recertification at mixed-use projects ensures that a project maintains the appropriate applicable fraction for each building in the project. To comply with federal requirements, full recertification of income and student status must be conducted for each LIHTC household annually for mixed-use projects.

### LIHTC – Mixed-Income Projects

At mixed-income 100% LIHTC projects, owners/managers must, at a minimum, recertify those units that are used to satisfy more restrictive state set-asides (for example, 30%, 40% and 50% units) to determine if they

#### IFA TERMS

##### Mixed-use and mixed income

To differentiate types of LIHTC properties, IFA uses the following terms consistently in this manual in relation to tenant recertifications:

**Mixed-use:** a project with LIHTC, non-LIHTC (market) units and possibly commercial space.

**Mixed-income:** a 100% LIHTC project with state covenant set-asides at lower income limits than federally required or a Deep Rent Skewed Project.

continue to meet the state set-aside as determined during allocation.

In some cases, additional units might need to be rented at the state set-aside to replace units that are determined to be over-income in order to satisfy the state covenant. Check your LURA to ensure compliance with this requirement.

Since the election to Deep Rent Skew requires adjusting units to 40% when the AUR is triggered (see the AUR section below), full annual recertification of all low income units will also need to be conducted at Skewed projects.

HOME/NHTF Projects

Full third-party source documentation/verification of income is only required every 6<sup>th</sup> year of the period of affordability.

In other words, in the 1<sup>st</sup>, 6<sup>th</sup>, 12<sup>th</sup> and 18<sup>th</sup> year of the HOME period of affordability everyone who has lived in the project that is due for a recertification must be fully recertified using third-party verification or PHA, TBRA or PBRA documents are acceptable.

Notice that the years to fully recertify are not specific to the length of individual household tenancy, but rather to project-specific years. If you are unsure of where your project is in its period of affordability, please contact your IFA Compliance Officer for assistance.

**EXAMPLE**

**Recertification at a HOME Project**

**Period of affordability starts 3/1/2016 to 3/1/2016 to 2/28/2017**

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**The 1<sup>st</sup> year of the HOME period of affordability**

**3/1/2017 to 2/28/2018**

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**The 2<sup>nd</sup> year of the HOME period of affordability**

**3/1/2018 to 2/28/2019**

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**The 3<sup>rd</sup> year of the HOME period of affordability**

6/1/2018: Rosy moves into a HOME unit with full certification.

**3/1/2019 to 2/29/2020**

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**The 4<sup>th</sup> year of the HOME period of affordability**

6/1/2019: Rosy is recertified using self-certification.

**3/1/2020 to 2/28/2021**

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**The 5<sup>th</sup> year of the HOME period of affordability**

6/1/2020: Rosy is recertified using self-certification.

6/1/2020: Betty moves into a HOME unit with full certification

**3/1/2021 to 2/28/2022**

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**The 6<sup>th</sup> year of the HOME period of affordability**

6/1/2021: Rosy is recertified using full certification.

6/1/2021: Betty is recertified using full certification.

## LIHTC/HOME Projects

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

## Increases of Household Income after Move-In

### LIHTC Available Unit Rule

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

### LIHTC – 100% Project

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

### LIHTC – Mixed-Use Projects

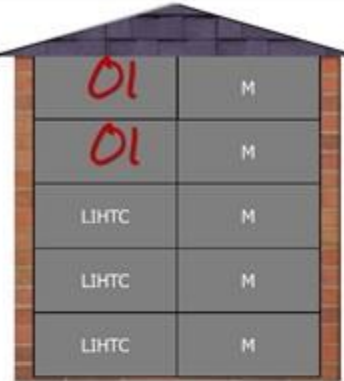
“Mixed use” projects are those with any non-LIHTC (market rate) units and/or commercial space. These projects are subject to full income recertification *of all LIHTC units* each year. If a household’s income increases to over 140% of the current qualifying income limit when they are recertified, they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

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

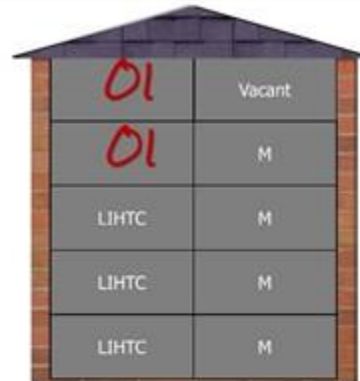
**EXAMPLE:**  
**AUR (correctly followed)**



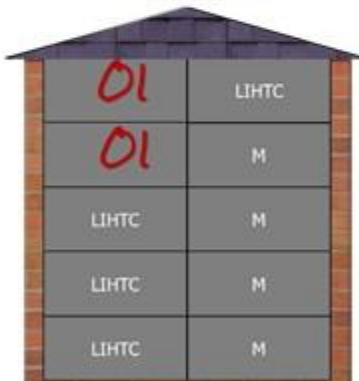
**June:**  
Applicable Fraction:  $\frac{5}{10}$



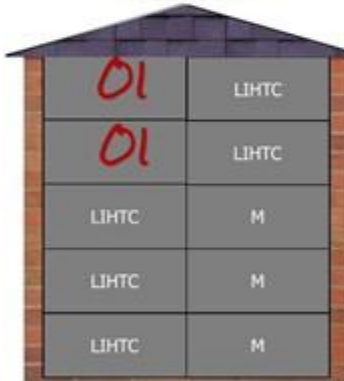
**July:** two households go over 140% at recertification  
AUR is triggered



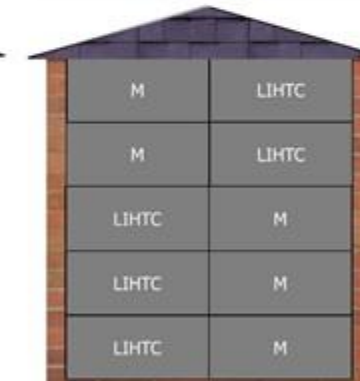
**Aug:** A market unit becomes available  
AUR is in effect



**Sept:** An LIHTC household moves in  
LIHTC unit fraction:  $\frac{4}{10}$  (excluding OI units)  
AUR is still in effect

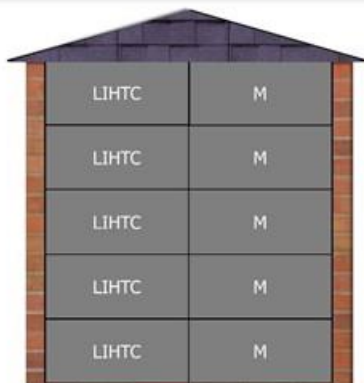


**Oct:** Another market unit comes vacant and is rented to an LIHTC household  
Applicable Fraction:  $\frac{5}{10}$

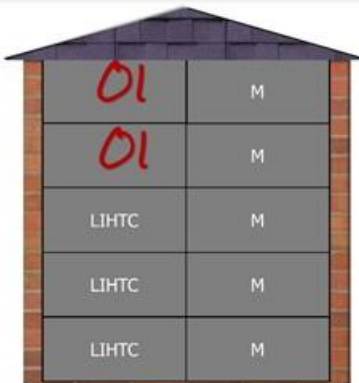


As applicable fraction is restored excluding OI units, OI units may be converted to market  
AUR is satisfied

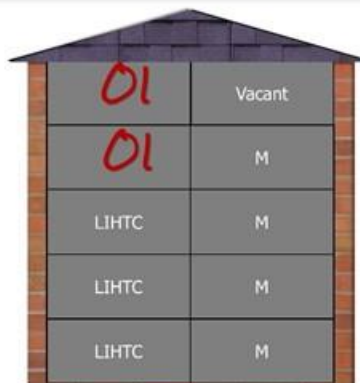
**EXAMPLE:**  
**AUR (violated)**



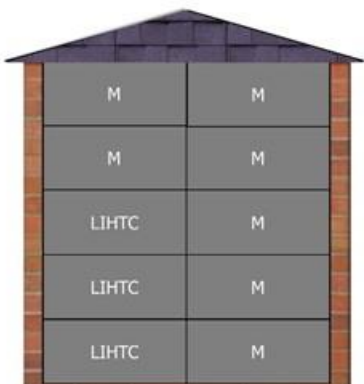
**June:**  
**Applicable Fraction:  $\frac{5}{10}$**



**July:** two households go over 140% at recertification  
**AUR is triggered**



**Aug:** A market unit becomes available  
**AUR is in effect**



**Sept:** A market household moves in  
**Applicable Fraction:  $\frac{3}{10}$**   
**AUR is violated**

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

LIHTC – Average Income Test Projects

The Available Unit Rule (AUR) works differently at properties that elected the Average Income test on Form 8609. The **first** difference is the threshold at which the units are considered “over-income.” For the original MSAs, the threshold is reached when a household at recertification exceeds 140% of the

current minimum set-aside income limits. Thus, it is 140% of the 50% limits for 20-50 projects or 60% for 40-60 projects. For Average Income projects, the threshold will be 140% of the HIGHER of the 60% limits or the designation for a unit. This means that those units designated between 20% and 60% will use 140% of the 60% limit while units designated at 70% will use 140% of the 70% limit and 80% units will use 140% of the 80% limit applicable to the unit.

The **second** adjustment to the AUR is the care that must be taken to re-designate and re-rent the next available unit at the correct set-aside to satisfy the rule. The action taken will depend on whether the vacant unit is already tax credit or not.

1. If a unit becomes vacant and is a **tax credit** unit while an over-income household is living in a comparable or larger unit in the building, the available vacant unit must be rented to a household at the designation the unit is currently designated at.
2. If a unit becomes vacant and is **market** while an over-income household is living in a comparable or larger unit in the building, the available vacant unit must be re-designated and rented to a household at the designation that the over-income unit is designated at. This replaces the over-income unit in your unit mix.
3. If two units at different set-asides are over-income at recertification and a vacant **market** unit becomes vacant, IFA requires that the vacant unit replaces the designation of the over-income unit that has the lowest designation.
4. If an Average Income Test property is also subject to State agency covenants, the State AUR will also apply (see discussion below)

#### LIHTC/HOME – State Agency Covenant Projects

As stated earlier in this chapter, units designated to satisfy the State agency covenant set-asides are subject to recertification, even at 100% LIHTC and Average Income Test properties. If any unit designated an agency covenant unit exceeds its designated set-aside at recertification, it is considered “over-income” and the State Available Unit Rule (State AUR) is invoked. Unlike the federal AUR, the State AUR does not allow the LIHTC household to go up to the 140% limit before triggering the rule. The State AUR requires that the next **comparable** unit in the **project** must be rented to a household eligible at the set-aside that the “over-income” household originally met. For projects with HOME, it’s important to know if your agency covenant units are fixed or floating (contact your Compliance Officer with questions). The goal is to restore the mix of units designated in the LURA or the Exhibit A as established during allocation.

Note: Although increases of income alone do not require adjustment to a unit’s Average Income designation, charging the rent appropriate to a State agency covenant after upward adjustment may require changing the unit’s federal Average Income LIHTC designation to a higher level, and the Average Income unit designation mix reassessed to assure an average of no more than 60%.

**EXAMPLE****Average Income Project with Agency Covenants – Invoking the State AUR**

The Aziz family moves into Pleasant Valley Apartments, a 10-unit project containing 40%, 60% and 80% AMI units. At move-in this household qualifies for a 40% unit which also fulfills an agency covenant requirement. At recertification the household goes from 40% to 60% AMI. This invokes the State Available Unit Rule and requires that the next available unit in the project of comparable or larger size (whether LIHTC or market) be rented to a 40% household. AFTER a new 40% household is qualified and moves into the vacant unit, the Aziz household unit designation would change to a 60% AMI unit, and the higher rent imposed (as their lease allows). This will preserve the average income.

**EXAMPLE****Increase of Income in a Unit designated to satisfy an Agency Covenant**

Blue Skies Apartments is a property with 75 units in three buildings. The project's LURA requires that 15 of the units be rented to households at 30% AGMI and the remaining units rented to households at 60% AGMI.

Archer moves into a 30% unit. At his second recertification, he is \$200 above the 60% limit and thus exceeds the 30% set-aside for the first time since he moved in. As Archer is not above 140% of the minimum set-aside 60% limit, the federal Available Unit Rule is not triggered, however the state Available Unit Rule has been triggered.

When the next 60% unit that is comparable to Archer's unit becomes available in any building in the project, the unit is leased to a 30% household who pays the appropriate 30% rent. Once Archer's unit is replaced with the new 30% household, his unit is designated as a 60% unit and his rent adjusted when his lease allows.

**Fair Market Rents (FMR)**

An Owner may agree to the FMR limits as outlined in the project LURA that the rent for all of the residential units shall not exceed 100% of the fair market rent as established by the U.S. Department of Housing and Urban Development. If a unit exceeds this limit, it is to be considered 'over-rent'. The overage must be refunded to the tenant. Documentation must be provided to IFA (copy of refund check and/or letter explaining the refund).



## LIHTC – Deep Rent Skewed Projects

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

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

According to §42 (g)(2)(D) of the Code, once a household triggers the AUR at a Deep Rent Skewed project, ALL subsequent LIHTC units that become available must be rented to 40% households until the over 170% household moves out or their income decreases at future recertifications to at or below the 170% mark. This means that the owner may end up with more 40% units than originally planned for with less rent collected.

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

**EXAMPLE****Increase of Income in a Deep Rent Skewed (DRS) Project**

Green Prairie Apartments is a 100% LIHTC property with 40 units. The project 8609 indicates that the DRS election was made which requires that 6 of the units are rented to eligible households at 40% AGMI and the remaining units rented at the LIHTC minimum set-aside limit of 60%. AGMI

Marisol moves into a 40% DRS unit. At recertification, she is \$100 above 170% of the 60% limit and thus is considered an over-income household. Until Marisol moves out or her income drops below 170% of the 60% limit, each vacant unit must be filled with a 40% eligible household.

Marisol will not move out of her unit and her income has not decreased at her next recertification. Over the course of the next 12 months four vacant 60% units have had to be rented to 40% households. The owner now has 13 units at 40% resulting in a significant loss of rental income.

**NHTF Projects – Over-Income Rules**

The NHTF over-income rule does not require recalculation of rent as it does for HOME, therefore adjusted income does not apply to NHTF units. When a household in an NHTF unit goes over the NHTF income limit at recertification, they are “over-income.” The required action is determined based on if the project is fixed or floating NHTF. For a **floating NHTF project**, the next comparable non-NHTF unit must be rented to an NHTF household, and then the over-income NHTF household can be converted to

non-NHTF. For a **fixed NHTF project**, the household will remain in temporary non-compliance until they either go below the income limit at a future annual recertification, or they vacate and are replaced with an NHTF-eligible household.

#### HOME Projects – Over-Income Rules

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

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

When a HOME unit goes over income, the unit and property are in temporary noncompliance with HOME Program requirements. Temporary noncompliance is permissible if the owner/manager takes steps, at the next available opportunity, to restore the property's unit mix. These steps will vary, depending on if the property has fixed or floating HOME units.

*Note:* the owner/manager cannot terminate or fail to renew a lease because a household is over-income, but the household's rent may be adjusted according to the HOME rules. Over-income households are protected by the terms of their leases; rent changes go into effect only when the lease permits.

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

## When Income Increases at HOME Recertification

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

### For all HOME properties:

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

2. If a Low- or High-HOME household’s income increases above the HUD low (80%) limit OR has become an ineligible student household:

### Fixed HOME Properties

- As soon as the lease allows, rent *must* be raised to 30% of adjusted income, with NO cap. If the household is in violation of the student rule, the income of the parents must be included in the calculation.
- If it is a Low-HOME unit, the next High-HOME unit must be rented to a Low-HOME household.
- **Note: If the unit is also an LIHTC unit, the new rent is based on adjusted income and capped at the LIHTC max rent limit.**

### Floating HOME Properties

- As soon as the lease allows, rent *must* be raised to the lower of 30% of adjusted income or market rent. If the household is in violation of the student rule, the income of the parents must be included in the calculation.
- The next available unit in the property must be rented to a HOME-eligible household to restore the original balance of Low/High-HOME set-asides required by the property’s HOME Contract.
- Once “replaced”, the over-income unit may be treated as non-HOME.
- **Note: If the unit is also an LIHTC unit, the new rent is based on adjusted income and capped at the LIHTC max rent limit.**

↓

### Monthly rent for households who are over the 80% limit:

$$\text{Gross Income} - \text{Deductions} = \text{Adjusted Annual Income} \div 12 \times 30\%$$

Adjusted Income-Based Rent

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

#### 1. Dependent Deduction

This is the dependent deduction (per dependent) annual allowance. A dependent is someone who is:

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

A dependent can never be:

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

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

## 2. Childcare Expense

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

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

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

## 3. Disability Assistance Expense

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

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

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

## 4. Elderly Household Deduction

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

## 5. Health and Medical Expenses

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

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

Once the annual adjusted income is determined, dividing by 12 establishes monthly adjusted income. Monthly adjusted income is then multiplied by 30% to determine rent based on adjusted income. The below worksheet provides a useful tool for determining adjusted income. An owner/manager may develop their own tools.

Sample Format for Calculating Adjusted Income-Based Rent				
Household Member Name	Position in Household	Age	Total Income	Total Expenses

1. Enter Annual Gross Income.

1.

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

2.

3. Multiply line 2 by the dependent deduction.

3.

4. If a household member is enabled to work or further their education as a result of childcare expenses, enter the unreimbursed annual childcare expenses (reasonable childcare expenses for children under age 13).

4.

5. If the household member was enabled to work as a result of the childcare expenses, enter that household member's annual employment income.

5.

6. If an amount is reported on Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4.

6.

7. If the household qualifies as an elderly and/or disabled household, enter the elderly household deduction.

7.

8. Add Lines 3, 6, and 7.

8.

9. *If this household has no unreimbursed disability assistance or health and medical expenses, subtract Line 8 from Line 1. This is the Adjusted Income for this household without these expenses.*

9.

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

10.

\*\*\*\*\*FILL IN LINES 11 THROUGH 20 IF THE HOUSEHOLD HAS\*\*\*\*\*  
UNREIMBURSED DISABILITY ASSISTANCE OR HEALTH AND MEDICAL EXPENSES

11. Enter unreimbursed annual disability assistance expenses.

11.

12. Enter the annual earned income of the household member enabled to work as a result of unreimbursed disability assistance expenses.

12.

13. Enter the lesser of Lines 11 or 12.

13.

14. Enter unreimbursed annual health and medical expenses.

14.

15. Add Lines 13 and 14.

15.

16. Multiply Line 1 by 0.1.

16.

17. Subtract Line 16 from Line 13. If negative, enter 0.

17.

18. Subtract Line 16 from Line 14. If negative, enter 0.

18.

19. Subtract Line 16 from Line 15. If negative, enter 0.

19.

20.

20.

a. If the household reported only unreimbursed disability expenses but no unreimbursed health and medical expenses, add Lines 8 and 17.

a.

b. If the household reported only unreimbursed health and medical expenses but no unreimbursed disability expenses, add Lines 8 and 18.

b.

c. If the household reported both unreimbursed disability expenses and unreimbursed health and medical expenses, add Lines 8 and 19.

c.

21. Subtract either Line 20a, 20b, or 20c from Line 1. This is the Adjusted Income for this household *with* these expenses.

21.

22. If Line 21 is applicable, divide Line 21 by twelve and multiply by 30%. This is rent based on adjusted income.

22.

# EXAMPLE A

Household Member Name	Position in Household	Age	Total Income	Total Expenses
Pearl Henderson	Head	76	\$13,500. The elderly household deduction that year was \$525.	Prescription medication – \$75/month; Medicare deduction – \$38.50/month
Marshall Jones	Grandson	19	No income; fulltime student. Dependent deduction that year was \$480.	Visits to physician – \$120/year

1. Enter Annual Gross Income.

1. **\$13,500**

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

2. **1**

3. Multiply line 2 by the dependent deduction.

3. **\$480**

4. If a household member is enabled to work or further their education as a result of childcare expenses, enter the unreimbursed annual childcare expenses (reasonable childcare expenses for children under age 13).

4. **N/A**

5. If the household member was enabled to work as a result of the childcare expenses, enter that household member’s annual employment income.

5. **N/A**

6. If an amount is reported on Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4.

6. **\$0**

7. If the household qualifies as an elderly and/or disabled household, enter the elderly household deduction, as adjusted.

7. **\$525**

8. Add Lines 3, 6, and 7.

8. **\$1,005**

9. *If this household has no unreimbursed disability assistance or health and medical expenses, subtract Line 8 from Line 1. This is the Adjusted Income for this household *without* these expenses.*

9. **N/A**

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

10. **N/A**

\*\*\*\*\*FILL IN LINES 11 THROUGH 20 IF THE HOUSEHOLD HAS\*\*\*\*\*  
UNREIMBURSED DISABILITY ASSISTANCE OR HEALTH AND MEDICAL EXPENSES

11. Enter unreimbursed annual disability assistance expenses.	11.	\$0	
12. Enter the annual <u>earned income</u> of the household member enabled to work as a result of unreimbursed disability assistance expenses.	12.	\$0	
13. Enter the lesser of Lines 11 or 12.	13.	\$0	
14. Enter unreimbursed annual health and medical expenses.	14.	\$1,482	
15. Add Lines 13 and 14.	15.	\$1,482	
16. Multiply Line 1 by 0.1.	16.	\$1,350	
17. Subtract Line 16 from Line 13. If negative, enter 0.	17.	\$0	
18. Subtract Line 16 from Line 14. If negative, enter 0.	18.	\$0	
19. Subtract Line 16 from Line 15. If negative, enter 0.	19.	\$132	
20.	20.		
a. If the household reported <u>only</u> unreimbursed disability expenses but <u>no</u> unreimbursed health and medical expenses, add Lines 8 and 17.	a.	N/A	
b. If the household reported <u>only</u> unreimbursed health and medical expenses but <u>no</u> unreimbursed disability expenses, add Lines 8 and 18.	b.	\$1,137	
c. If the household reported <u>both</u> unreimbursed disability expenses <u>and</u> unreimbursed health and medical expenses, add Lines 8 and 19.	c.	N/A	
21. Subtract either Line 20a, 20b, or 20c from Line 1. This is the Adjusted Income for this household <i>with</i> these expenses.	21.	\$12,363	
22. If Line 21 is applicable, divide Line 21 by twelve and multiply by 30%. This is rent based on adjusted income.	22.	\$309	



**Example A Notes**

Line 2	Marshall is a full-time student, so the household qualifies for one dependent deduction.
Line 4	There are no children under the age of 13.
Lines 5-9	The household qualifies as an elderly household and does have annual unreimbursed health and medical expenses.
Lines 11-15	The household does not have any annual unreimbursed disability assistance expenses (Lines 11-13) but does have annual unreimbursed health and medical expenses $[(\$75/\text{month} \times 12 \text{ months/year}) + (\$38.50/\text{month} \times 12 \text{ months/year}) + (\$120/\text{year}) = \$1,482]$ . This amount is entered in Line 14.
Line 16	The household can only deduct those unreimbursed health and medical and disability assistance expenses that exceed 10 percent of annual household income.
Lines 17-19	The household deducts 10 percent of its annual income from the total amount of annual unreimbursed health and medical expenses (Line 19).
Lines 20a-20c	The household adds its health and medical expenses deduction (Line 19) to the other deductions (dependent deduction, elderly household deduction) that are summed in Line 8, and enters this total in Line 20b (households reporting health and medical expenses, but no disability assistance expenses).
Line 21	The amount entered in Line 20b (\$1,137) is subtracted from the household's annual income figure in Line 1 (\$13,500), giving it an adjusted income of \$12,363.

**EXAMPLE B**

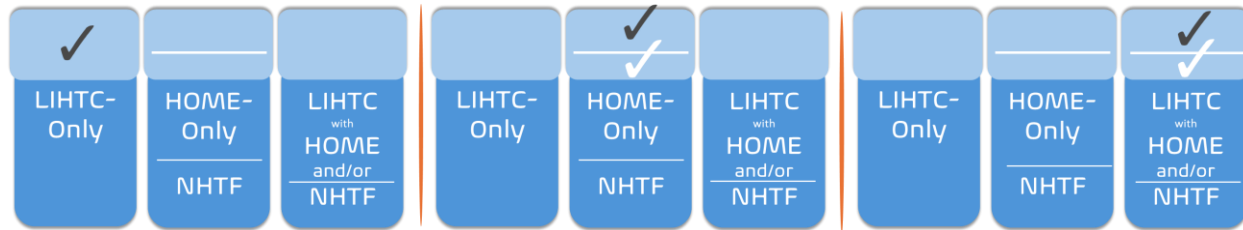
Household Member Name	Position in Household	Age	Total Income	Total Expenses
Clark Griswald	Head	40	\$27,900	Prescription medication – \$75/month
Rusty Griswald	Son	13	No income. Dependent deduction that year was \$480.	Childcare – \$50/week
Audrey Griswald	Daughter	11	No income	Childcare – \$50/week

1. Enter Annual Gross Income.	1.	\$27,900
2. Enter the number of household members (excluding head or spouse) under 18, disabled, or full-time students.	2.	2
3. Multiply line 2 by the dependent deduction.	3.	\$960
4. If a household member is enabled to work or further their education as a result of childcare expenses, enter the <u>unreimbursed</u> annual childcare expenses (reasonable childcare expenses for children under age 13).	4.	\$2,600
5. If the household member was enabled to <u>work</u> as a result of the childcare expenses, enter that household member’s annual <u>employment income</u> .	5.	\$27,900
6. If an amount is reported on Line 5, enter the lesser of Lines 4 or 5. Otherwise, enter the amount in Line 4.	6.	\$2,600
7. If the household qualifies as an elderly and/or disabled household, enter \$525.	7.	\$0
8. Add Lines 3, 6, and 7.	8.	\$3,560
9. If this household has no unreimbursed disability assistance or health and medical expenses, subtract Line 8 from Line 1. This is the Adjusted Income for this household <i>without</i> these expenses.	9.	\$24,340
10. If Line 9 is applicable, divide Line 9 by twelve and multiply by 30%. This is rent based on adjusted income.	10.	\$609

**Example B Notes**

- Line 2            There are two children in the household under the age of 18.
- Lines 4-6        Although the household has childcare expenses for both children, only Audrey’s expenses are eligible for the childcare deduction because only she is under the age of 13. Audrey’s childcare expenses are less than Clark’s annual income and are reported as the household’s childcare expense deduction (Line 6).
- Line 7            The household does not qualify for either the elderly or disabled household deduction of \$525, as adjusted.
- Lines 8-9        The household’s eligible deductions are subtracted from Clark’s annual income. This is the household’s adjusted income (\$24,340). The rest of the chart is not applicable.

# Recertification



### For LIHTC-only properties:

**100% LIHTC:** Income recertification is not required. Student status must be verified annually.

**100% LIHTC, mixed income:** same as above, except that, at a minimum, lower set-aside unit that meets state covenants will need to be fully recertified annually to determine compliance with state covenants. Student Status must be verified annually.

**Mixed-use:** Full income and student status verification are required each year.

**Increases of Income:** Households are “over-income” when they exceed 140% of the current income limits. The “Available Unit Rule” must be followed to restore the applicable fraction in the building.

### For HOME-only properties and NHTF Units:

**HOME and NHTF:** Full third-party verification is required every 6<sup>th</sup> year of the period of affordability. Self-certification from the household is required for other years. Student status must be verified annually.

**Mixed Income:** At a minimum, lower set-aside unit that meets state covenants will need to be fully recertified annually to determine compliance with state covenants.

**HOME Increases of income:** Households are “over-income” when they exceed the 80% “Low income” limit. Rent is calculated based on the household’s adjusted income and further actions are taken depending on if the unit is fixed or floating HOME to restore the mix of HOME units in the project required in the HOME Contract.  
**NHTF Increases of income:** Households are “over-income” when they exceed the NHTF “Extremely Low income” limit. Further actions are taken depending on if the unit is fixed or floating HOME to restore the mix of NHTF units in the project required in the NHTF Contract.

### For LIHTC Properties with HOME and/or NHTF Units:

**100% LIHTC:** Full third-party verification is required every 6<sup>th</sup> year of the HOME or NHTF period of affordability. Self-certification from the household is required for other years. Student Status must be verified annually.

**100% LIHTC, mixed-income:** same as above, except that, at a minimum, lower set-aside unit that meets state covenants will need to be fully recertified annually to determine compliance with state covenants. Student Status must be verified annually.

**Mixed-use:** Full income and student status verification are required each year.

**HOME/NHTF Increases of income:** Households are “over-income” for HOME when they exceed the 80% “Low income” limit and the NHTF when they exceed the NHTF “Extremely Low income” limit. Rent is **NOT** calculated based on the household’s adjusted income, and High HOME or NHTF rents continue to apply. Further actions are taken depending on if the unit is fixed or floating HOME/NHTF to restore the mix of HOME/NHTF units required.

Households are not “over-income” for the LIHTC until they exceed 140% of the current income limits. The “Available Unit Rule” must be followed to restore the applicable fraction in the building.

### LIHTC: Vacant Unit Rule

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

Additionally, the following guidelines apply to the VUR:

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

### Voucher Holders

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

### Unit Transfers

#### LIHTC

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

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

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

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

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

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

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

#### HOME / NHTF

When a household transfers into a HOME or NHTF unit, the household must be fully certified (treated as a new move-in) to ensure that they meet the appropriate HOME or NHTF set-aside (Low or High HOME or NHTF unit). The effective date of future recertifications will be the date of the anniversary of the initial move-in to the project, not the date of transfer.

#### Nonprofit Owners of LIHTC Properties

According to LIHTC program rules, no less than 10% of all tax credits allocated each year by IFA must be awarded to qualified nonprofit organizations with an ownership interest in projects. Additionally, the qualified nonprofit organization must materially participate in both the development and operation of their project throughout the 15-year Compliance Period. Not all nonprofit organizations that own projects were allocated credits under the nonprofit set-aside. If a project is part of this set-aside, it will be indicated on IRS Form 8609, Line 6(f) or (g), depending on the year the Form was issued.

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

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

- Regular on-site presence at operations is indicative of material participation.
- Providing services as an independent contractor is not sufficient.

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

6 Check the boxes that describe the allocation for the building (check those that apply):

a  Newly constructed and federally subsidized    b  Newly constructed and **not** federally subsidized    c  Existing building

d  Sec. 42(e) rehabilitation expenditures federally subsidized    e  Sec. 42(e) rehabilitation expenditures **not** federally subsidized

f  Allocation subject to nonprofit set-aside under sec. 42(h)(5)

## Casualty Loss

Unfortunately, natural, or man-made disasters or accidents sometimes damage or destroy LIHTC, HOME or NHTF units, buildings, or whole projects. Should this occur, it is the responsibility of the owner/manager to report casualty losses to IFA using the required *Notice of Building Casualty Loss or Damage Form* **within 30 days** of an incident that results in a unit or building going off-line, accompanied by the plan for reconstruction or replacement. Owners/Managers are responsible for updating IFA monthly until the project is fully restored and asked to submit completed work orders, third party invoices and photos.

For LIHTC projects, a casualty loss invokes no recapture if the unit or building is returned to good condition in a *timely fashion*. Good condition means habitable and suitable for occupancy. Generally, most casualty losses occur on a small scale and the project's credits are not at risk of recapture and units are rarely out of service for an extended length of time.

For LIHTC projects facing major casualty loss issues resulting from natural disasters like flooding or tornado damage, IRS Revenue Rulings 2014-49 (9% credit projects) and 2014-50 (4% credit projects) provide temporary relief from certain requirements of Section 42 of the IRS Code (the LIHTC Program) for owners when projects been impacted by a major disaster in Presidentially declared major disaster County. The Rulings also provide emergency housing relief for individuals who are displaced by a Major Disaster from their principal residences in certain Major Disaster Areas.

If a building's qualified basis is reduced due to a casualty loss, a building is not subject to recapture if restored within a reasonable period of time, but the building may not claim credits while out of service due to the casualty event. IFA will determine what is reasonable in the case of a Major Disaster, but the extension may not extend beyond the end of the 25<sup>th</sup> month following the close of the month of the Major Disaster declaration. For example, if a major disaster is declared in August 2018, the deadline for the restoration of qualified basis may extend no longer than September 2020.

Restoration of non-Presidentially declared disaster casualty losses are allowed to be completed within two years following the end of the tax year in which the casualty loss occurs. In most cases, this is a greater time period than the 25 months allowed for a Presidentially declared major disaster. For reference see IRC §42(h) (5) (B). Unlike major disaster losses, tax credits cannot be claimed during the restoration period during non-major disaster-related casualty losses.

IFA must report the loss and replacement of the units to the IRS. Once all units have been restored and/or all repairs have been made to exterior or common spaces and the units are available for occupancy, IFA will issue a corrected Form 8823 or State notice to show the units are back in compliance. If the units or repairs to exterior common spaces has not been completed IFA will issue an uncorrected 8823 to the IRS or a State notice.

## Chapter 5 – LIHTC Acquisition/Rehab or Rehab Only

Rehabilitation costs can be a basis for claiming tax credits. In fact, if an owner is planning on rehabilitating a property, they can also get tax credits based on the cost of acquiring or purchasing the building or buildings. These combined credits are referred to as acquisition/rehab credits.

In some cases, the owner may elect to only take rehabilitation credits based on a variety of variables determined during the allocation process. Regardless, the property is generally still acquired or purchased by the ownership entity and the date of acquisition will still play a part in the compliance process.

Generally, the day-to-day compliance operation of acquisition/rehab and rehab-only properties is the same as new construction, with some significant differences. This chapter discusses the key differences from new construction LIHTCs.



### Placed in-Service Dates

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

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

### Certification Process

There are several different scenarios that may be present in Acquisition Rehab or Rehab-only projects; generally, the certification process remains the same.

- Market rate projects coming in for a first allocation of tax credits
- Existing LIHTC projects coming in for additional tax credits (called resyndication)
- Existing Multi-Family projects that are HUD-funded, Section 8 Project-Based or RD projects coming in for a first allocation of tax credits

### Completing Rehabilitation in the Year of Acquisition

Existing households may qualify an LIHTC unit on the date of acquisition. The IRS allows owner/managers up to 120 days before or after the date of acquisition to prove that these households qualify and to establish the unit's effective date as the date of acquisition.

If the owner has access to the residents before acquisition, any certification utilizing all required paperwork that was completed no more than 120 days prior to acquisition can also have an effective date as of acquisition. If the certification of a household that was in place as of acquisition is completed after the 120 days, the effective date is the date the last adult household member signs the TIC form. Certifying households quickly may result in being able to claim the maximum amount of credits possible for each unit.

Once a household is certified after acquisition it is considered a qualified LIHTC household and will not be considered over-income if the household's income increases in the future. If an owner/manager waits until later to certify the household, their income may have increased over the limits, and they will not be considered a qualified household as of the date of acquisition.

Once initial certifications are conducted at acquisition, no recertification is required as of the rehabilitation placed in-service date. The recertification cycle will be based on the initial effective date (date of acquisition for most). New move-ins after acquisition are certified prior to move-in, like any other new household, and have an effective date and recertification cycle as of their move-in date.

### Revenue Procedure 2003-82 – The Safe Harbor Rule

When a building's rehabilitation is completed, the year following acquisition, the units occupied by a qualified household may begin to produce a tax credit in January of the year the owner completes the rehabilitation. January 1<sup>st</sup> is referred to as the "look-back date." The owner wants the existing residents certified as of January of the year they plan to complete the rehabilitation activities.

Revenue Procedure 2003-82 tells owners how to protect their tax credits without needing to replace outdated initial TICs. If a TIC was completed more than 120 days before the start of the credit period, the owner should test the resident's income by using the IFA Self-Certification of Income form certifying to any changes in their income since completing their initial TIC. The test should be completed during the 120 days prior to the start of the credit period. If the resident indicates a change in income, the owner asks for a copy of any documentation showing the change, E.g., a copy of a pay stub, benefit award letter, etc. If the resident's income has risen above 140 percent of their income limit, the owner implements the available unit rule.

Implementing Rev Proc 2003-82 is particularly important in mixed-income projects. In a 100 percent LIHTC project, the owner always rents the next available unit to an LIHTC-qualified resident regardless of what they find when they test a resident's income at the start of the credit period. No resident may be forced to vacate a unit due to an increase in income since completing their initial TIC. The safe harbor rule allows an owner to preserve their tax credits without forcing a resident to move. The IRS has said that a resident's income rising above 140 percent of the income limit is not considered good cause to either refuse to renew their lease or to evict them from their unit.



## Existing Leases

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

***Note:** Acquisition/rehab or rehab-only projects can be complex, and IFA recommends that competent consultation should be sought to ensure that the rules are applied most effectively.*

## Transfers

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

## Resyndication

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

One important feature of resyndication is how existing residents are treated. The IRS considers residents who were qualified under the first set of credits as protected (or “grandfathered in”) during the entire Extended Use Period of the first set of credits. According to the IRS qualified households in an existing LIHTC project that is being rehabbed with new tax credits continue to qualify for the next set of credits without re-certification.

## The Average Income Test and Resyndication

When an existing LIHTC project is awarded new credits, the LURA requirements from the first set of tax credits are not extinguished but will be incorporated into the new LURA. In other words, the two LURAs will run concurrently, and the original LURA requirements end when the original LURA expires.

The original minimum set-aside is not replaced by the new one, therefore if an owner elects the Average Income Test with their new set of credits, they will only be able to qualify households below either the 50% or 60% AMI limits until the original LURA has expired. Electing to Income Average would allow the owner the flexibility, once the original LURA has expired, to use the higher 70% and 80% AMI limits in the future.

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

## Tenant Files

Even though the IRS does not require previously qualified LIHTC households to be recertified, IFA requires that all existing LIHTC households are certified using the IFA-required forms in place at the time of acquisition. If existing households are over-income at the time of acquisition, the household does not invoke the Available Unit Rule (AUR) or the Unit Transfer Rule (UTR). This is done to ensure that all tenant files are complete and up to date with all current requirements at the time of acquisition.

IFA suggests that the owner/manager maintain the original file establishing eligibility at move-in to provide to the Compliance Officer during an audit if there are any questions or concerns. In many cases, projects have changed management companies and/or ownership and the original file is often missing or deficient. If this is the case, the certification done at acquisition along with any subsequent recertification showing that the household was below the income limit current at the time of acquisition will be sufficient. A uniform file order should be established to aid in keeping tenant files audit ready.

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

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

**EXAMPLE****Resyndication and existing households**

The Millers moved into unit 201 at Shady Pines in 2003. The project was constructed in 1995 and is in its Extended Use Period when awarded new credits during the 2017 allocation cycle.

The Millers are asked to certify using all current required forms being used by the project and IFA. When recertified, the household was over-income when applying the 2019 MTSP limits currently in use. Per the IRS, the household remains a qualified household, however the 2019 MTSP rents are lower than the HERA Special Limits that were being used prior to resyndication and the owner will be required to lower the tenant's rent at the time of recertification.

**The Uniform Relocation Act (URA)**

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

projects receiving federal funds, are treated fairly and equitably and receive assistance in moving from the property they occupy.

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

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

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

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

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

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

## Chapter 6 – Compliance Monitoring & Noncompliance

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

### EXAMPLE

#### Violation of state v. federal set aside limits

Project Minimum Set-Aside	<b>40-60</b>	MSA income limit: \$ 30,000
Additional state set-aside	<b>50%</b>	IFA set-aside income limit: \$ 25,000

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

### Overview of Reporting of Federal Noncompliance

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

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

IFA is required to periodically monitor a property’s files and physical buildings for compliance. If noncompliance is discovered, IFA will give a *correction period* to correct what was found. Although it may be shorter, this correction period may not exceed 90 days, unless a special extension is granted by IFA for up to an additional 90 days. See the below section “Owner’s Response to Initial Owner’s Report” for details. Once the correction period has expired or the owner has submitted documentation to correct the noted noncompliance, IFA will submit Form 8823 to the IRS for federal noncompliance and

indicate if noncompliance was corrected during the correction period. Further details specifically relating to IFA file audits and site inspections are provided later in this chapter.

### Due Diligence

If owner/managers practice due diligence in reviewing their own files, policies and procedures and corrections of errors are made prior to an audit by IFA, the IRS will not be notified of any noncompliance when discovered. This specifically means that, if an owner/manager discovers a noncompliant situation at a property and corrects it before IFA informs the owner/manager that IFA will be conducting an audit of the property, IFA will not report the issue on Form 8823. This makes the date that IFA informs the owner/manager of an upcoming audit a crucial date.

Owners who are diligently monitoring their own compliance because it is the right thing to do, and not just because of the threat of an impending audit, are thus rewarded for their proactive approach.

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

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

### DEFINITION

#### “Due Diligence”

“The care that a reasonable person exercises to avoid harm to other persons or their property... reasonable steps taken by a person in order to satisfy a legal requirement.”

Federal vs. State Issues

Federal noncompliance items	LIHTC	State noncompliance items
The household is above the income limit upon move-in (based on the minimum set-aside income limit(s)). <b>8823 Guide Chapter 4</b>		The household is above the state set-aside income limit upon move-in (but below the minimum set-aside income limit(s)).
Late or not-completed annual recertification (at properties less than 100% LIHTC or are Deep Rent Skewed). <b>8823 Guide Chapter 5</b>		Late or not-completed annual recertification (at 100% LIHTC, mixed-income properties for units at State covenant set-asides).
Violations of UPCS standards. <b>8823 Guide Chapter 6</b>		Physical deficiencies not covered by UPCS, but that IFA may require to be fixed due to State or local building codes.
Failure to submit complete annual owner’s certification. <b>8823 Guide Chapter 7</b>		Failure to submit additional state-required reporting.
Changes in eligible basis (for instance charging inappropriate fees or removing amenities). <b>8823 Guide Chapter 8</b>		
Failure to keep the number of units in compliance as required by the minimum set-aside. <b>8823 Guide Chapter 10</b>		
Rents charged over the limit(s) based on the minimum set-aside. <b>8823 Guide Chapter 11</b>		Rents charged that are over state set-aside rents (but below the minimum set-aside).
Project not available to the general public. <b>8823 Guide Chapters 12 &amp;13</b>		
Violations of the Available Unit Rule. <b>8823 Guide Chapter 14</b>		Failure to move a household in a State covenant unit to a higher income category after an increase of income at recertification and then to re-designate the next comparable unit in the project to the lower income category.
Violations of the Vacant Unit Rule. <b>8823 Guide Chapter 15</b>		
Failure to execute the LURA by the time credits are claimed. <b>8823 Guide Chapter 16</b>		
Units occupied by nonqualified student households. <b>8823 Guide Chapter 17</b>		
Utility allowance was calculated incorrectly. <b>8823 Guide Chapter 18</b>		

Owner fails to respond to agency notifications of inspection. <b>8823 Guide Chapter 19</b>	
LIHTC units used on a transient basis (initial leases less than 6 months). <b>8823 Guide Chapter 20</b>	
Building no longer participating in the LIHTC program. <b>8823 Guide Chapter 21</b>	Noncompliance with non-federal requirements listed in the LURA.
<b>HOME and/or NHTF</b>	
The mix of High and Low HOME and/or NHTF units is not maintained.	<b>Note: noncompliance with the HOME or NHTF Contract for a project puts the federal HOME/NHTF funding at risk. The HOME/NHTF programs do not make a Federal-PJ noncompliance distinction.</b>
Lease for HOME/NHTF units fails to meet HOME/NHTF provisions.	
Households over HOME/NHTF limits at move-in.	
Rents charged are above the HOME/NHTF limits (including subsidy).	
Leasing of next units incorrect after increases of income.	
Rents calculated incorrectly for households over the 80% or NHTF income limit.	
Noncompliance with non-federal HOME or NHTF Contract provisions.	
A HOME unit contains an ineligible student household.	

### Yearly Compliance Reporting Requirements – Owner’s Certificate of Continuing Compliance

LIHTC Code states that the owner of a LIHTC development is required to certify to IFA that, for the preceding 12-month period, the development met the requirements of Section 42 provisions: HOME and NHTF have similar requirements. Owners must report in the form and manner IFA specifies, including completing all applicable Exhibits and utilizing IFA’s online reporting system, Certification Portal (CP), to report tenant-level data for analysis. The owner must certify, under the penalty of perjury, that the information provided is true, accurate, and in compliance with the requirements of LIHTC, HOME and NHTF rules and regulations. Treasury regulations list 12 specific requirements that must be addressed in the Certification to meet LIHTC requirements.

IFA is required to review the *Owners Certification of Continuing Compliance* annually. The owner is considered noncompliant if the Certification is inaccurate, incomplete (or not submitted), or the owner discloses noncompliance with program requirements. Unlike the process followed during a compliance



review of a project, the Owner will be notified of their noncompliance upon review of their submission and an 8823 or State Notice of Noncompliance will be issued without a corresponding correction period.

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

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

Failure to submit the Owner's Certification of Continuing Compliance will result in the issuance of an 8823 or a State Notice of Noncompliance.

For annual reporting of AIT projects, a rent roll will be required. This rent roll should include the following: unit number, square footage, rental rate, average income designation, qualified group of units, move-in date and identification of any units that changed designations in the last year.

### Quarterly Compliance Reporting Requirements

The owner is responsible for reporting occupancy to IFA for ALL projects. Occupied units are to be counted on the last day of each month and reported to IFA on a quarterly basis by the 10<sup>th</sup> of the month following the end of each quarter. IFA requires the use of our Asset Management Portal to report quarterly occupancy information.

If a project also contains HOME/NHTF funds or has an IFA program loan/grant, additional reporting requirements are also in place which may include submitting annual audits, quarterly financials, operating budgets, owner tax returns or insurance certificates using the Asset Management Portal. All LIHTC projects awarded in 1999 or later are required to submit annual audits using the Asset Management Portal.

### Physical Inspection Protocol

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

The IRS has established that LIHTC properties must be maintained in compliance with HUD's physical standards established by 24 CFR 5.703. These include the National Standards for the Physical Inspection of Real Estate (NSPIRE) used by HUD programs. NSPIRE progressively replaced the old *Uniform Physical Conditions Standards* (UPCS) for covered programs in 2023 and 2024. IFA is expected to adopt NSPIRE in 2025 and will provide updates when in place. HUD has published NSPIRE standards online that identify deficiencies. NSPIRE then defines specific severity codes for physical problems on a scale including "low," "moderate," "severe," and "life-threatening." NSPIRE heavily focuses on habitability and *Health and Safety* concerns.

*The NSPIRE standards can be found at: [www.hud.gov](http://www.hud.gov) by following the links to "REAC Property and Unit Inspections."*

Following is a quick overview of NSPIRE.

NSPIRE is the standard also followed for HUD REAC (Real Estate Assessment Center) inspections. However, LIHTC and HOME inspections do not use the overall scoring for a project that is part of REAC. NSPIRE puts a much stronger emphasis on the physical habitability of units than UPCS did. It also keeps a consistent focus on the health and safety aspects of deficiencies. NSPIRE standards also include timeframes allowed for correction specific to each deficiency.



#### **Inspectable Areas**

Whereas UPCS had five inspectable areas, NSPIRE consolidated those into three, 1) “Outside” (the building), 2) “Inside” (the building, but not in units), and 3) “Units.” What NSPIRE considers to be “Outside” was “Site” and “Building Exterior” under UPCS. “Inside” was “Common Areas” and “Building Systems.” The “Units” area remains the same.

NSPIRE is a complex protocol. HUD began the process of re-organizing UPCS and the REAC scoring system into NSPIRE in 2019. Many of the details changed, but the basic outline provided below, based on IRS summaries of its physical standard expectations, will remain relevant. The following is a quick overview of NSPIRE. However, there are many additional details provided in HUD guidance, which will be adjusted over time.

Note: The below listing of deficiencies is a sampling that the IRS listed in the instructions to form 8823. There are hundreds of additional deficiencies under the NSPIRE protocol, so consult the REAC NSPIRE website and Standards for more details. See also Supplement 2 of this manual for a checklist for NSPIRE inspection.



Inspectable Area

# Outside

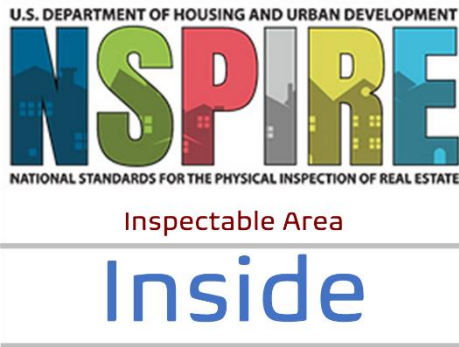
Site components and each building must be free of health and safety hazards and be in good repair. Note | This inspectable area was both “Site” and “Building Exterior” inspectable areas under the former UPCS.

- Adequate address and signage at the site
- Missing handrails and guardrails
- Fencing and gates
- Grounds
- Mailboxes
- Project signs
- Parking lots/driveways/roads
- Play areas and equipment
- Refuse disposal
- Retaining walls
- Storm drainage
- Walkways/steps
- Doors
- FHEO & Uniform Federal Accessibility Standards (UFAS)
- Fire escapes
- Foundations
- Lighting
- Roofs
- Walls
- Windows



**Some possible “outside” concerns**

- Dangerous walkways or steps where cracks constitute a trip hazard
- Poor drainage
- Septic tank back-ups
- Sewer hazards
- Excess accumulated garbage/debris
- Vermin or rodent infestation
- Fire hazards
- Damaged soffits/fascia
- Missing/damaged downspouts/gutters
- Splash blocks missing
- Walls stained/peeling/need paint
- Wall cracks, gaps, damaged or missing pieces
- Back-up lighting fails when tested



Each building’s domestic water, electrical system, elevators, emergency power, fire protection, HVAC, and sanitary systems must be free of health and safety hazards, functionally adequate, operable, and in good repair. Common areas must be structurally sound, secure, and functionally adequate for the purposes intended. Note | This inspectable area includes areas that were the “Building Systems” and “Common Areas” inspectable areas under UPCS.

- Missing handrails and guardrails
- Domestic water
- Electrical systems
- Elevators
- Emergency power
- Fire protection
- HVAC
- Roof exhaust systems
- Sanitary systems
- Basements/garages/carports
- Closets/utility & mechanical rooms
- Community room
- Daycare facilities
- Halls/corridors/stairs
- Kitchens
- Laundry rooms
- Trash collection areas
- Lobbies
- Offices
- Other community spaces
- Patios/porches/balconies
- Pools and related structures
- Restrooms
- Storage facilities



**Some possible “inside” concerns**

- Blocked access to the electrical panels by furniture or other items
- Open breaker/fuse ports
- A water heater pressure relief valve discharge tube does not extend to within 18 inches of the floor
- Clothes dryers not properly vented in a public laundry room
- Expired certification, missing, damaged, or discharged owner-owned fire extinguisher



Each dwelling unit within a building must be structurally sound, habitable, and in good repair. The dwelling unit must be free of health and safety hazards, functionally adequate, operable, and in good repair. Note | This area was also called “units” under UPCS. It has much greater emphasis under NSPIRE.

- Bathrooms
- Calls-for-aid
- Ceilings
- Doors
- Electrical systems
- Floors
- Water heaters
- HVAC systems
- Kitchens
- Laundry areas
- Lighting
- Outlets/switches
- Patios/porches/balconies
- Smoke detectors
- Stairs
- Walls
- Windows



**Some possible unit concerns**

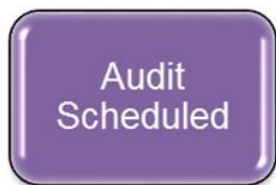
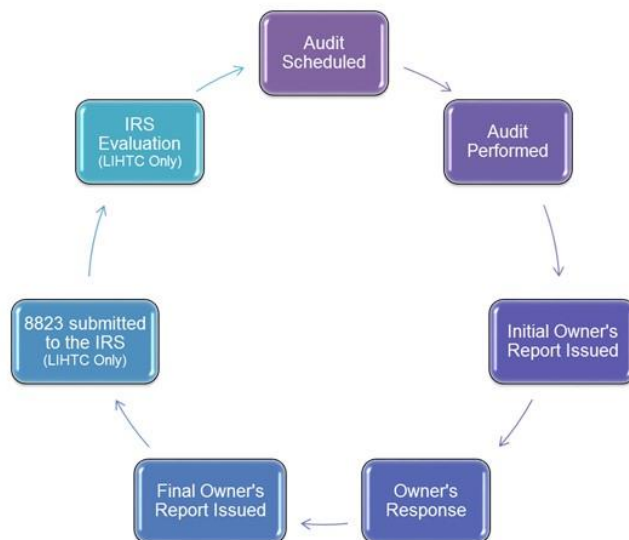
- Lack of hot and cold running water
- Lack of an adequate source of potable water
- Lack of at least one working smoke detector on each level of the unit and in each sleeping area
- Missing or inoperable GFCI outlets
- Bathrooms that are not in proper operating condition, including being:
  - i. Usable in private
  - ii. Adequate for personal hygiene

## LIFE-THREATENING HEALTH AND SAFETY

All inspectable areas must be free of life-threatening health and safety hazards. These issues are any hazardous conditions that pose a threat to the health and safety of residents and others. NSPIRE has designated many additional items to be health and safety or life-threatening when compared to UPCS and these are distributed throughout the standards. Below is a sampling of items that are “severe” or “life-threatening” and require prompt attention.

- Mold-like substances observed
- Electrical hazards
- Elevators not working as designed
- Emergency/fire exits
- Flammable materials
- Garbage and debris
- Hazards
- Sharp edges
- Infestation by rats, mice, or vermin
- Trip hazards
- Electrical, natural, or fire hazards.
- Improper ventilation
- Visually observed potential lead paint hazards where a child under age 6 resides
- Noncompliance with requirements related to lead-based paint hazards or unavailable certifications thereof
- Propane, natural, sewer, or methane gas odor
- Inoperable smoke detectors
- Blocked egress for 3<sup>rd</sup> level and below
- Improperly stored flammable materials
- Inoperable or missing GFCI outlet

## Compliance Review Cycle



### Scheduling of the Project Monitoring Visit

IFA (or IFA’s contractor) will contact the owner or their designated contact to select a mutually agreed-upon date to conduct the inspection. An information sheet with instructions regarding the file audit portion of your monitoring visit will also be provided.

*IFA will issue an 8823 or a State Notice of Noncompliance if an owner/management agent fails to respond to our contractor’s request to establish a date for inspection within five days of their third unsuccessful attempt to contact the owner/management agent.*

Once the inspection date and time has been scheduled a letter will be issued to confirm the date and time of the monitoring visit. IFA will inform you at this time of the name of your Compliance Officer for this audit.

### Preparing for the Monitoring Visit – Project Level Items

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

- LIHTC -Review of 8609 options and impact on compliance
  - 100% LIHTC vs Mixed-use projects (line 3b)
  - Impact of multi-building election (8b) on compliance monitoring
  - Impact of minimum set-aside (10c)

- Impact of deep rent skew election (10d)
- LIHTC and/or HOME and/or NHTF -Review of the LURA and impact on compliance
- Review of HOME contract (written agreements) & HOME Compliance Monitoring requirements
  - Total # of HOME and/or units
  - Fixed or Floating units
  - High or Low units
  - Period of affordability start date and end date
- Review Tenant Selection Plan
- Review Property/Management Rules (House Rules
- Review of Project-Specific LURA requirements
- Site, Building, and Tenant File Preparation
- Use of Mandatory Tenant Forms (as applicable)
  - IFA Application
  - IFA HOME Lease Addendum (HOME)
  - Student Status Certification
  - Student Status Verification (if applicable)
  - TIC -Tenant Income Certification Form
  - *Asset Self-Certification* (LIHTC & HOME during self-certification years)
  - *Certification of Zero Income*
  - *VAWA Forms & Lease Addendum*



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

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

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

- Physical Inspection – a minimum of 4 units chosen at random or a maximum of 20% of the low-income units. Observation of systemic or chronic noncompliance may trigger additional unit inspections.
- File Review - a minimum of 4 units or a maximum of 20% of the low-income units. Observation of systemic or chronic noncompliance may trigger additional file reviews.
- IFA will require that the file submitted match the unit inspected unless a vacant unit is selected for audit. We will inspect the vacant unit and will review the file of the last household to occupy that unit.



Required documentation must be submitted to IFA within 5 business days of the monitoring visit. These can be transmitted in a variety of ways, as instructed.

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

### PROJECT Documents Required

- Tenant Selection Plan
- Current rent roll with HOME units designated (if applicable)
- Documentation of any filed Fair Housing violations (if applicable)
- Known Bed Bug Issue form

### TENANT FILE Documents Required

- Initial move-in qualification verifications [100% LIHTC projects, HOME, & NHTF].
- Recertification qualification verifications [LIHTC mixed-use/mixed-income, HOME, & NHTF]
- Tenant Income Certification (TIC) form*  
*Note: owner may use the cert forms HUD 50058 or RD 3560-8, if applicable*
- Initial signed lease & applicable lease addenda (i.e. VAWA, HOME)
- VAWA Acknowledgement of Receipt of 5380 & 5382*
- Completed *IFA Application(s)* (one for each adult)
- Student Status Self-Certification*
- Consent to release information (owner developed – no signed blanket forms to be used)
- Certification of Zero Income* (if applicable. One for each adult)
- Asset Self-Certification form* (one per household)

*Checklist of common issues IFA encounters*

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

**NOTE:** IFA may reject any files, or require a larger sample to be submitted, that consistently contains any number of these issues.

## Monitoring Visit – Physical Inspection

## IFA will:

- Check the property for proper signage to comply with Fair Housing requirements. Appropriate Equal Housing Opportunity (EHO) and handicapped accessible logos on building or project signage along with Fair Housing posters must be displayed in common areas where they can be seen by applicants and tenants.
- Perform physical site inspections covering the entire exterior and common areas of the project and the interiors of a percentage of low-income restricted residential units selected by IFA.

## What you need to know:

- In most instances, the physical inspection will take approximately 1 to 2 hours unless a large number of units are being inspected.
- IFA contractors will NOT generally make any determinations concerning compliance but will simply conduct and document the inspection (including photos), note any potential deficiencies and provide their findings to IFA for their review.
- IFA will be responsible for communicating with you the outcome of this inspection and file review.
  - If any critical violations are noted during the inspection, you will receive a written notice of the violation(s) at the time of inspection and be expected to provide documentation to IFA that the repair work is completed within 72 hours. Failure to do so will result in the issuance of an 8823 or a State Notice of Noncompliance.

Initial Owner's Report Issued

Issuance of Initial Owner's Report

Issuance of Initial Owner's Report

Within 30 days of the inspection date; an initial owner's report will be issued to the owner and the designated management company contact.

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

The completed report will be sent to the owner-designated contact. Please ensure that IFA has the most up-to-date contact information. A courtesy copy will also be sent to the management company contact.

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

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

Owner's Response

Owner's Response to Initial Owner's Report

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

**EXAMPLE**

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

**IFA may, at our discretion, grant up to an additional 90-day extension (for physical deficiencies only). A formal request must be submitted in writing and received within 60 days of the date the initial report was issued. After the 60-day period, no extension will be granted without the approval of the IFA Asset Management Director.**

**In the written request the owner/manager must provide details on why an extension is necessary including estimates on when repairs/file corrections will be made.**

Final Owner's  
Report Issued

## Issuance of Final Owners Report

The final report will be issued to the owner within 30 days from the owner response. It is the owner's responsibility to share this document with their management company if they choose to do so. IFA's role is to determine whether the owner has provided:

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

The Final Report will document:

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

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

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

8823 Submitted  
to the IRS  
(LIHTC Only)

## An 8823 is Issued for Each BIN or Building

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

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

When the 8823 is submitted to the IRS a copy is sent to the owner for their records. It is the owner's responsibility to share this document with their management company if they choose to do so. 8823s

are required to be submitted to the IRS within 45 days after the end of the correction period (including any extension granted).

State Notice of Noncompliance (HOME, NHTF & LIHTC)

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

This Notice will be issued to the owner within 90 days of the end of the correction period only if the project has not corrected reported noncompliance issues. Any noncompliance reported via the State Notice of Noncompliance carries the same weight as those reported to the IRS on Form 8823, especially if the owner wishes to apply for future LIHTC, HOME or NHTF allocation rounds or applies for funds from any other IFA program.



IRS Actions upon Receipt of Filed 8823

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

1. Noncompliance corrected Forms 8823 are processed at the Philadelphia Service Center (PSC) without contacting the owner.
2. Out of Compliance Forms 8823 are assigned to technicians to prepare owner notification letters. The letters are specific to the type of noncompliance reported and explain that noncompliance may result in the loss and recapture of the tax credit.
3. The taxpayer receives the notification letter.
4. The PSC processes the Forms 8823 and transcribes the information into a database.
5. Forms 8823 are routinely analyzed to determine whether an audit of the owner's tax return is needed. The taxpayer's three latest filed income tax returns and all Forms 8823 filed for the project are analyzed.
6. If it is determined that an audit is warranted, the case file is sent to the appropriate field office for examination.
7. The Taxpayer is notified that an audit has been scheduled.

Possible Owner Actions upon Receipt of an IRS Notification Letter

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

### Correcting Specific State LIHTC Noncompliance

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

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

To correct the shortage of state set-aside units, the owner/manager should apply one of the following fixes:

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

Recertification should be conducted as soon as possible. Possible approaches are:

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

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

Submit the required reporting as soon as possible.
- **Rents charged that are over state set-aside rents (but below the minimum set-aside)**

Adjust rents as soon as possible. Rebate any overcharges.

*Note: IFA also requires that federal rents that are overcharged must be rebated to households who overpaid. The project file must be documented, including notification by the owner to the household of the overpayment and the amount to be rebated.*

*This exceeds federal requirements, but it indicates due diligence to IFA.*

Some noncompliance is very specific to a situation, property, LURA, HOME or NHTF Contract. Your Compliance Officer can provide specific advice beyond the scope of this manual.

### Correcting Specific HOME Noncompliance

- **Mix of High and Low HOME units not maintained.**

To correct the mix of HOME units, the owner/manager should establish a plan to restore the mix.

1. For floating HOME projects this can involve identifying in-place HOME and non-HOME residents who meet HOME requirements, renting to newly qualified HOME households or a combination of both approaches.
  2. For fixed HOME, moving HOME households who meet the correct set-asides into HOME units, encouraging voluntary transfers of HOME-qualified households from non-HOME units or a combination of both approaches.
- **Lease for HOME units fails to meet HOME provisions.**  
Execute a correct lease and IFA Addendum.
  - **Households over HOME limits at move-in.**
    - For floating HOME projects, other comparable units can be designated as HOME.
    - For fixed HOME, providing incentives for the household to voluntarily transfer to a non-HOME unit or to move out. IFA may also authorize changing fixed HOME units in a project.
  - **Rents charged are above the HOME limits (including subsidy) or rents are calculated incorrectly for households over the 80% income limits.**  
Adjust rents as soon as possible. Rebate any overcharges.
  - **Leasing of the next available HOME unit to an unqualified household after a current household exceeds the 80% income limits.**  
Fix the HOME mix (as suggested above) depending on if the property is fixed or floating HOME.
  - **A HOME unit contains an ineligible student household.**  
Treat the household as “over-income” (over the 80% income limit) per the HOME rules relating to increases of income. When charging rent based on adjusted income, include ineligible student parents’ income (see Chapter 4 for a detailed discussion of the HOME over income rule).

## Record Retention

### LIHTC

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

- **Year 1 of the Credit Period:** At least 6 years beyond the deadline for filing the tax return the last year of the Compliance Period, for a total of over 21 years.
- **Years 2-15:** 6 years beyond the deadline for filing the tax returns for each year.

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

### HOME & NHTF

HOME records must be kept for 5 years beyond the project’s period of affordability. If a project is both LIHTC and HOME, the LIHTC requirements may be more restrictive.

## Chapter 7 – Post-Year-15 issues for LIHTC Properties

The phrase, “Post Year-15” is used here to denote the period beyond the Compliance Period (years 1 through 15) which may also be referred to as the Extended Use Period.



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

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

Several procedures change in the compliance monitoring process previously discussed for the initial 15-year Compliance Period. If not specifically addressed in the following pages, procedures will remain the same as used during the initial 15-year Compliance Period.

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

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

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

### Initial Income Certification and Recertification Process

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

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



### Annual Reports

Owners will continue to submit their *Owner Certification of Continuing Compliance* and supporting documentation as well as report tenant-level data through the IFA Certification Portal (CP).

### Household Transfers & Available Unit Rule

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

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

### Student Status

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

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

### Applicable Fraction and Agency Covenants

After year 15, it is required that the applicable fraction continues to be met the same as before. Agency covenant set-asides do not change Post Year-15. The original income restrictions set forth in the development’s LURA will remain in effect through the term of the LURA.

For properties facing extreme financial hardship, an owner may request a change to the LURA that will improve the financial feasibility of the property. Contact your IFA Compliance Officer to discuss the change application and fee. The request will be reviewed by a team at IFA on a case-by-case basis.

**Note:** IFA cannot grant changes for programs that they do not monitor such as Rural Development or HUD. IFA recommends the owner contact representatives of other funding sources for a determination of the impact on the other program prior to submission of a change request to IFA.

### Record Retention

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

### Compliance Monitoring Visits

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

- **Physical Inspection** – a minimum of 4 units chosen at random or a maximum of 20% of the low-income units. Observation of systemic or chronic noncompliance may trigger additional unit inspections.
- **File Review** - a minimum of 4 units or a maximum of 20% of the low-income units. Observation of systemic or chronic noncompliance may trigger additional file reviews.

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

### Noncompliance

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

### Qualified Contract Process

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

Even though the program provides owners with the Qualified Contract opt-out provision, many developers in Iowa waived their right to an early opt-out in exchange for additional points in the scoring and allocation process. IFAs Qualified Contract process applies only to those properties that are eligible for opt-out at some point after year 15 prior to the end of the Extended Use Period. Owners are encouraged to review their applications submitted to IFA when they originally applied for an allocation of credits, as well as the LURA, to determine if and when they are eligible to pursue the opt-out provision. If eligible for early opt-out, owners may request, in writing, that IFA find a buyer for the property using the appropriate procedures, forms and application found on the IFA website. If IFA is unable to find a buyer pursuant to a Qualified Contract after a year, the property may be converted to market rate, provided the property has no other use restrictions (such as subordinate loans, HUD Use Agreements, etc.).

Owners must notify IFA of their desire to sell the property using the current IFA policy found on the IFA website. For developments that consist of more than one building (as evidenced in the development’s 8609(s)), **all buildings** must be in the last year of their initial Compliance Period or after in order to request the Qualified Contract. Qualified Contract requests can be submitted annually in March and in October.

The development and owner must be in compliance with all program requirements to be eligible to apply for the opt-out provision. The Qualified Contract may be suspended or terminated due to any

mortgage defaults or encumbrances on the property or IRS audit or investigation that may adversely affect the sale of the property.

#### Foreclosure or Deed-in-Lieu

If a property is facing the prospect of either foreclosure or deed-in-lieu due to financial insolvency, IFA will make all efforts to maintain affordability by working with the owner/manager to seek a more positive solution. Please contact the IFA Asset Management Director if your project is facing the likelihood of foreclosure as soon as possible. The chances of obtaining an alternate solution may improve with early intervention.

## Chapter 8 - Responsibilities

To provide a conclusion to this manual, this last chapter summarizes many of the topics discussed and how they translate to responsibilities conducted by IFA and owner/managers.

### IFA Responsibilities

IFA allocates and administers compliance with the tax credit program for the State of Iowa. Additionally, IFA serves as the Participating Jurisdiction (PJ) for the HOME program funds allocated to the State of Iowa. The primary compliance-related responsibilities of IFA are as follows:



#### **A. Prepare Regulatory Agreement/Restrictive Covenants**

For LIHTC projects, IFA will prepare a Land Use Restrictive Agreement (LURA) prior to the issuance of the IRS Form 8609. The LURA is an encumbrance on the property. This document must be recorded before the end of the calendar year in which credits are first claimed.

For HOME or NHTF projects, IFA issues the HOME and/or NHTF Contract and master agreement.

#### **B. Issue IRS Form 8609 (Low-Income Housing Certification), with Part I executed**

When the original recorded LURA is returned to IFA and all fees have been paid, the IRS Form 8609 will be sent to the owner. An IRS Form 8609 is prepared by IFA for each building in the development.

Note: If rehabilitation and acquisition credits are claimed on the same building, the rehabilitation is treated by Section 42 as a separate building. Therefore, the acquisition and rehabilitation will receive separate 8609 forms.

The owner submits the original to the IRS when the owner's personal, partnership, or corporate tax returns are filed for the first taxable year in which the credit is claimed. Refer to the 8609 instructions to determine when and how a copy of the 8609 must be submitted with the tax return.

Owners should consult with their legal and/or tax advisors for advice on completing and filing the IRS tax forms. IFA cannot provide legal or tax advice on the filing or completion of tax forms.

Part 1 of IRS Form 8609 is prepared and filed by IFA only. If IFA becomes aware that a developer or agent filed a self-prepared 8609 with the IRS, IFA reserves the right to determine that all parties involved are ineligible for future participation in Iowa's LIHTC program for a period of up to five (5) years.

#### **C. Review Annual Owner Certification of Continuing Compliance and other required reporting**

IFA maintains and makes available to owner/managers a Certification Portal (CP) and works with third-party vendors to ensure compatibility with management company software. For information on the Annual Owner Certification, see Chapter 6.

#### **D. Conduct On-site Monitoring**

IFA is required by the IRS to conduct in-depth, on-site inspections of all buildings in the development. For further information regarding on-site monitoring, see Chapter 6.

### E. Notify IRS of Noncompliance

IFA will provide written notification to the owner for items of noncompliance. The correction period will not exceed 90 days from the date of notice of noncompliance. IFA may extend the correction period for up to six months, but only if IFA determines there is good cause for granting the extension. During the 90-day time period (for physical deficiencies only), or the extension thereof, the taxpayer must supply all documentation that verifies the development is back in compliance.

### F. Record Retention

IFA will retain all owner certifications and records for not less than three years from the end of the calendar year in which they are received. IFA will retain records of noncompliance or the failure to certify compliance for six years after its filing IRS Form 8823.

### G. Compliance Updates and Training

IFA will provide updates at the *HousingIowa Conference* held annually in September.

### H. Possible Future Subcontracting of Functions

Treasury Regulations allow IFA the right to delegate some or all compliance monitoring responsibilities. IFA may in the future, decide to retain an agent or private contractor to perform some of the responsibilities listed above. In this event, IFA shall use reasonable diligence to ensure that the agent or private contractor(s) properly perform(s) the delegated monitoring functions. If IFA determines that a third party shall perform monitoring responsibilities, IFA will always retain responsibility for notifying the IRS of any noncompliance of which it becomes aware via Form 8823.



### I. Administration and Notification

Information regarding compliance is posted on the IFA website and updated regularly and includes the following:

- Annual Compliance Reporting Requirements & Documentation
- Current Income & Rent Limits (HOME, LIHTC, NHTF, Fair Market)
- Historical Income & Rent Limits (HOME, LIHTC, NHTF, Fair Market)
- Inspection Documents
- Required Forms
- Sample Forms
- Qualified Contract Process documents
- Certification Portal (CP) login & training documentation
- Asset Management Portal (AM)

Program notices, news releases and notices of training opportunities are also posted on the website. Additionally, owners/managers and other interested parties may join the Compliance email listing by signing up on the IFA website. It is the responsibility of the owner/manager and other parties to notify IFA if changes in personnel or email addresses occur by submitting Exhibit F -Compliance Monitoring Information Sheet.

### Owner/Manager Responsibilities

The owner has chosen to utilize the LIHTC, HOME or NHTF program to take advantage of the tax and other benefits provided. In exchange for these benefits, the owner must adhere to certain requirements and accept responsibilities.

These responsibilities include, but are not limited to the following:

#### A. Allocation/Commitment Requirements

In the LIHTC and/or HOME, NHTF application, the owner provides comprehensive development information with evidence of overall economic feasibility. Prior to the issuance of a final allocation of credits and commitment of HOME/NHTF funds, the owner certifies to the total development costs and that all program requirements have been met. Any violation of the program requirements or misinformation represented in the application or certifications could result in the loss of the credit allocation and HOME funding.

#### B. Project Knowledge

At a minimum, the development owner should be knowledgeable about the following (as applicable):

1. The credit year of the development. (What is the date of allocation?)
2. The date placed in-service for each building. (The placed in-service date is the date of first possible occupancy, not necessarily actual occupancy – generally; this is the date of the certificate of occupancy).
3. If a LIHTC acquisition rehabilitation development:
  - a) Whether residents were required to move out during rehabilitation.
  - b) Whether the building was occupied during the rehabilitation.
  - c) Whether current residents are qualified households.
  - d) Developers must track the relocation of residents during the rehabilitation process sufficient to complete the cost certifications and tax returns.
4. The number of buildings in the development.
5. The Building Identification Number (BIN) for each building in the development.
6. The minimum set-aside and other federal set-asides elected:
  - a) 20-50, 40-60 or Average Income
  - b) Deep Rent Skewing
  - c) 40-50 election for HOME or
  - d) Additional elections made in the application for additional points
7. Developers must track the relocation of residents during the rehabilitation process sufficient to complete the cost certifications and tax returns.
8. The HOME required mix of High and Low HOME units.
9. The HOME fixed or floating designation.
10. The number of NHTF units.
11. The NHTF fixed or floating designation.
12. For each building, the percentage of the residential units and the percentage of residential floor space occupied by qualified residents.
13. The year that credit was first claimed.
14. The first year of the HOME period of affordability.

15. The first year of the NHTF period of affordability.
16. The terms, under which the tax credit reservation or HOME/NHTF Commitment was made, including statutory set-asides, deeper targeting agreements, etc.
17. The terms and conditions stated in the LURA.

### C. Proper Administration and Record-Keeping

The owner is responsible for the proper administration of the development, including the Code requirements that resident income and rent records be kept and retained for each building in the development for the Compliance Period.

Owners must maintain the records necessary for IFA to conduct a compliance monitoring review and for the IRS to conduct an audit. Maintain records for the first year of the Credit Period for a minimum of 21 years, and records for all other years in the 15-year Compliance Period for a minimum of 6 years following each year's end. HOME/NHTF records must be kept for a minimum of five years.

The records must include the following:

1. The total number of residential rental units in the building (including the number of bedrooms and the size in square feet of each residential rental unit).
2. The percentage of residential rental units in the buildings that are low-income units.
3. The rent charged for each residential rental unit in the building, supporting documentation, and the applicable utility allowance.
4. The number of occupants in each low-income unit.
5. The low-income unit vacancies in the building and information that shows when and to whom the next available units were rented (this information must include the unit number, resident name, move-in dates and move-out dates for all residents, including market-rate residents).
6. The annual income certification of each eligible resident (as applicable).
7. Documentation to support each eligible resident's income certification.
8. The eligible basis and qualified basis of the building at the end of the first year of the Credit Period.
9. The character and use of the nonresidential portion of any building included in the project's eligible basis under Section 42(d) of the code (e.g., resident facilities that are available on a comparable basis to all residents and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the development).

### D. Maintain a Development File

Owners must maintain a development file that contains all pertinent documents for the development.

IFA retains the right to inspect the development file at any time. The development file must contain:

1. All approved tax credit and HOME applications together with applicable attachments.
2. A recorded copy of the Regulatory Agreement/Restrictive Covenant/LURA/HOME/NHTF Contract.
3. IRS Forms 8609 and 8586 for each building for each year credit is claimed.

4. All applicable documents relating to any other form of housing or finance programs (i.e., HUD Section 8, RHS., etc.).
5. Documentation that the development complies with any statutory set-asides or Qualified Allocation Plan (QAP) requirements.
6. Documentation for each utility allowance update or revision, that must occur at least once per year.

#### **E. Maintain a Resident/Unit File for Each Unit in the Development**

The resident/unit file requirements are outlined in Chapter 3 of this manual. Files may be paper or electronic, as discussed in Chapter 6.

#### **F. Reporting and Certification Requirements**

1. Owners must submit a copy of IRS Form 8609 (Part I & Part II), once signed and dated.
2. Owners must submit and retain copies of the Owner's Annual Certification of Continuing Program Compliance, and related documents, for each year of the Compliance Period and corresponding documentation for the HOME/NHTF period of affordability. Certifications will include the notification of the Local Lead Agency of all vacancies and the use of Iowa's free rental housing locator at [www.iowaHousingSearch.org](http://www.iowaHousingSearch.org) if required by the project's QAP at the time of the award. Initial Certifications are due April 1<sup>st</sup> and subsequent year's Certifications are due March 1<sup>st</sup>.
3. The owner must submit quarterly occupancy information through the IFA Asset Management Portal (AM). The owner is responsible for reporting occupancy on a quarterly basis. Occupied units are counted on the last day of each month and reported to IFA on a quarterly basis by the 10<sup>th</sup> of the month following the end of each quarter (see further instructions on the IFA Asset Management Portal). An Asset Management Portal guide is on our website.
4. The owner must submit financials (audits preferred) for all LIHTC projects awarded in 1998 or later and any project with HOME/NHTF or Multifamily loans. The owner must submit insurance certificates and other required submissions as shown in the IFA AM based on the IFA funding source.

#### **G. Train On-Site Personnel**

It is the owner's responsibility to ensure that the on-site management knows, understands, and complies with all applicable rules, regulations, and policies governing the development.

#### **H. Ensure Proper Maintenance**

The owner is responsible to maintain the development in a decent, safe, and sanitary condition. Failure to do so is a reportable act of noncompliance.

#### **I. Administration and Notification**

The owner must notify IFA immediately in writing of any anticipated changes in the ownership composition, general partner or managing member, or in the management agent, such as name, address, telephone number, and federal ID#. Depending upon language contained in the LURA, the



owner may need to seek IFA's approval prior to the transaction taking place. A careful review of the project's LURA will provide guidance on the course of action that needs to take place.

Upon receipt of a request from the owner IFA will send a packet with instructions and forms or a list of documents that need to be completed and sent to us for approval prior to closing.

The owner is responsible for informing IFA of any event that might affect the development's credit or HOME/NHTF funding throughout all phases of development, rent-up, and operation. This includes the initial phases of construction, the scheduled placed-in-service date and the completion of the development as outlined in the Code. Any delays or omissions in following this process may result in the issuance of an 8823 or a State Notice of Noncompliance and could also potentially void the sale or transaction.

All communications with IFA must include the IFA-assigned development number, and, if appropriate, the affected Building Identification Numbers (BINs).

#### **J. Compliance Training**

Training is provided annually in conjunction with the *Housinglowa Conference* and at other times at IFA's discretion.

#### **K. Declaration of Land Use Restrictive Agreement (LURA)**

Prior to claiming tax credits, the building owner must record an approved IFA Declaration of Land Use Restrictive Agreement (LURA) which must be in effect as of the end of the tax year credits are claimed.

### **Management Company and On-Site Personnel Responsibilities**

#### **A. General**

The management company and all on-site personnel are responsible to the owner for implementing the LIHTC and/or HOME program requirements properly. Anyone who is authorized to lease apartment units should be thoroughly familiar with federal and state laws, rules, and regulations governing certification and leasing procedures. It is also important that the management company provide information to IFA, as needed, and submit all required reports and documentation in a timely manner.

#### **B. Noncompliance**

If the management company determines that the development is not in compliance with the LIHTC, HOME, or NHTF program requirements, the management company should correct the noncompliance whenever possible.

**\*\*Correction of LIHTC noncompliance matters prior to receiving notification from IFA of a pending scheduled file review and physical inspection is demonstration of proper due diligence and is not reportable to the IRS on form 8823.\*\***

#### **C. Compliance Training**

Management staff must remain up-to-date on all IRS Code regulations and procedure changes that are published. This may be accomplished through the IRS website, several nationally known LIHTC training providers, IFA's website, and the annual *Housinglowa Conference*.

NOTE: THE ULTIMATE RESPONSIBILITY FOR COMPLIANCE AND PROPER ADMINISTRATION OF THE LIHTC PROGRAM LIES WITH THE OWNER.

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## Appendices

Required Forms

Combined Programs Chart

Verification Guidance from HUD (*HUD Notice 2023-10, Joint HOTMA Implementation Guidance, Attachment J*)



## Appendices

Required Forms

Combined Programs Chart

Verification Guidance from HUD (*HUD Notice 2023-10, Joint HOTMA Implementation Guidance, Attachment J*)

## IFA List of Required Forms

This is the list of forms that are currently considered **required forms** which are to be used for all LIHTC, HOME, and National Housing Trust Fund (NHTF) projects that IFA monitors.

	Form Name	Date Last Modified
1.	IFA Application	9-1-2024
2.	IFA HOME/NHTF Lease Addendum	9-1-2024
3.	Notice of Casualty Loss or Damage	3-1-2024
4.	Student Status Certification	9-1-2024
5.	Self-Certification of Student Financial Assistance	9-1-2024
6.	Student Status Verification	9-1-2024
7.	Tenant Income Certification (TIC)	9-1-2024
8.	Tenant Income Certification (TIC) Addendum (If needed)	9-1-2024
9.	Tenant Income Certification Instructions	9-1-2024
10a.	Asset Self-Certification	9-1-2024
10b.	Asset Self-Certification Worksheet (must submit with 10a.)	9-1-2024
11.	VAWA Acknowledgement of Receipt of 5380 & 5382	9-1-2022
12.	VAWA Lease Addendum	9-1-2022
13.	Certification of Zero Income	9-1-2024
14.	Notarized Affidavit of Income	9-1-2024
15.	Known Bed Bug Issue Form (project level)	9-1-2024
16.	Exhibit F: Compliance Monitoring Information Sheet (project level)	9-1-2024



## Instructions for Managers:

This Application for Housing is provided to satisfy the requirements contained in the IFA LIHTC/HOME and NHTF Manual under Chapter 3 – Qualifying Households. The IFA Application is now required and the IFA Compliance Questionnaire form will be discontinued.

We recognize that owner/managers are in the best position to design an application **addendum** that along with the required IFA Application will meet the needs of their properties and the programs that they work with. We feel this will eliminate duplication of questions for a better applicant experience.

Please note that this application may not be modified. This application will be listed under the Required IFA forms.



# APPLICATION FOR HOUSING

Complete one application **per adult household member** who will occupy the unit at time of move-in.

Property Name:		IFA Project Number:
Address:		

For Office Use Only:	Application Date		Desired Move-in Date:		Pre-Application?	<input type="checkbox"/> Yes <input type="checkbox"/> No
	Date Received:		Time Received:	Received by (agent):	Initial App <input type="checkbox"/>	Recert App <input type="checkbox"/>

Bedroom Size Requested:  1  2  3  4

Applicant Name \_\_\_\_\_ MI \_\_\_\_\_ Last \_\_\_\_\_

Current Address \_\_\_\_\_ City \_\_\_\_\_ State \_\_\_\_\_ Zip Code \_\_\_\_\_ Telephone Number \_\_\_\_\_

## HOUSEHOLD COMPOSITION

Provide your name and relation to the Head of the Household. Please also list any minor dependents under the age of 18 for whom you are individually responsible. Head of Household should list minors where two or more household members are jointly responsible. Please identify if any household members are foster children or adults in the Relationship to Head of Household column.

Member Full Name	Relationship to Head of Household	Date of Birth	Age	Current Student Y / N	Last 4 digits of SSN#
1.					
2.					
3.					
4.					
5.					
6.					

**QUESTIONS** – Please check **YES** or **NO** to each question. If you respond “Yes” to any question, please provide a brief explanation in the space provided below. You may be required to supply additional documentation to verify your response.

- Do you expect any additions to the household within the next 12 months?  
Or are there any absent household members who normally would live with you? If yes, explain.  Yes  No
- My current marital status is:  Married  Single  Divorced  Widowed  Separated
- Are all children listed above either in full custody of the household or subject to joint custody with an outside parent with the child being present in the unit at least 50% of the time.  Yes  No
- Have you been a student in the past 12 months?  Yes  No
- Are you currently a student or do you plan to become a student in the next 12 months?  Yes  No  
If yes, please advise how school will be paid for. \_\_\_\_\_
- Will you or anyone in your household require a live-in care attendant?  Yes  No
- Will your household be receiving Section 8 rental assistance at the time of move-in?  Yes  No
- Will your household be eligible or are you applying to receive Section 8 rental assistance in the next 12 months?  Yes  No

<i>Name of Current Landlord</i>				<i>Phone Number</i>	
How long have you resided at your current address?	Years	Months		<i>Amt. of Rent/Payment:</i>	\$
	_____	_____		_____	_____

**PREVIOUS HOUSING STATUS** (Provide information on 2 previous addresses where you have resided)

<i>Previous Address</i>		<i>City</i>	<i>ST</i>	<i>Zip Code</i>
How long did you reside at this address?	Years	Months		\$
	_____	_____		_____
<i>Name of Previous Landlord</i>			<i>Phone Number</i>	

<i>Previous Address</i>		<i>City</i>	<i>ST</i>	<i>Zip Code</i>
How long did you reside at this address?	Years	Months		\$
	_____	_____		_____
<i>Name of Previous Landlord</i>			<i>Phone Number</i>	

**HOUSEHOLD INCOME INFORMATION (NOTE: All information will be verified with documentation. If you have information on items below, please provide it.)**

List your current and anticipated income for the 12-month period commencing or anticipated from the date of occupancy. Include all full time, part time or seasonal employment.

	DO YOU RECEIVE OR EXPECT TO RECEIVE	Y	N	MONTHLY AMOUNT
1.	Social Security, SSI (excluding PASS) or other payments from the Social Security Administration	<input type="checkbox"/>	<input type="checkbox"/>	\$
2.	Employment pensions or retirement benefits, veteran's benefits, or annuities	<input type="checkbox"/>	<input type="checkbox"/>	\$
3.	Employment wages or salaries (including overtime, bonuses, tips, commissions, and cash)	<input type="checkbox"/>	<input type="checkbox"/>	\$
4.	Self-employment income including gig app-based income (Uber, Lyft) and other contract labor	<input type="checkbox"/>	<input type="checkbox"/>	\$
5.	Public assistance (General Relief, Aid to Families w/Dependent Children or other such support	<input type="checkbox"/>	<input type="checkbox"/>	\$
6.	Alimony or child support (either court ordered or paid directly from the payor)	<input type="checkbox"/>	<input type="checkbox"/>	\$
7.	Regular payments as a member of the Armed Forces	<input type="checkbox"/>	<input type="checkbox"/>	\$
8.	Regular payments from disability (other than SSDI), death benefits or life insurance dividends	<input type="checkbox"/>	<input type="checkbox"/>	\$
9.	Regular gifts or payments from anyone outside of the household (including cash or goods)	<input type="checkbox"/>	<input type="checkbox"/>	\$
10.	Regular payments from rental property (land contracts or other real estate transactions)	<input type="checkbox"/>	<input type="checkbox"/>	\$
11.	Any other sources of income not listed:	<input type="checkbox"/>	<input type="checkbox"/>	\$
12.	Do you expect any changes to your income in the next twelve months?	<input type="checkbox"/>	<input type="checkbox"/>	
	If yes, please explain:			
13.	If you have answered no to questions 1-11, Are you claiming that you have ZERO Income?	<input type="checkbox"/>	<input type="checkbox"/>	

The following section must be completed for each income source listed as YES. If a household member has more than one source of income from the same question, use a separate line for each source. Failure to complete this area in its entirety will delay the process of the applicants' approval to live at this property. Please add an additional page if more room is needed.

Question #	SOURCE(S) OF INCOME: NAME OF EMPLOYER OR SOURCE OF FUNDS, START DATE, AND ADDRESS, PHONE, EMAIL ADDRESS (i.e. employers, public assistance office, social security, pension fund, etc.)					
	Name:				Address:	
	Start Date:		Phone:		Email Address:	
	Name:				Address:	
	Start Date:		Phone:		Email Address:	
	Name:				Address:	
	Start Date:		Phone:		Email Address:	

**HOUSEHOLD ASSETS (NOTE: All information will be verified with documentation.)**

	DO YOU HAVE MONEY HELD IN:	Y	N	AMOUNT
1.	Checking accounts	<input type="checkbox"/>	<input type="checkbox"/>	\$
2.	Savings accounts	<input type="checkbox"/>	<input type="checkbox"/>	\$
3.	Certificates of deposit (CDs), money market accounts or annuities	<input type="checkbox"/>	<input type="checkbox"/>	\$
4.	Stocks, bonds, mutual funds or securities	<input type="checkbox"/>	<input type="checkbox"/>	\$
5.	Trust accounts (current balance if under control of the household)	<input type="checkbox"/>	<input type="checkbox"/>	\$
6.	Real estate, rental property, (land contracts/contract for deed or other real estate holdings)	<input type="checkbox"/>	<input type="checkbox"/>	\$
7.	Non-necessary personal property (non-account assets such as RV's ATV's boats, campers)	<input type="checkbox"/>	<input type="checkbox"/>	\$
8.	Whole or universal life insurance policies current cash value (do not include term life policies)	<input type="checkbox"/>	<input type="checkbox"/>	\$
9.	Debit cards not linked to an account that is listed (Store Value/Direct Express Card/Reliacard)	<input type="checkbox"/>	<input type="checkbox"/>	\$
10.	Internet based assets (Venmo, Paypal, Cash App, ApplePay, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	\$
11.	Cryptocurrency (Bitcoin, Ethereum, etc.)	<input type="checkbox"/>	<input type="checkbox"/>	\$
12.	Amount of your most recent federal tax refund.			\$

The following section must be completed for each asset source listed as YES. If you have more than one source of asset from the same question, use a separate line for each source. Failure to complete this area in its entirety will delay the process of the applicants' approval to live at this property. Please add an additional page if more room is needed.

Question #	SOURCE(S) OF ASSETS: NAME OF INSTITUTION, ADDRESS, ACCOUNT NUMBER, INTEREST RATE & PHONE NUMBER/EMAIL ADDRESS (i.e. employers, public assistance office, social security, pension fund, etc.)					
	Institution:				Address:	
	Account No.:		Interest Rate:		Phone:	Email Address:
	Institution:				Address:	
	Account No.:		Interest Rate:		Phone:	Email Address:
	Institution:				Address:	
	Account No.:		Interest Rate:		Phone:	Email Address:
	Institution:				Address:	
	Account No.:		Interest Rate:		Phone:	Email Address:

I certify that I  have or  have not sold or disposed of any asset for more than \$1000 less than Fair Market Value during the two-year (24 month) period preceding the date of this application. Any assets sold or disposed of for less than Fair Market Value are identified below.

Description	Assets Estimated Value	Date Sold / Disposed of	Amount Received
	\$		\$

(Examples would include real estate sold for less than fair market rent or a sizeable charitable donation)

**APPLICANT RESPONSIBILITIES:**

All Questions that were answered “Yes” will need to be verified through the appropriate documentation. It will be your responsibility to provide management with all the necessary information/documents to properly process your application and in the future, to verify your on-going eligibility as required. You will be asked to provide the names, addresses, phone number and email addresses, account numbers (where applicable) and any other information that may be necessary in order to expedite the verification process.

Upon review of the information and documentation management receives, you may be provided with a separate verification form for each source that may need further verification that you will need to sign and date.

**SIGNATURE:**

I understand that management is relying on this information to prove my household’s eligibility which is required by the funding sources under which this property operates. I certify that all information and answers provided are true and complete to the best of my knowledge. I consent to release the necessary information to determine my eligibility. I further understand that providing false information or making false statements may be grounds for denial of my application. I also understand that such action may also result in criminal penalties.

I consent to have management verify the information contained in this application for the purposes of proving my eligibility for occupancy. I also authorize (if required) management to perform a credit check and criminal background check for purposes of further proving my eligibility for occupancy. I will provide all necessary information and expedite this process in any way possible. I understand that my occupancy is also contingent on meeting management’s resident selection criteria and other program requirements.

\_\_\_\_\_  
Applicant/Resident Signature \_\_\_\_\_ Date

**Voluntary Information:**

The information is being requested in accordance with federal regulations. The information is for reporting purposes only. This information will **not** be used in evaluation of your application or to discriminate against you in any way. You are not required to complete this information.

Name (first and last)	Relationship to head	Race	Ethnicity	Disabled

**See Key Below**

**Relationship to HOH:** H-Head; S-Spouse; A-Adult co-tenant; O-Other family member; C-Child; F-Foster children; FA-Foster Adult; L-Live-in caretaker; or N-None of the above

**Race:** 1-White; 2-Black/African American; 3-American Indian/Alaska Native; 4-Asian; 5-Native Hawaiian/Other Pacific Islander; 6-Other; or 8-Chose not to respond

**Ethnicity:** 1-Hispanic or Latino; 2-Not Hispanic or Latino; 3 -Chose not to respond

**Disabled:** 1-Yes; 2-No; NR -chose not to respond – See Fair Housing Act for definition of handicap (disability).

Property Name:			
Project# (HOME/NHTF Agreement #)		LIHTC Only: (BIN #)	
Tenant's Name (Head of Household)		Unit #	

- The lease term for a HOME or National Housing Trust Fund (NHTF)-assisted unit must be for at least one year, unless the Tenant and the Owner mutually agree upon a shorter term.
- The rent is subject to the rent restrictions of the HOME or NHTF Program.
- The initial rent for this unit is \$\_\_\_\_\_ per month.
- The Owner retains the right to adjust rents, in accordance with the HOME/NHTF Rent limits.  
*NOTE: The rent for Tenants whose incomes exceed the HOME 80% income limits may increase.*
- The Tenant(s) understand that they must recertify their income eligibility on an annual basis. The Tenant's failure to cooperate in the income recertification process will constitute a violation of the lease. Deliberately providing false information can result in termination of the lease.
- The Owner may choose not to renew a Tenant's lease for good cause as defined in the Tenant's lease. The Owner must give the Tenant a written notice at least 30 days before the Tenant must vacate the unit.
- Owner retains the right to inspect, and permit the Iowa Finance Authority, and HUD to inspect HOME or NHTF-assisted units annually during the affordability period. Tenants must receive at least a 24 hour notice prior to a scheduled inspection.
- For any building built prior to 1978, HUD's Lead Based Paint notification form must also be completed.

The Owner agrees to the following:

- The Tenant shall not be sued, be made to admit guilt, or agree to a judgment in favor of the Owner in a lawsuit brought in connection with the lease.
- The Owner may not seize or sell personal property of household members without written notice to the Tenant and a court decision on the rights of the parties. This does not apply to disposition of personal property left by a Tenant who has vacated a property which shall be disposed of in accordance with state law.
- The Tenant will not be asked to hold the Owner or Owner's agents legally responsible for any action or failure to act, whether intentional or negligent.
- The Owner will not institute a lawsuit without proper written notice to the Tenant.
- The Owner will not start proceedings to evict the Tenant and/or any household members without instituting a civil court proceeding in which the Tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.
- The Tenant will not be asked to waive the right to a trial by jury.



**IFA HOME/NHTF Lease Addendum**

- The Tenant will not be asked to waive the right to appeal or to otherwise challenge in court a court decision in connection with the lease.
- The Tenant will not be required to pay Owner’s attorney’s fees or other legal costs if the Tenant wins in a court proceeding against the Owner. The Tenant, however, may be obligated to pay costs if the Tenant loses.
- The Tenant will not be required to accept supportive services unless the Property is a transitional housing project.

Tenant: \_\_\_\_\_ Date: \_\_\_\_\_

Tenant: \_\_\_\_\_ Date: \_\_\_\_\_

Owner/ \_\_\_\_\_ Date: \_\_\_\_\_

Representative:

Title: \_\_\_\_\_ Date: \_\_\_\_\_

*The HOME/NHTF provisions listed in this Lease Addendum shall supersede any conflicting language contained in the lease.*

# Notice of Casualty Loss or Damage



The Iowa Finance Authority (IFA) must be notified if;

- i. the casualty loss is the result of a major event such as fire, flood, hail, or natural disaster, or
- ii. the loss results in the household(s) being transferred or the household(s) removed from their unit.

The Internal Revenue Code 42(j)(4)(E) states that buildings which are allocated tax credits are protected from recapture of credits due to a casualty loss to the extent that such loss is restored by reconstruction or replacement within the time established by IFA (Compliance Manual pg. 143). Owners or their designated representatives must report the casualty loss and their plan for reconstruction or replacement of the loss of the building (or of each affected building) within 30 days of the incident. Monthly updates MUST be provided to IFA until project is fully restored.

While HOME and NHTF rules are silent on this issue, IFA requires these projects to also complete this form.

**Complete a separate form for each affected building and submit to:**

Iowa Finance Authority  
Attn: Tim Morlan, Asset Management Director  
1963 Bell Ave, Ste 200  
Des Moines, IA 50315  
Email: [tim.morlan@iowafinance.com](mailto:tim.morlan@iowafinance.com)

Project Name: \_\_\_\_\_ Project Number: \_\_\_\_\_

BIN #: \_\_\_\_\_

BIN Address: \_\_\_\_\_

Area Affected: \_\_\_\_\_

Date of Loss: \_\_\_\_\_ Date IFA Notified: \_\_\_\_\_

Total Loss?  Yes  No If No, List Units out of Service: \_\_\_\_\_

Presidential Declared Disaster  Non-Presidential Declared Disaster

Brief Description of Event and Casualty Loss incurred:

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Has insurance provider been contacted?  Yes  No (if yes, please attach copy of the report)

Has insurance adjuster visited the property?  Yes  No (if yes, please attach copy of the report)

Expected date the unit(s) will be back in service: \_\_\_\_\_

Upon correction of casualty loss, please submit completed work orders, third party invoices, and photos.

**Required Attachments:**

- Summary of the work necessary to restore building(s) and/or unit(s)
- Copy of all Police and/or Fire Department Reports

\_\_\_\_\_  
Name of Ownership Entity

\_\_\_\_\_  
Name of Owner Representative

\_\_\_\_\_  
Title

\_\_\_\_\_  
Owner Representative Signature

\_\_\_\_\_  
Date

<b>Property Name:</b>	
<b>Household Name:</b>	

**Instructions for Use:**

**Pages 1 -3** are to be used when certifying or re-certifying a household for eligibility with the **HOME or National Housing Trust Fund (NHTF) programs**. **Page 4** pertains to eligibility with the LIHTC program. You must use all four pages of the document if you are qualifying a tenant for a unit that is both a HOME and a LIHTC unit as the requirements are different for each. The household must qualify under both programs in order to be eligible to occupy a HOME/LIHTC unit.

**Part 1: (If a LIHTC project only, skip to Page 4 & submit only Page 4)**

Are any household members under age 24 and students (full- or part-time) at an institute of higher learning?  (YES)  (NO)

If “NO,” move to page 4 and complete the LIHTC section. If the property is not LIHTC, sign and return the form to management, *no further action is necessary*.

If “YES,” list all students in the table below, then sign (add an additional sheet if necessary.) Have EACH student or their parent/guardian complete PART 2. Complete PART 3 and 4 as the form directs.

	Student Name	Age	Name of Educational Institution	Date Range Attended or Planning to Attend	Full or Part-time
1.					<input type="checkbox"/> FT <input type="checkbox"/> PT
2.					<input type="checkbox"/> FT <input type="checkbox"/> PT
3.					<input type="checkbox"/> FT <input type="checkbox"/> PT
4.					<input type="checkbox"/> FT <input type="checkbox"/> PT
5.					<input type="checkbox"/> FT <input type="checkbox"/> PT
6.					<input type="checkbox"/> FT <input type="checkbox"/> PT

\_\_\_\_\_  
Applicant/Resident Signature      Date

\_\_\_\_\_  
Applicant/Resident Signature      Date

\_\_\_\_\_  
Applicant/Resident Signature      Date

\_\_\_\_\_  
Applicant/Resident Signature      Date

**HOME –Part I  
For Office Use Only:**

<b>Date Reviewed</b>		<b>Date Approved</b>		<b>Effective Date</b>	
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<b>Household Name:</b>		<b>Student Name:</b>	
------------------------	--	----------------------	--

**Part 2**

- A. I live with my parent(s) in the unit  (YES)  (NO)
- B. I am a veteran of the U.S. Military  (YES)  (NO)
- C. I am married  (YES)  (NO)
- D. I have a dependent child living with me in the unit  (YES)  (NO)
- E. I am disabled and was receiving Section 8 assistance as of 11/30/2005  (YES)  (NO)

If "Yes" to any of the five of the above, sign the form and return to management. *No further action is necessary*  
If "NO" to all of the above, continue to **Part 3**:

**Part 3**

- A. I am of legal contract age in the State of Iowa  (YES)  (NO)
- B. I am not claimed as a dependent on any parent's tax returns  (YES)  (NO)
- C. My parent will supply an affidavit that they do not claim me on their tax returns and will also disclose any student financial assistance that they supply to me  (YES)  (NO)
- D. I have lived separate from my parents for at least a year in a home or apartment for which I am a leaseholder (not a dorm/student housing)  (YES)  (NO)

If "YES" to all four of the above statements, sign the form and return to management. *No further action is necessary.*

If "NO" to any of the above, please complete **Part 4**:

**Part 4**

I am of legal contract age in the State of Iowa (Part 4 only applies if this is checked "Yes")  (YES)  (NO)

**If no continue to Part 5**

- 1. I have a dependent other than a spouse (for example, an elderly dependent parent)  (YES)  (NO)
- 2. I am a graduate or professional student  (YES)  (NO)
- 3. I am an emancipated minor (or was one before I became an adult)  (YES)  (NO)
- 4. I am (or was) an orphan or ward of the State or in foster care at any point since I was age 13  (YES)  (NO)
- 5. During the current school year, it has been established I am considered to be an unaccompanied homeless child or youth and self-supporting as defined by **1)** the McKinney- Vento Act, **2)** Runaway and Homeless Youth Act or **3)** a financial aid administrator  (YES)  (NO)

If "Yes" to any one of the five statements, sign the form and return to management. *No further action is necessary.*

If "NO" to any of the above, continue to **Part 5**:

**Part 5**

A. I will complete an income certification, and my parents will also submit proof of income  (YES)  (NO)  
 Please provide contact information for all parents below (add additional sheet if necessary)

	Parent Name	Address	City, State, Zip Code	Phone #	Email Address
1.					
2.					
3.					
4.					

\_\_\_\_\_  
 Applicant/Resident Signature                      Date

**HOME –Parts 2-5  
 For Office Use  
 Only:**

<b>Date Reviewed</b>		<b>Date Approved</b>		<b>Effective Date</b>	
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<b>Property Name:</b>	
<b>Household Name:</b>	

**This page is to be used when qualifying households for eligibility with the LIHTC program (one document per household)**

Check A, B, C or D, as applicable. **If all HH members are students select one: A, B or C.** If no one is /has been a student, select D.

- A.  Household contains at least one occupant who is not a student, has not been a student, and will not be a student during the current and/or upcoming calendar year. A student is defined as someone who attends school full time for any part of five or more months in a calendar year (months need not be consecutive). If this item is checked, no further information is needed.
- B.  Household contains all students, but the following occupant(s) is/are a part-time student(s). Documentation of part time student status is required for at least one member of the household.

	PT Student Name:
1.	
2.	
3.	
4.	

- C.  Household contains all full-time students for five or more months during the current and/or upcoming calendar year (months need not be consecutive). If this item is checked, questions 1-5, below must be completed:
1. Is at least one student receiving assistance under Title IV of the Social Security Act (known as TANF in Iowa –provide TANF award letter or 3<sup>rd</sup> party verification)?  (YES)  (NO)
  2. Was at least one student previously under the care and placement responsibility of the state agency responsible for administering foster care? (provide documentation of participation)  (YES)  (NO)
  3. Does at least one student participate in a program receiving assistance under the Job Training Partnership Act, Workforce Investment Act, or under other similar, federal, state or local laws? (attach documentation of participation)  (YES)  (NO)
  4. Is at least one student a single parent with child(ren) and this parent is not a dependent of another individual and the child(ren) is/are not dependent(s) of someone other than a parent?  (YES)  (NO)
  5. Are the students married and entitled to file a joint tax return (provide marriage certificate or tax returns)?  (YES)  (NO)
- D.  No member of this household has been a student during the current calendar year or plans on becoming a student in the current or upcoming calendar year.

Under penalty of perjury, I certify that the information presented in this certification is true and accurate to the best of my/our knowledge. The undersigned further understands that providing false information herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of a Lease Agreement.

\_\_\_\_\_  
Applicant/Resident Signature                      Date                      Applicant/Resident Signature                      Date

**LIHTC  
For Office Use Only:**

Date Reviewed		Date Approved		Effective Date	
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# Self-Certification of Student Financial Assistance



<b>Applicant/Tenant:</b>		<b>Unit#:</b>	
--------------------------	--	---------------	--

You have disclosed that you are a student at an educational organization described in IRC §170(b)(1)(A)(ii) or are pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational organization described in IRC §170(b)(1)(A)(ii) or of a state or political subdivision of a state.

For each of the following types of student financial assistance, please check **Yes** or **No**.

*Note: If you are unsure about the type and/or amount of financial assistance, check with the financial aid office at your school.*

<b>PART I. AMOUNTS RECEIVED UNDER SECTION 479B OF THE HIGHER EDUCATION ACT (HEA) OF 1965</b>			
Section 479B provides that certain types of student financial assistance are excluded in determining eligibility for benefits made available through federal, state, or local programs financed with federal funds. The types of financial assistance listed below are considered 479B student financial assistance programs; however, this list is not exhaustive. If a source is not listed, please identify as "Other":			
	Type	Received	Annual Amount
1.	Federal Pell Grants	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
2.	Teach Grants	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
3.	Federal Work Study Programs	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
4.	Federal Perkins Loans	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
5.	Student financial assistance received under the Bureau of Indian Education	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
6.	Higher Education Tribal Grant	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
7.	Tribally Controlled Colleges or Universities Grant Program	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
8.	Employment training program under section 134 of the Workforce Innovation and Opportunity Act (WIOA)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
9.	Other amounts awarded under Section 479B	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
<b>TOTAL</b>			<b>\$</b>

<b>PART II. AMOUNTS RECEIVED AS OTHER STUDENT FINANCIAL ASSISTANCE</b>			
Other student financial assistance includes grants or scholarships (either need- or merit-based) received from the following sources:			
	Type	Received	Annual Amount
1.	The Federal government	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
2.	A state (including U.S. territories), Tribe, or local government	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
3.	A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
4.	A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
5.	An institution of higher education	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
6.	Military Assistance (state or federal, e.g. G.I. Bill)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
<b>TOTAL</b>			<b>\$</b>

Self-Certification of Student Financial Assistance

<b>PART III. OTHER MONETARY CONTRIBUTIONS</b>			
	<b>Type</b>	<b>Received</b>	<b>Annual Amount</b>
1.	Financial support provided to the student in the form of a fee for services performed (e.g., a work study or teaching fellowship) that is not excluded from eligibility determination in accordance with section 479B of the Higher Education Act HEA)	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
2.	Gifts, including gifts from family or friends	<input type="checkbox"/> Yes <input type="checkbox"/> No	\$
<b>TOTAL</b>			<b>\$</b>

<b>PART IV. COVERED COSTS</b>	
For each of the covered costs associated with attendance, identify how the cost will be covered.	
	<b>Method of Payment</b>
1.	Tuition
2.	Books
3.	Supplies (including supplies and equipment to support students with learning disabilities or other disabilities),
4.	Room
5.	Board
6.	Fees required and charged to a student by an institution of higher education

Under penalty of perjury, I certify that the information presented in this certification is true and accurate to the best of my knowledge. I further understand that providing false representations constitutes an act of fraud. False, misleading, or incomplete information may result in the termination of my lease agreement. I understand that I may be required to periodically update this information as requested by owner/agent.

\_\_\_\_\_  
Signature of Applicant/Tenant                      Printed Name of Applicant/Tenant                      Date



# Student Status Verification



<b>THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY STUDENT</b>						
This Student Verification is being delivered in connection with the undersigned's eligibility for residency in the following property:						
Property Name:						
I hereby grant disclosure of the information requested below from:				Name of Educational Institution		
I hereby authorize the release of the requested information. Information obtained under this consent is limited to information that is no older than 12 months. There are circumstances which would require the owner to verify information that is up to five years old, which would be authorized by me on a separate consent, attached to a copy of this consent.						
Signature				Date		
Printed Name				Student ID#		
<b><i>The above-named individual has applied for residency or is currently residing in housing that requires verification of student status. Please provide the information requested below for calendar year</i></b>						
<b>THIS SECTION TO BE COMPLETED BY EDUCATIONAL INSTITUTION</b>						
1.	Is the above-named individual a <i>current</i> student at this educational institution?				<input type="checkbox"/> Yes <input type="checkbox"/> No	
2.	Has the above-named individual been a student in any month in the calendar year?				<input type="checkbox"/> Yes <input type="checkbox"/> No	
3.	Is the above-named individual enrolled as a student in any (future) month the calendar year?				<input type="checkbox"/> Yes <input type="checkbox"/> No	
If <b>YES</b> to any of the above, please indicate this student's full-time (FT) or part-time (PT) status for each month of the calendar year: <i>(Part-time is defined as any amount of schooling that is not considered full-time by the applicable educational institution.)</i>						
	January	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A	July	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A		
	February	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A	August	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A		
	March	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A	September	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A		
	April	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A	October	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A		
	May	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A	November	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A		
	June	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A	December	<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> N/A		
4.	What is the cost of tuition and required fees per term?					
	How many terms does the student attend?					
5.	Has the student been given any financial aid?				<input type="checkbox"/> Yes <input type="checkbox"/> No	
	If <b>YES</b> , complete the following:		<b>Source</b>	<b>Amount</b>	<b>Beginning Date</b>	<b>Ending Date</b>
	Amounts Received under §479B HEA	<input type="checkbox"/> N/A				
	Other <i>(e.g. grants/scholarships)</i>	<input type="checkbox"/> N/A				

Under penalties of perjury, I certify that the information provided herein is true and accurate to the best of my knowledge. The undersigned further understands that providing false representation herein constitutes fraud.			
Signature:		Date:	
Print Name:		Title:	
Email Address:		Phone:	

# TENANT INCOME CERTIFICATION

Initial Certification    
  Recertification    
  Other\* \_\_\_\_\_

Effective Date: \_\_\_\_\_  
 Initial LIHTC Qualification Date: \_\_\_\_\_  
 Move-in Date: \_\_\_\_\_

## PART I. DEVELOPMENT DATA

Property Name: \_\_\_\_\_ County: \_\_\_\_\_ BIN #: \_\_\_\_\_  
 Address: \_\_\_\_\_ Unit Number: \_\_\_\_\_ #Bedrooms: \_\_\_\_\_

## PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student	Last 4 Digits of Social Security No.
1					<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> NA	
2					<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> NA	
3					<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> NA	
4					<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> NA	
5					<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> NA	
6					<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> NA	
7					<input type="checkbox"/> FT <input type="checkbox"/> PT <input type="checkbox"/> NA	

## PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr#	(A) Employment	(B) Social Security/Pensions	(C) Public Assistance	(D) Other Income
<b>TOTALS</b>	\$	\$	\$	\$
<b>Total Income (E):</b>				<b>\$</b>

## PART IV. ASSETS

### PART IVA. INCOME FROM ASSETS - LESS THAN OR EQUAL TO IMPUTED INCOME LIMITATION

Total net value from Non-necessary Personal Property (NNPP), Real Property, and Federal Tax Refunds/Credits has been verified as **LESS** than or **EQUAL** to the Imputed Income Limitation

Enter Total of **ACTUAL INCOME** earned from all Assets (F) **\$**

### PART IVB. INCOME FROM ASSETS – GREATER THAN IMPUTED INCOME LIMITATION

Total net value from Non-necessary Personal Property (NNPP) and Real Property has been verified as **GREATER** than the Imputed Income Limitation.

HH Mbr#	(G) Type of Asset	(H) C/D	(I) NNPP / Real/ Tax Relief	(J) Cash Value of Asset	(K) A/I	(L) Annual Income from Asset
Enter Total Income from all Assets (M)						<b>\$</b>

## PART V. TOTAL HOUSEHOLD INCOME

Total Annual Household Income from All Sources [Add (E) + (F) **OR** (E) + (M)] **\$**

## HOUSEHOLD CERTIFICATION & SIGNATURE(S)

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full-time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature	Date	Signature	Date
Signature	Date	Signature	Date

**PART VI. DETERMINATION OF INCOME ELIGIBILITY**

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: \$ From Part V. on Page 1  Current Income Limit per Family Size: \$  Household Income at Move-in: \$  Household Size at Move-in:	Designated Income Restriction:  <input type="checkbox"/> 80% <input type="checkbox"/> 70% <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> 20% <input type="checkbox"/> ____%	<b>RECERTIFICATION ONLY:</b> Designated Income Limit x 140% (170% for Deep Rent Skewing): \$ _____ <i>(Designated Income Limit: 20-50 properties use 50%; 40-60 properties use 60%; Average Income Test properties use 60% for all units with income designations that are 60% or lower and actual unit designation for units at 70% and 80%)</i>  Household is over income at recertification: <input type="checkbox"/> Yes <input type="checkbox"/> No
-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**PART VII. RENT**

Tenant Rent: \$  Utility Allowance: \$  Rental Assistance: \$  Other non-optional / mandatory fees: \$  Gross Rent for Unit (See Instructions): \$	Unit Meets Rent Restriction at:  <input type="checkbox"/> 80% <input type="checkbox"/> 70% <input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> 20% <input type="checkbox"/> ____%
Is the source of Rental Assistance Federal? <input type="checkbox"/> Yes <input type="checkbox"/> No <i>If No, what is the source of the assistance? _____</i>	
<input type="checkbox"/> HUD Multi-Family Project-Based Rental Assistance (PBRA) <input type="checkbox"/> HUD Housing Choice Voucher (HCV-tenant based) <input type="checkbox"/> HUD Section 8 Moderate Rehabilitation <input type="checkbox"/> HUD Project-Based Voucher (PBV) <input type="checkbox"/> Public Housing Operating Subsidy <input type="checkbox"/> USDA Section 521 Rental Assistance Program <input type="checkbox"/> HOME Tenant Based Rental Assistance (TBRA) <input type="checkbox"/> Other Federal Rental Assistance _____	

**PART VIII. STUDENT STATUS**

Are all occupants Full-Time Students?  <input type="checkbox"/> Yes <input type="checkbox"/> No	If Yes, enter Student Explanation* and attach documentation  Enter 1-5: _____	Student Explanation: 1. FIP assistance 2. Previously in state foster care system 3. Job Training Program 4. Single parent/dependent child 5. Married/joint return
-------------------------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

**PART IX. PROGRAM TYPE**

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this Certification.

a. Housing Credit <input type="checkbox"/>	b. HOME <input type="checkbox"/>	c. Tax-exempt Housing Bond <input type="checkbox"/>	d. National HTF <input type="checkbox"/>	e. _____ <input type="checkbox"/>
See Part VI above.	<i>Income Status:</i>	<i>Income Status:</i>	<i>Income Status:</i>	<i>Income Status:</i>
	<input type="checkbox"/> ≤ 50% AMGI <input type="checkbox"/> ≤ 60% AMGI <input type="checkbox"/> ≤ 80% AMGI <input type="checkbox"/> OI**	<input type="checkbox"/> ≤ 50% AMGI <input type="checkbox"/> ≤ 60% AMGI <input type="checkbox"/> ≤ 80% AMGI <input type="checkbox"/> OI**	<input type="checkbox"/> 30%/Poverty Line <input type="checkbox"/> ≤ 50% AMGI <input type="checkbox"/> OI**	<input type="checkbox"/> _____% <input type="checkbox"/> _____% <input type="checkbox"/> OI**

\*\* Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

**SIGNATURE OF OWNER/REPRESENTATIVE**

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

\_\_\_\_\_  
Owner/representative Signature

\_\_\_\_\_  
Date



PART II. HOUSEHOLD COMPOSITION -Continued							
HH Mbr #	Last Name	First Name	Middle Initial	Relationship to Head of Household	Date of Birth	F/T Student	Last 4 digits of SSN
8							
9							
10							
11							

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS) -Continued				
HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
	\$	\$	\$	\$
TOTALS	\$	\$	\$	\$
Add totals from all pages (A) through (D)				TOTAL INCOME (E):
				\$

PART IV. INCOME FROM ASSETS CONTINUED						
PART IVA. INCOME FROM ASSETS - LESS THAN OR EQUAL TO <u>IMPUTED INCOME LIMITATION</u>						
Total net value from Non-necessary Personal Property (NNPP), Real Property, and Federal Tax Refunds/Credits has been verified as <b>LESS</b> than or <b>EQUAL</b> to the Imputed Income Limitation						
Enter Total of <b>ACTUAL INCOME</b> earned from all Assets (F)						\$
PART IVB. INCOME FROM ASSETS – GREATER THAN <u>IMPUTED INCOME LIMITATION</u>						
Total net value from Non-necessary Personal Property (NNPP) and Real Property has been verified as <b>GREATER</b> than the Imputed Income Limitation.						
HH Mbr#	(G) Type of Asset	(H) C/D	(I) NNPP / Real/ Tax Relief	(J) Cash Value of Asset	(K) A/I	(L) Annual Income from Asset
Enter Total Income from all Assets To (M) on page 1						\$

**HOUSEHOLD CERTIFICATION & SIGNATURES**

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full-time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

_____ Signature	_____ (Date)	_____ Signature	_____ (Date)
_____ Signature	_____ (Date)	_____ Signature	_____ (Date)
_____ Signature	_____ (Date)	_____ Signature	_____ (Date)
_____ Signature	_____ (Date)	_____ Signature	_____ (Date)

# Instructions For Completing Tenant Income Certification



*This form is to be completed by the owner or an authorized representative.*

## PART I. DEVELOPMENT DATA

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., resyndication, a unit transfer, a change in household composition, or other state-required recertification).

Type of Certification	Effective Date	Initial LIHTC Qualification Date	Move-in Date
New Move In	Same as LIHTC Qualification Date	Same as Move-in Date	Date tenant first moved into the project.
Acquisition/Rehab	Same as LIHTC Qualification Date	<ul style="list-style-type: none"> <li>Date of acquisition if executed before/after 120 days of the date of the acquisition</li> <li>Date of tenant signature acquisition if executed after 120 days of the date of the acquisition</li> <li>New Move-in (see above)</li> </ul>	Date tenant first moved into the property.
Resyndication	<ul style="list-style-type: none"> <li>When grandfathering in tenants in place at time of new LIHTC allocation- Initial LIHTC Qualification Date</li> <li>When completing a new LIHTC certification of in place tenants under the new LIHTC allocation- Date of Tenant Signature</li> <li>New Move-in (see above)</li> </ul>	Date first determined to be income eligible for the LIHTC program under the existing extended use agreement (should be same as Move-in Date; see above)	Date tenant first moved into the project (under the original LIHTC allocation).
Recertification	Annual anniversary of the Initial LIHTC Qualification Date	Based on Type of Certification (see above)	Date tenant first moved into the project.
Transfer	Date of Transfer	<ul style="list-style-type: none"> <li>Transfer within the same building or within the same multiple building project: See Move-in Date</li> <li>Transfer to a different building that is a separate project due to line 8b election: Date of transfer</li> </ul>	Date tenant first moved into the project.

- Property name** Enter the name of the development.
- County** Enter the county (or equivalent) in which the building is located.
- BIN** Enter the building identification number (BIN) assigned to the building (from IRS Form 8609).
- Address** Enter the address of the building.
- Unit Number** Enter the unit number.
- # bedrooms** Enter the number of bedrooms in the unit.

## Instructions for Completing Tenant Income Certification

### PART II. HOUSEHOLD COMPOSITION

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

H	Head of household	S	Spouse
A	Adult co-tenant	C	Child
L	Live-in caretaker	O	Other
F	Foster child(ren)/adult(s)		

Enter the date of birth (in MM/DD/YYYY format), student status, and Social Security number or alien registration number for each occupant. If Social Security/Noncitizen Registration numbers are not available, enter "0000". Student Status is determined by the academic institution.

*If there are more than seven (7) occupants, use the TIC addendum to list the remaining household members and include it with the certification.*

### PART III. ANNUAL INCOME

From the verification forms obtained from each income source, enter the gross amount anticipated to be received for the 12 months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

<b>Column (A)</b>	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
<b>Column (B)</b>	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
<b>Column (C)</b>	Enter the annual amount of income received from public assistance (i.e., FIP, general assistance, disability, etc.).
<b>Column (D)</b>	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
<b>Column (E)</b>	Add the totals from columns (A) through (D), above. Enter this amount.

*If there are more than four (4) income lines, use the TIC addendum to list the remaining household members and include it with the certification.*

### PART IV. INCOME FROM ASSETS

Complete **PART IVA** or **PART IVB** based on the verified value of the Non-necessary Personal Property (NNPP) Real Property, and Federal Tax Refunds/Credits.

## Instructions for Completing Tenant Income Certification

### PART IVA. INCOME FROM ASSETS- LESS THAN OR EQUAL TO IMPUTED INCOME LIMITATION

When the total verified net cash value of the NNPP, Real Property, and Tax Refunds/Credits is less than or equal to the [Imputed Income Limitation as adjusted](#), only the actual income from each asset (as verified) is considered income.

Enter the total of the verified actual income from all assets in (F).

From the *ASSET SELF-CERTIFICATION WORKSHEET*, enter value from either Part I, Line 7 OR Part II, Line 13.

### PART IVB. INCOME FROM ASSETS- GREATER THAN IMPUTED INCOME LIMITATION

From the third-party verification forms obtained from each asset source, list the gross amount anticipated to be received during the 12 months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

- Column (G)** List the type of asset (i.e., checking account, savings account, etc.)
- Column (H)**
- Enter **C** for current, if the family currently owns or holds the asset; or,
  - Enter **D** for disposed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification.
- Column (I)**
- Enter **NNPP** when the asset is categorized as Non-necessary Personal Property; or,
  - Enter **Real** when the asset is categorized as Real Property,
  - Enter **Tax Ref** when there has been a Federal Tax Refund or Federal Tax Credit received within a year of the TIC effective date. *This is treated as a negative value when calculating the net cash value of the assets.*
- Column (J)** Enter the cash value of the respective asset.
- Column (K)**
- Enter **A** if asset income for that asset is actual income; or,
  - Enter **I** if asset income for that asset is imputed.
- Column (L)** Enter the annual income from the asset (i.e., savings account balance multiplied by the annual interest rate). If actual income can be determined, use actual income. If actual income cannot be determined, calculate the imputed income for that asset instead using the current HUD-published passbook savings rate.
- Field (M)** Add the totals from column (L)

### PART V. TOTAL HOUSEHOLD INCOME

Total household income is the amount of income from all sources and includes the values from **PART III. ANNUAL INCOME** plus any income derived from assets under **PART IV. ASSETS**.

*If PART IVA. INCOME FROM ASSETS - LESS THAN OR EQUAL TO IMPUTED INCOME LIMITATION was completed because the total net value from both Non-necessary Personal Property (NNPP) and Real Property has been verified as less than or equal to the [Imputed Income Limitation as adjusted](#), then:*

$$\text{TOTAL HOUSEHOLD INCOME} = (\text{E}) + (\text{F})$$

*If PART IVB. INCOME FROM ASSETS – GREATER THAN IMPUTED INCOME LIMITATION was completed because the total net value from both Non-necessary Personal Property (NNPP) and Real Property has been verified as greater than [the Imputed Income Limitation as adjusted](#), then:*

$$\text{TOTAL HOUSEHOLD INCOME} = (\text{E}) + (\text{M})$$

## Instructions for Completing Tenant Income Certification

### HOUSEHOLD CERTIFICATION & SIGNATURE(S)

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than five (5) days prior to the effective date of the certification.

<b>Total Annual Household Income from All Sources</b>	Enter the number from <b>PART V. TOTAL HOUSEHOLD INCOME</b>
<b>Current Income Limit per Family Size</b>	Enter the Current Move-in Income Limit for the household size at the designated income limit for that unit.
<b>Household Income at Move-In</b>	For recertifications only. Enter the household income from the move-in certification.
<b>Household Size at Move-In</b>	For recertifications only. Enter the number of household members from the move-in certification
<b>Household Meets Income Restriction</b>	Check the appropriate box for the income restriction that the household meets according to what is required by the minimum set-aside(s) for the project, including the specific unit designation for Average Income Test Projects.
<b>Current Income Limit x 140%</b>	For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% (170% for Deep Rent Skewed) and enter the total. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% (170% for Deep Rent Skewed) of the current income limit, then the available unit rule must be followed. For units designated at 50 percent or below in Average Income Test developments, use 60% limit for Current Income Limit.

### PART VII. RENT

<b>Tenant Paid Rent</b>	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
<b>Utility Allowance</b>	Enter the utility allowance. If the owner pays all utilities, enter zero.
<b>Rental Assistance</b>	Enter the amount of rent assistance, if any.
<b>Other Non-Optional / Mandatory Fees</b>	Enter the amount of non-optional / mandatory fees, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
<b>Gross Rent for Unit</b>	Enter the total of tenant paid rent plus utility allowance and other non-optional/mandatory fees.
<b>Source of Rental Assistance</b>	Check whether the rental assistance is provided under a federal rental assistance program. If so, check the type of federal rental assistance in one of the boxes below. If the rental assistance is not provided under a federal rental assistance program, indicate the source of the assistance.
<b>Unit Meets Rent Restriction at</b>	Check the appropriate rent restriction that the unit meets according to what is required by the minimum set-aside(s) for the project, including the specific unit designation for Average Income Test developments.



## Instructions for Completing Tenant Income Certification

### PART VIII. STUDENT STATUS

If all household members are full-time\* students, check “yes.” If at least one household member is not a full-time student, check “no.”

If “yes” is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

### PART IX. PROGRAM TYPE

Mark the program(s) for which this household’s unit will be counted toward the property’s occupancy requirements. Under each program marked, indicate the household’s income status as established by this certification/recertification. If the property does not participate in the HOME Investment Partnerships (HOME) program, Tax-Exempt Housing Bond, Housing Trust Fund (HTF), or other housing program, leave those sections blank.

<b>Housing Credit</b>	See Part VI above.
<b>HOME</b>	If the property receives financing from the HOME program and the unit this household will occupy will count toward the HOME program set-asides, mark the appropriate box indicating the household’s income designation for purposes of HOME.
<b>Tax-exempt Housing Bond</b>	If the property receives financing from the tax-exempt Housing Bond program, mark the appropriate box indicating the household’s income designation for purposes of the Housing Bond program.
<b>National HTF</b>	If the property receives financing from HTF and this household’s unit will count towards the HTF set-aside requirements, mark the appropriate box indicating the household’s income designation for purposes of HTF.
<b>Other</b>	If the property participates in any other affordable housing program, complete the information as appropriate.

### SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner’s representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

# Asset Self-Certification



For households whose combined net assets do not exceed the applicable Imputed Income Limitation.

(Complete only one form per household; include assets of children.)

For the following asset types, include the current Cash Value of **each** asset held by any family member and the actual income that the asset earns. \*Cash value is **current market value minus cost to convert** an asset to cash, such as broker's fees, settlement costs, outstanding loans, penalties for early withdrawal, etc.\*

<b>Household Name:</b>			<b>Unit#:</b>		
<b>PART I. ASSETS DISPOSED OF FOR LESS THAN FAIR MARKET VALUE (FMV)</b>					
<input type="checkbox"/> Yes <input type="checkbox"/> No		Within the past two (2) years, I/we have sold or given away assets below their fair market value (FMV).			
Asset #1:		Date of Disposal:		FMV - amt received:	
Asset #2:		Date of Disposal:		FMV - amt received:	
<b>PART II: FEDERAL TAX RETURN OR REFUNDABLE FEDERAL TAX CREDIT</b>					
Have you received a federal tax return or refundable federal tax credit in the last 12 months?				<input type="checkbox"/> Yes <input type="checkbox"/> No	
<b>Amount of return/credit:</b>				\$	
<b>PART III: NON-NECESSARY PERSONAL PROPERTY (NNPP)</b>					
<input type="checkbox"/> Yes <input type="checkbox"/> No		I/we do not have any non-necessary personal property			
<b>Type of Asset</b>	<b>(A) Cash Value*</b>	<b>(B) Annual Income</b>	<b>Type of Asset</b>	<b>(A) Cash Value*</b>	<b>(B) Annual Income</b>
Cash on Hand	\$	N/A	Money Market/ CD	\$	\$
Pre-paid Debit Card (including Govt. Benefits)	\$	N/A	Annuities	\$	\$
Checking (current balance)	\$	\$	Mutual Funds	\$	\$
Savings	\$	\$	Stocks/Bonds	\$	\$
Internet based assets (Cash App, Venmo, PayPal, Crowdfunding, etc.)	\$	\$	Trust Account:	\$	\$
Whole Life Insurance	\$	\$	Other:	\$	\$
Cryptocurrency	\$	\$	Other:	\$	\$
<b>Non-Account Based</b>					
Possessions not generally held in an account such as vehicles used for recreation (e.g., RVs, ATVs, and Boats), antique cars, collectibles (e.g. stamps, jewelry, coins, and artwork.), and equipment/machinery that is not used to generate income for a business					
<b>Description</b>			<b>(A) Cash Value *</b>		
			\$		
			\$		
			\$		
			\$		
<b>PART IV. REAL PROPERTY</b>					
<input type="checkbox"/> Yes <input type="checkbox"/> No		I/we do not have any real property			
<b>Description of Property</b>		<b>(C) Cash Value*</b>		<b>(D) Income</b>	
		\$		\$	
		\$		\$	

Under penalty of perjury, I/we certify that the information presented in this certification is true and accurate to the best of my/our knowledge. The undersigned further understand(s) that providing false representations herein constitutes an act of fraud. False, misleading, or incomplete information may result in the termination of a lease agreement.

\_\_\_\_\_  
Signature of Applicant/Tenant                      Date                      Signature of Applicant/Tenant                      Date

**PENALTIES FOR MISUSING THIS CONTENT:** 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 uses 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). Violations of these provisions are cited as violations of 42 USC 408 (a), (6), (7), and (8).

# Asset Self-Certification Worksheet



This worksheet accompanies the Asset Self-Certification. Complete **either** Part I or Part II depending on the nature of the types of assets disclosed by the family on the Asset Self-Certification. When the total net family assets are less than or equal to the [applicable Imputed Income Limitation](#), then only the actual income as disclosed on the Asset Self-Certification is included on the Tenant Income Certification (TIC).

<b>PART I: COMPLETE THIS SECTION IF THE FAMILY ONLY HAS NNPP AND NO REAL PROPERTY</b>		
<b>Determination of Total Net Family Assets</b>		
(1)	Enter the total of all NNPP by adding the values in (A)	\$
(2)	Enter the value of any NNPP disposed of for less than FMV	\$
(3)	ADD lines (1) and (2)	\$
(4)	Enter the amount of a federal tax return or refundable federal tax credit in the last 12 months	\$
(5)	SUBTRACT line (4) from line (3)	\$
(6)	Is the value in line (5) less than or equal to \$	<input type="checkbox"/> Yes <input type="checkbox"/> No
If <b>YES</b> , then proceed to <b>Determination of Income from Assets</b> If <b>NO</b> ,  the Asset Self Certification cannot be used, and each asset must be separately verified		
<b>Determination of Income from Assets: Enter this amount on Part IVA, Line (F) of the TIC</b>		
(7)	Enter the total by adding the values in (B)	\$

<b>PART II: COMPLETE THIS SECTION IF THE FAMILY HAS BOTH NNPP AND REAL PROPERTY</b>		
<b>Determination of Total Net Family Assets</b>		
(1)	Enter the total of all NNPP by adding the values in (A)	\$
(2)	Enter the value of any NNPP disposed of for less than FMV	\$
(3)	ADD lines (1) and (2)	\$
(4)	Is this value less than or equal to \$	<input type="checkbox"/> Yes <input type="checkbox"/> No
If <b>YES</b> , then proceed to line (5) If <b>NO</b> ,  the Asset Self Certification cannot be used, and each asset must be separately verified		
(5)	Enter the total of all Real Property by adding the values in (C)	\$
(6)	Enter the value of any Real Property disposed of for less than FMV	\$
(7)	ADD lines (5) thru (6)	\$
(8)	Enter the amount of a federal tax return or refundable federal tax credit in the last 12 months	\$
(9)	SUBTRACT line (8) from line (7)	\$
(10)	Is the value in line (9) less than or equal to \$	<input type="checkbox"/> Yes <input type="checkbox"/> No
If <b>YES</b> , then proceed to <b>Determination of Income from Assets</b> If <b>NO</b> ,  the Asset Self Certification cannot be used, and each asset must be separately verified		
<b>Determination of Income from Assets: Enter this amount from line (13) on Part IVA, Line (F) of the TIC</b>		
(11)	Enter the total by adding the values in (B)	\$
(12)	Enter the total by adding the values in (D)	\$
(13)	ADD lines (11) and (12)	\$

**Imputed Income Limitation**  
 FY 2024: \$50,000  
 FY 2025: \$51,600  
 Asset Self-Certification Worksheet (2024)

**Acknowledgement of Receipt of  
Form HUD-5380 & 5382**



**“NOTICE OF RIGHTS UNDER THE VIOLENCE AGAINST WOMEN ACT” AND FORM HUD-5382  
“CERTIFICATION OF DOMESTIC VIOLENCE, DATING VIOLENCE, SEXUAL ASSAULT, OR  
STALKING, AND ALTERNATE DOCUMENTATION”**

---

**\*You May Refuse to Sign This Acknowledgement\***

I, \_\_\_\_\_, have received a copy of the HUD-5380 Form and the HUD-5382 Form

---

Please Print Name

Unit #

---

Signature

---

Date

\*This acknowledgement must be provided to each adult household member occupying the unit.

---

**For Office Use Only**

---

*Please print full name of household member and Unit # above if filling out this part of the form*

We have attempted to obtain written acknowledgement of the receipt of the HUD-5380 and the HUD-5382, but acknowledgement could not be obtained because:

- Individual refused to sign
- Communications barrier prohibited obtaining the acknowledgement
- An emergency situation prevented us from obtaining acknowledgement
- Other (Please specify)

---

Staff Signature

---

Date

**LEASE ADDENDUM**

**VIOLENCE AGAINST WOMEN AND JUSTICE DEPARTMENT REAUTHORIZATION ACT OF 2005**

TENANT	LANDLORD	UNIT NO. & ADDRESS
--------	----------	--------------------

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

**Purpose of the Addendum**

The lease for the above referenced unit is being amended to include the provisions of the Violence Against Women and Justice Department Reauthorization Act of 2005 (VAWA).

**Conflicts 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.

**Term of the Lease Addendum**

The effective date of this Lease Addendum is \_\_\_\_\_. This Lease Addendum shall continue to be in effect until the Lease is terminated.

**VAWA Protections**

1. The Landlord may not consider incidents of domestic violence, dating violence or stalking as serious or repeated violations of the lease or other “good cause” for termination of assistance, tenancy or occupancy rights of the victim of abuse.
2. The Landlord may not consider criminal activity directly relating to abuse, engaged in by a member of a tenant’s household or any guest or other person under the tenant’s control, cause for termination of assistance, tenancy, or occupancy rights if the tenant or an immediate member of the tenant’s family is the victim or threatened victim of that abuse.
3. The Landlord may request in writing that the victim, or a family member on the victim’s behalf, certify that the individual is a victim of abuse and that the Certification of Domestic Violence, Dating Violence or Stalking, Form HUD-91066, or other documentation as noted on the certification form, be completed and submitted within 14 business days, or an agreed upon extension date, to receive protection under the VAWA. Failure to provide the certification or other supporting documentation within the specified timeframe may result in eviction.

\_\_\_\_\_  
Tenant

\_\_\_\_\_  
Date

\_\_\_\_\_  
Landlord

\_\_\_\_\_  
Date

# Certification of Zero Income



Each adult household member claiming zero income must complete this form

<b>Applicant/Tenant:</b>		<b>Unit#:</b>	
--------------------------	--	---------------	--

You have disclosed on the rental application that, *other than income derived from an asset*, you do not have any income. Please complete each part of the following to address how you will pay for rent and other household expenses.

<b>PART I: KNOWN ANTICIPATED INCOME</b>			
I <b>do not</b> expect to have any income in the next 12-months			<input type="checkbox"/> True <input type="checkbox"/> False
I have been hired for a new job that will start soon ( <i>submit verification</i> )			<input type="checkbox"/> True <input type="checkbox"/> False
I have been approved for (or awarded) a regular recurring benefit that will start soon ( <i>submit verification</i> )			<input type="checkbox"/> True <input type="checkbox"/> False
<b>PART II: SOURCES OF INCOME</b>			
I affirm, under penalty of perjury, that I do not receive income from any of the following sources. <i>If False is elected, complete the following and submit verification:</i>			<input type="checkbox"/> True <input type="checkbox"/> False
<input type="checkbox"/> Yes <input type="checkbox"/> No	Wages, bonus, commissions, tips, etc.	<input type="checkbox"/> Yes <input type="checkbox"/> No	Self-employment (includes Uber/Lyft, online sales, etc.)
<input type="checkbox"/> Yes <input type="checkbox"/> No	Unemployment Benefits	<input type="checkbox"/> Yes <input type="checkbox"/> No	Annuities, insurance policies, stocks, etc.
<input type="checkbox"/> Yes <input type="checkbox"/> No	Worker's Compensation	<input type="checkbox"/> Yes <input type="checkbox"/> No	Pensions, IRA, 401K
<input type="checkbox"/> Yes <input type="checkbox"/> No	Disability Payments	<input type="checkbox"/> Yes <input type="checkbox"/> No	Income from rental property
<input type="checkbox"/> Yes <input type="checkbox"/> No	Alimony	<input type="checkbox"/> Yes <input type="checkbox"/> No	Death Benefits
<input type="checkbox"/> Yes <input type="checkbox"/> No	Child Support	<input type="checkbox"/> Yes <input type="checkbox"/> No	Direct Sales Consulting such as Mary Kay, Tupperware, Pampered Chef, etc.
<input type="checkbox"/> Yes <input type="checkbox"/> No	Social Security or SSI Benefits	<input type="checkbox"/> Yes <input type="checkbox"/> No	Work for cash (babysitting, lawn care, etc.)
<input type="checkbox"/> Yes <input type="checkbox"/> No	Help with paying bills or other expenses or regular gifts of money from family or friends who don't live with you (including online donations such as GoFundMe or through a local bank)		
<b>PART III: HOUSEHOLD EXPENSES</b>			
Please explain how you will pay for the following expenses (check <i>N/A</i> for any expense that does not apply to your household)			
Rent	<input type="checkbox"/> N/A		
Child Care	<input type="checkbox"/> N/A		
Utilities	<input type="checkbox"/> N/A		
Food	<input type="checkbox"/> N/A		
Clothing/Shoes	<input type="checkbox"/> N/A		
School <i>(supplies, tuition, etc.)</i>	<input type="checkbox"/> N/A		
Phone (including cell phone)	<input type="checkbox"/> N/A		
TV	<input type="checkbox"/> N/A		
Internet	<input type="checkbox"/> N/A		
Medical Care	<input type="checkbox"/> N/A		
Medications & Prescription	<input type="checkbox"/> N/A		
Personal Care Products <i>(shampoo, toothpaste, etc)</i>	<input type="checkbox"/> N/A		
Vehicle Expenses <i>(car payments, insurance, fuel, etc)</i>	<input type="checkbox"/> N/A		
Other transportation <i>(bus pass, rideshare fares, parking fees, etc.)</i>	<input type="checkbox"/> N/A		
Payments on credit card balances	<input type="checkbox"/> N/A		
Other expenses not listed above	<input type="checkbox"/> N/A		
Under penalty of perjury, I certify that the information presented in this certification is true and accurate to the best of my knowledge. I further understand that providing false representations constitutes an act of fraud. False, misleading, or incomplete information may result in the termination of my lease agreement. I understand that I may be required to periodically update this information as requested by owner/agent.			

Signature of Applicant/Tenant	Printed Name of Applicant/Tenant	Date
<b>IOWA FINANCE AUTHORITY</b>	<b>Certification of Zero Income (9-1-2024)</b>	

# Notarized Affidavit of Income LIHTC, HOME and NHTF



**(The use of white out, black out, or alteration of original information will void this document.)**

<b>Property Name:</b>	<b>IFA Project #:</b>
<b>Applicant/Tenant Name:</b>	<b>BIN and/or Unit #:</b>

<input type="checkbox"/> Initial Certification	Expected Move in Date: _____
<input type="checkbox"/> Recertification	Effective Date: _____

Employer Name: \_\_\_\_\_ Job Title: \_\_\_\_\_

Presently Employed: YES  Date First Employed: \_\_\_\_\_  
NO  Last Day of Employment: \_\_\_\_\_

Current Wages (check one)

Hourly  
Salary: \$ \_\_\_\_\_

Pay Frequency:  weekly  bi-weekly  semi-monthly  monthly  yearly

Number of regular hours scheduled per week: \_\_\_\_\_ **Total annual anticipated gross earnings:** \$ \_\_\_\_\_

Overtime Rate: \$ \_\_\_\_\_ per hour Average number of overtime hours per week: \_\_\_\_\_

Shift Differential Rate: \$ \_\_\_\_\_ per hour Average number of shift differential hours per week: \_\_\_\_\_

Commissions, bonuses, tips, other: \$ \_\_\_\_\_

Frequency:  hourly  weekly  bi-weekly  semi-monthly  other \_\_\_\_\_

List any anticipated change rate of pay within the next 12 months: \_\_\_\_\_

Is your employment reoccurring? If so, please indicate any layoff period(s): \_\_\_\_\_

Are you eligible for unemployment during the layoff period?  NO  YES

\_\_\_\_\_  
Applicant/Tenant Signature

\_\_\_\_\_  
Date

**Subscribed and sworn to me this \_\_\_\_\_ Day of \_\_\_\_\_, 20\_\_\_\_**

**Notary Public** \_\_\_\_\_ (Seal)

**NOTE:** Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.





**Exhibit F  
Compliance Monitoring Information Sheet**



This form is to be submitted to IFA when an owner or management company contact has changed or if any information regarding the best method to contact each entity has been updated. IFA will not update contact information until this form has been submitted.

<b>Project Name:</b>	<b>Project #:</b>
<b>Physical Address:</b>	
<b>City:</b>	<b>Zip Code:</b>

<b>Owner Name:</b>		
<b>Owner Contact:</b>		
<b>Mailing Address:</b>		
<b>City:</b>	<b>State:</b>	<b>Zip Code:</b>
<b>Contact Phone:</b>	<b>E-mail:</b>	
<b>Owner Tax ID #:</b>		

<b>Management Co.:</b>		
<b>Mgmt. Contact:</b>		
<b>Mailing Address:</b>		
<b>City:</b>	<b>State:</b>	<b>Zip Code:</b>
<b>Contact Phone:</b>	<b>E-mail:</b>	
<b>Mgmt. Co. Tax ID #:</b>		

I certify that I am authorized to sign on behalf of the Project Owner and that the above information is true and correct.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

Title: \_\_\_\_\_

Please return to: Iowa Finance Authority  
Attn: Tim Morlan, Asset Management Director  
1963 Bell Ave, Ste 200 Des Moines, IA 50315

Or email to: [tim.morlan@iowafinance.com](mailto:tim.morlan@iowafinance.com)



## MULTIPLE PROGRAMS GUIDE

A side-by-side summary of specific housing provisions

with HOTMA Updates

**Tax Credits | HUD | Rural Development | HOME | Tax Exempt Bonds**

**NOW includes updated National Housing Trust Fund Provisions**

NOTE: This Guide summarizes federal requirements.



## Multi-Program Interaction Summary

Result of Rule Comparison	Action to Take	Examples
<b>A.</b> One program has a requirement that the other does not.	Apply the requirement.	<b>HUD</b>   Citizenship, criminal background, and numerous specific forms. <b>RD</b>   Complex waitlist requirements. <b>HUD, RD, or HOME</b>   Conduct an affirmative marketing plan.
<b>B.</b> Both programs have similar requirements, and:		
<b>a.</b> The rules have built-in reconciliation provisions.	Apply the reconciled rule.	<b>LIHTC with HUD or RD</b>   Use HUD or RD utility allowances. <b>LIHTC with HOME</b>   Do not use income-based rent for HOME over-income households.
<b>b.</b> One requirement is more restrictive.	Apply the more restrictive rule.	<b>LIHTC with HUD, RD, or HOME</b>   Use the lowest applicable Income limits. <b>LIHTC with HUD or RD</b>   Conduct annual income certifications at 100% LIHTC properties. <b>LIHTC with HUD or RD</b>   Apply the minimum 1-year lease term. <b>LIHTC with HUD</b>   Do not charge application fees.
<b>c.</b> The requirements are different and don't reconcile.	Apply both rules.	<b>LIHTC with HUD, RD, or HOME</b>   Apply both student rules.
<b>d.</b> The requirements conflict.	Contact key people to discuss risks and decide on an approach. <ul style="list-style-type: none"> <li>• Owners</li> <li>• Investors</li> <li>• The monitoring agencies.</li> </ul>	<b>LIHTC with RD or HUD</b>   Displacing over-income households per RD rules or per LIHTC rules for existing households at a HUD acquisition/rehab. <b>HUD or RD with LIHTC</b>   Use of conservative calculations to determine eligibility (highest-in-range or year-to-date, for example).

**Note on the National Housing Trust Fund (NHTF):**

**NHTF provisions are inserted below similar HOME provisions**

Many states have state Housing Trust Funds, which have their own rules and are beyond the scope of this Guide. Often these programs existed before the National HTF and often follow HOME rules.

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## Student Eligibility

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>In general, households made up of full-time students of any age do not qualify. There are five exceptions to this general rule. They are for students who are:</p> <ol style="list-style-type: none"> <li>1) Married and entitled to file a joint tax return*</li> <li>2) Single parents with dependent child(ren)</li> <li>3) Title IV welfare recipients (TANF or similar program)</li> <li>4) Former foster care recipients</li> <li>5) Participants in a Job Training Partnership Act (JTPA) or similar program**</li> </ol> <p>* Same-sex couples qualify for "married and entitled to file" if legally married under any state law.</p> <p>**The "Workforce Investment Act" has replaced JTPA.</p>	<p>HUD Section 8 Rule:</p> <p>Any individual who attends an institute of higher learning (full OR part-time) must be one of the following:</p> <ol style="list-style-type: none"> <li>1) A dependent of the household living with a parent</li> <li>2) Over age 23</li> <li>3) A veteran</li> <li>4) Married</li> <li>5) A parent with a dependent child in the unit</li> <li>6) A disabled individual who was receiving assistance before 11/30/2005 or</li> <li>7) Be independent from parents or have parents who are income eligible.</li> <li>8) Certain vulnerable youths also count as independent under HUD and DOE rules.</li> </ol> <p>Non-Section 8 programs:</p> <p>Each student at an institute of higher learning must meet ALL of the following requirements</p> <ol style="list-style-type: none"> <li>1) Be of legal contract age under state law</li> <li>2) Have established a separate household from parents for at least a year OR meet the U.S. Dept. of Education definition of an independent student</li> <li>3) Not be claimed on a parent's tax return</li> <li>4) Must disclose if they get financial assistance from their parents.</li> </ol>	<p>Same as HUD Section 8 Rule</p>	<p>Same as the HUD Section 8 Rule (regardless of commitment date).</p> <p>The NHTF statute and regulation have no student restrictions.</p>	<p><b>Same as LIHTC.</b></p> <p>In general, households made up of full-time students of any age do not qualify. Before HERA, the only exception that qualified a full-time student household was 'married, entitled to file a joint tax return'. Per HERA, the same five student exceptions that apply for LIHTC apply to bond qualification.</p>
<p>§42 (i)(3)(D) &amp; 8823 Guide 17-1 &amp; 2 &amp; Exhibit 17-1; 4350.3 Exhibit 5-1 Rev. Rul. 2013-17</p>	<p>4350.3 3-13</p>	<p>Unnumbered letter dated 1/11/2007</p>	<p>HOME Reg §92.2 (2013)</p>	<p>§42 (i)(3)(D) §142 (d)(2)(C)</p>

## Income Eligibility Determinations

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>Income eligibility is determined using the Section 8 method for determining gross annual income found in the HUD Handbook 4350.3 Chapter 5, as revised extensively by HOTMA.</p> <p>No deductions to annual income apply to the tax credit program.</p>	<p>Follow the HUD Handbook 4350.3, as revised extensively by HOTMA.</p> <p>Allowances and Deductions apply.</p>	<p>Follow the RD HB-2-3560 chapter 6. These rules are based on HUD regulations, as revised extensively by HOTMA.</p>	<p>HUD allows PJs to choose from two methods for determining income, these will be stated in the HOME regulatory agreement and may include:</p> <ul style="list-style-type: none"> <li>1040 tax return definition</li> <li>Section 8 method from the 4350.3 Chapter 5, as revised extensively by HOTMA *</li> </ul> <p>The 2013 regulation change eliminated the Census Long Form as an option.</p> <p>*The most widely used and the only option available to tax credit properties.</p> <p>NHTF allows for the same two options as post-2013 HOME.</p>	<p>Income eligibility is determined using the Section 8 method for determining annual income found in the HUD Handbook 4350.3 Chapter 5, as revised extensively by HOTMA.</p> <p>The LURA will determine what method is used to verify income (see verification).</p>
<p>IRS Notice 88-80, Treas. Reg. 1.42-5(b)(1)(vii), 8823 Guide Chapter 4, HOTMA Joint Implementation Notice 2023-10</p>	<p>4350.3 chapter 5 and Exhibits 5-1 &amp; 5-2, HOTMA Joint Implementation Notice 2023-10</p>	<p>HB-2-3560 chapter 6, Unnumbered Letter and HOTMA FAQ dated 8/19/2024</p>	<p>HOME Guide 3.2 D Home Reg § 92.203(b)(2) (2013)   NHTF 24 CFR 93.151 (b), HOTMA Joint Implementation Notice 2023-10</p>	<p>§ 142 (d)(2)(B), HOTMA Joint Implementation Notice 2023-10</p>

## Children | Adopted or Unborn

LIHTC	HUD	RD	HOME	Bond
<p>Children in the process of adoption and unborn children are included when counting household members. Pregnancy is verified by self-affidavit by mother.</p>	<p>Children in the process of adoption and unborn children are included when counting household members. Pregnancy is verified by self-affidavit by mother.</p>	<p>Children in the process of adoption and unborn children are included when counting household members.</p>	<p>Older guidance indicated that children in the process of adoption and unborn children were not included when counting household members. This guidance is no longer available and appears to have been rescinded. It is HIGHLY recommended that the property's PJ be consulted to determine if they still employ this policy. Many PJs use the widely accepted policy for other HUD programs to include these children.</p>	<p>Children in the process of adoption and unborn children are included when counting household members.</p>
<p>8823 Guide 4-3 4350.3 Appendix 3, Page 20</p>	<p>4350.3 Appendix 3, Page 20</p>	<p>HB-2-3560 Attachment 6-C, page 1</p>	<p>4350.3 Appendix 3, Page 20</p>	

## Income Limits

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>HUD-published Multifamily Tax Subsidy Program (MTSP) income limits are used. 20-80% MTSP limits apply, depending on the minimum set-aside selected for a project. Income limits are property-specific, and HERA designates a “hold harmless provision” for a specific property, a provision that allows the income limits to never go below the highest limit that has applied to the area since the project was placed in service. Households must qualify based on gross annual income.</p>	<p>Income limits based on area median income (AMI) are used and vary based on which HUD program and the county location or MSA. Limits may go up or down in any given year. Households must qualify based on gross annual income.</p> <p>For Section 8: the very low-income 50% AMI limits generally apply, but 40% of new move-ins must be at the extremely low-income (30% AMI) limits.</p>	<p>RD multifamily program income limits based on area median income (AMI) are used based on which RD program and the county location or MSA. Limits may go up or down in any given year.</p> <p>Applicants are given priority based on whether they are very low (50% AMI), low (80%), or moderate (low limit + \$5,500) income. Households must qualify based on adjusted income.</p>	<p>HUD HOME income limits based on area median income (AMI) are used. HOME limits are county or MSA-specific and may go up or down any given year. The HUD very low (50% AMI) limits apply to Low HOME units. High HOME limits are the HUD low-income (80%) limits.</p> <p>NHTF income limits are HUD’s extremely low-income limits, which are the higher of the 30% limits or the poverty level for an area. Unlike Section 8 ELI, the NHTF limits are NOT capped at the very low (50%) limits.</p>	<p>HUD-published Multifamily Tax Subsidy Program (MTSP) income limits are used. 50 or 60% MTSP limits apply, depending on the minimum set-aside selected for a project. Income limits are property-specific, and HERA designates a “hold harmless provision” for a specific property, a provision that allows the income limits to never go below the highest limit that has applied to the area since the project was placed in service. Households must qualify based on gross annual income.</p>
Treas. Reg. 1.42-5(b)(1)(vii), 8823 Guide 4-2	4350.3 3-6	HB-2-3560 6.2	HOME Guide 3.2 A   NHTF 24 CFR 93.302 (a)&(b)	§ 142 (d)(2)(B)

## Certification Form

LIHTC	HUD	RD	HOME	Bond
Tenant Income Certification or "TIC" is commonly used.	Form HUD-50059.	Form RD-3560-8.	No specific form is required. PJs commonly allow tax credit TICS.	Tenant Income Certification (TIC) or Certificate of Tenant Eligibility (CTE) forms are commonly required by bond monitors.
	4350.3 5-31 B	HB-2-3560 6.11 A		

## Zero-Income Households | Unsecured Income

LIHTC	HUD	RD	HOME	Bond
<p>HUD allows zero-income households but makes provisions for interim certifications when income changes. The tax credit certification must establish a household's income for the next 12-month period with no interim certifications. This difference in program regulations creates a "grey" area that is open to interpretation between the programs, state agencies, and project owners. Some agencies require that future, unsecured income be counted based on the household's income history. While some require that only imminent and verifiable income be counted. The 8823 Guide opts for using a 12-month history for zero or sporadic-income households and thus unknown and unverifiable income is not included on the certification. Check with your state HFA.</p>	<p>HUD allows zero-income households and unsecured income is not counted. Changes to this status must be reported immediately and an interim certification conducted.</p>	<p>RD does not consider zero-income households to qualify.</p> <p>Basic expenses that the household must meet are verified and counted as income.</p> <p>A Zero Income Checklist must be completed to determine cash and non-cash contributions to the household that will be used to meet the expenses.</p>	<p>HOME guidance allows zero-income households but does require that the past 12-month average income (if any) be included on the certification.</p>	<p>The bond regulations do not speak to this issue. Typically, it is handled per the tax credit program approach.</p>
8823 Guide 4-33	4350.3 5-5 A, Appendix 3, page 22, HOTMA Joint Implementation Notice 2023-10 J.8	HB-2-3560 6.9 A 4, Attachment 6B	HOME GUIDE 6.2 E	

## Employment Income Verifications with a Range of Hours, Wages etc.

LIHTC	HUD	RD	HOME	Bond
<p>HUD uses "average hours" when determining employment income (for example, 35 hours for 30-40 hours listed on a verification). By regulation, tax credit income is counted consistent with the Section 8 program. However, it has generally been accepted as best practice by some state HFAs that the tax credit program should use the more conservative approach of using the HIGHEST in a range (for example, 40 for the 36-40 hours). Some states apply the HUD method, however. The IRS has not addressed this issue.</p>	<p>HUD uses "average hours" when determining employment income (for example, 35 hours for 30-40 hours listed on a verification).</p>	<p>RD does not directly address this issue. Typically, the HUD approach is used (for example, 35 hours for 30-40 hours listed on a verification).</p>	<p>HOME uses the HUD method to calculate employment income (that is "average hours", for example, 38 hours for 36-40 hours listed on a verification).</p>	<p>Bond technically uses the HUD "average hours" calculation for employment income. Typically, the best practices accepted by many bond issuers implement the more conservative approach of using the HIGHEST amount listed as a range on the employment verification (for example, 40 hours used for 36-40 hours listed on a verification).</p>
	4350.3 Appendix 6-C		HOME Technical Guide page 6	



## PHA or other Means Test Program | Income Verification

LIHTC	HUD	RD	HOME (NHTF)	Bond
Check with state HFA. Some states allow a letter from a PHA voucher issuer stating that the household income is below the income limit. Other means tested program determinations may also be allowed.	An owner/ agent may accept a letter from a PHA voucher issuer stating that the household income is below the income limit. Other means tested program determinations are also allowed.	Not allowed.	Must be used for certifications for households receiving tenant or project-based rental assistance. Other means tested program determinations are also allowed.  (see "recertifications").  NHTF allows the same verification methods and cycles as HOME.	Not specifically allowed. The LURA may allow for this type of verification.
IRS Reg 1.42-(b)(1)(vii), HOTMA Joint Implementation Notice 2023-10 J.8	HOTMA Joint Implementation Notice 2023-10 J.8	Unnumbered Letter/HOTMA FAQ dated 8/19/2024	HOME Guide 3.2 D 3 & F 3   NHTF 24 CFR 93.151 (d) and 93.302 (e)	

## Verification of Assets | Imputing Asset Income

LIHTC	HUD	RD	HOME (NHTF)	Bond
If the household's assets are \$50,000 or less, as adjusted, assets may be verified via self-affidavit. Household assets that have a total cash value of more than \$50,000, as adjusted, must be 3 <sup>rd</sup> -party verified. Imputed income from assets using the HUD passbook rate is calculated on individual assets that cannot otherwise have income calculated if assets exceed \$50,000, as adjusted.	If the household's assets are \$50,000, as adjusted, or less, assets may be verified via self-affidavit at move in and other years, as long as assets are 3 <sup>rd</sup> -party verified at least once every third year thereafter. Imputed income from assets using the HUD passbook rate is calculated on individual assets that cannot otherwise have income calculated if assets exceed \$50,000, as adjusted.	Assets are 3 <sup>rd</sup> -party verified. Imputed income from assets using the HUD passbook rate is calculated on individual assets that cannot otherwise have income calculated if assets exceed \$50,000, as adjusted.	If the household's assets are \$50,000, as adjusted, or less, assets may be verified via self-affidavit at move in and other years, as long as assets are "source document" verified at least every 6 <sup>th</sup> year of the affordability period. Income self-certification or verification from a PHA voucher provider or for project-based rental assistance must be used for all years, if applicable. Imputed income from assets using the HUD passbook rate is calculated on individual assets that cannot otherwise have income calculated if assets exceed \$50,000, as adjusted.  NHTF allows the same verification methodology and cycle as HOME.	The bond regulations do not specifically address asset verification requirements. The project LURA may have specific requirements or allow self-affidavits to be used when household assets are \$5,000 or less, or \$50,000, as adjusted, or less. This is not specifically allowed on a federal level like it is for the LIHTC program.
8823 Guide 4-7, 4350.3 5-18 B, Rev. Proc. 94-65	4350.3 5-13, Appendix 3, 24 CFR § 5.659	HB-2-3560 6.11 A	HOME Guide 3.2 E 2 & 5, F3, Attachment 3-5 HOME Technical Guide 15   NHTF 24 CFR 93.151 (d)	

## Verification Methods (General)

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>The regulation requires a review of income documentation, such as W-2s or tax returns. Further informal IRS guidance provides more detailed verification rules. The below HOTMA verification options are generally applied to tax credit properties, in the order of preference:</p> <ol style="list-style-type: none"> <li>1) Work Number or other Upfront Income Verification database (UIV).</li> <li>2) 3rd-party verification provided by the household.</li> <li>3) 3rd-party verification provided by the 3rd party.</li> <li>4) Household self-certification.</li> </ol> <p>Verifications are good for 120 days from receipt (or a state may apply HUD's 120 + 120-day standard).</p> <p>Income determinations from PHAs and other means tested programs may be used.</p>	<p>There are 4 basic types of verification available for HUD in order of preference:</p> <ol style="list-style-type: none"> <li>1) UIV – Upfront Income Verification with the mandatory use of EIV after move-in and optional use of UIV non-EIV verification, such as the Work Number</li> <li>2) 3rd-party verification provided by the household.</li> <li>3) 3rd-party verification provided by the 3rd party.</li> <li>4) Household self-certification.</li> </ol> <p>Verifications are good for 120 days from receipt and must be no more than 120 days old at the time of receipt. Fixed income sources must be verified every 3 years with letters covering the benefit year (even if older than 120 days at the time of receipt). COLAs can be applied in other years.</p> <p>Income determinations from PHAs and other means tested programs may be used.</p>	<p>The below verification options are generally applied to RD properties:</p> <ol style="list-style-type: none"> <li>1) A 3<sup>rd</sup>-party verification form from the 3<sup>rd</sup> party.</li> <li>2) Documentation provided by the household.</li> <li>3) Household self-certification</li> </ol> <p>Verifications are good for 90 days from receipt and can be extended an additional 90 days with verbal clarification.</p>	<p>At move-in and every 6<sup>th</sup> year of the HOME affordability period, “source documents” must be used. These are written documents generated by a 3<sup>rd</sup> party, that verifies the income sources that the applicant reports. At least 2 months of history must be covered by the documentation. For other years, self-certification is acceptable. Verification from local PHAs or project-based rental assistance must be used for all years a household receives assistance.</p> <p>Income determinations from other means tested programs may be used.</p> <p>Verifications are good for 6 months.</p> <p>NHTF allows the same verification methods and cycles as HOME.</p>	<p>The bond regulations do not specifically address verification requirements. The project LURA may have specific requirements and verification lifespans.</p>
<p>8823 Guide 4-21, 4350.3 5-16 B, HOTMA Joint Implementation Notice 2023-10 J.5</p>	<p>4350.3 5-13 A, 5-16 B, Appendix 3, HUD MF Notice H-2016-09, HOTMA Joint Implementation Notice 2023-10 J.5</p>	<p>HB-2-3560 6.8 &amp; 11</p>	<p>HOME Guide 3.2 D 3 &amp; E 3 &amp; 5; 24 CFR 92.203 (2013)   NHTF 24 CFR 93.151 (d) and 93.302 (e)</p>	

## Household File Record Retention

LIHTC	HUD	RD	HOME	Bond
<p>Files for households that qualified units in the 1<sup>st</sup> year of the compliance period are vitally important for the audit of any year’s records. They must be retained for a total minimum of 21 years after the first-year credits are claimed.</p> <p>Files for households qualified in years 2-15 must be kept for a minimum of 6 years beyond the deadline for filing the tax returns for a year.</p>	<p>Applications must be kept for 3 years after denial.</p> <p>EIV reports and other forms and verifications that go into tenant files must be retained in the tenant file for the term of tenancy plus three years.</p> <p>EIV Master Binders keep 3 years of information.</p>	<p>Tenant certification forms and supporting documentation must be retained in the tenant file for the longer of 3 years or until the next Agency monitoring visit or compliance review.</p>	<p>Individual tenant income, rent, and inspection information must be kept for the most recent 5 years throughout the period of affordability, until 5 years after the end of the affordability period.</p>	<p>Records should generally be kept for as long as the bonds are outstanding, plus 3 years after the final redemption date of the bonds.</p>
Treas. Reg. 1.42-5 (b)	HUD 4350.3 4-22; 5-23; 9-14	RD HB-2-3560 6-11 B 5; Attachment 6-J	HOME Guide Exhibit 6-1, 6.2 C 7 & 24	1.148-5(d)(6)(iii)(E) of the arbitrage regulations

## Adding Household Members | Interim Income Increases

LIHTC	HUD	RD	HOME	Bond
<p>No Interim Certifications are required. Individuals added to an existing household during a certification year are income-certified individually and their income is added to the most recent TIC. The total household income is then checked to determine eligibility. This may trigger the AUR rule. The household is considered the same household so long as one original member remains. Some HFAs do not allow additional household members to be added during the Initial six months or first certification year.</p> <p>*See “Increase in Income and Determining Eligibility” for more information.</p>	<p>Adding household members triggers an interim or non-interim certification.</p> <p>Increases of income do not require a household to move out.</p>	<p>Adding household members triggers a new certification.</p> <p>If this increases the household’s income to more than the moderate-income limit, (low (80% AMI) limit + \$5,500) the household may be required to move out.</p>	<p>No Interim certifications are required. Increases of income do not require a household to move out.</p> <p>*See “Increase in Income and Determining Eligibility” for more information.</p>	<p>No Interim certifications are required. The regulations do not discuss adding household members. The regulatory agreement may discuss this.</p> <p>Increases of income do not require a household to move out.</p> <p>*See “Increase in Income and Determining Eligibility” for more information.</p>
8823 Guide 4-4	4350.3 7-10	HB-2-3560 6.28 B, 6.30	HOME Guide 3.5 & 6	

## Deductions and Allowances

LIHTC	HUD	RD	HOME	Bond
<p>Deductions and allowances are not used. Rent is not based on income.</p>	<p>HUD has 5 types of deductions and allowances used to determine adjusted income and rent. Open to all applicable households are:</p> <ol style="list-style-type: none"> <li>1) Dependent deduction applicable to the year</li> <li>2) Childcare expenses and</li> <li>3) Disability assistance expenses</li> </ol> <p>Available to households where the head or co-head is elderly or disabled are:</p> <ol style="list-style-type: none"> <li>4) Health and Medical expenses and</li> <li>5) Elderly household deduction applicable to the year</li> </ol>	<p>RD uses the 5 HUD deductions and allowances.</p>	<p>HOME uses HUD's 5 deductions and allowances for those over-income households paying rent based on their income.</p>	<p>Deductions and allowances are not used. Rent is not based on income.</p>
	<p>4350.3 Chapter 5 section 2, HOTMA Joint Implementation Notice 2023-10 Attach C</p>	<p>HB-2 3560 5.9 C</p>	<p>HOME Guide Attachment 3-4</p>	

## Recertification

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>Projects that are less than 100% tax credit must recertify each household's income and student status annually. 100% tax credit projects must recertify student status annually. Typically, recertifications are due on the original certification anniversary date. A few states require one full income recertification.</p>	<p>Recertifications are due on the certification anniversary date.</p> <p>Interim certifications must be conducted when household unearned income increases or decreases by 10% of adjusted income. Generally, increases in earned income are not adjusted until the next annual examination. Interim recertification is not required in the last 3 months of the certification year. It is only required that household composition or income items that have changed since the annual certification must be re-verified. Fixed-source income must be verified at least every 3 years.</p>	<p>Recertifications are due on the certification anniversary date. If certain income and household changes occur (including increases of \$100 per month or decreases of \$50), a new certification is done, and all items are 3rd-party verified. Recertification must then be completed no later than a year from the anniversary of the new certification.</p>	<p>HOME households must be certified at move-in and every 6<sup>th</sup> year of the affordability period, with some annual recertification requirements in years 2-5. The HOME program does not mandate dates for the annual cycle, allowing all recertifications to be conducted at once for a year. There are no provisions for interim certifications.</p> <p>Households with tenant- or project-based income will use the income determinations of the rental assistance program and its cycle.</p> <p>NHTF applies the same recertification standards as HOME.</p>	<p>Projects that are less than 100% bond must recertify each household's income and student status annually. Like the tax credit program, 100% projects need to recertify student status each year.</p>
<p>§142(d)(3)(A) (see §42(g)(4)), Treas. Reg. 1.42-(b)(1)(vi), 8823 Guide Chap 5</p>	<p>4350.3 chapter 7, 7-11 A 4, HOTMA Joint Implementation Notice 2023-10 Attach C</p>	<p>HB-2-3560 6.28</p>	<p>HOME Guide 3.2 F 6   NHTF 24 CFR 93.151 (d) and 93.302 (e)</p>	<p>§142(d)(3)(A)</p>

## Minimum Required Period in the Program

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>The tax credit period in the program is generally accelerated to 10 years with a 15-year compliance period. State Housing Finance Agencies (HFAs) also include an extended use period, which can vary, though it is a 30-year minimum total, including the compliance period.</p>	<p>Program type, financing, and other regulations establish the required period in the program.</p>	<p>Program type, financing, and other regulations establish the required period in the program.</p>	<p>The HOME agreement establishes the parameters of the program. The <b>affordability period</b> in the HOME program can vary depending on the type of HOME project and the average HOME unit investment. It is at least 20 years for most properties.</p> <p>NHTF has a minimum affordability period of 30 years. Grantees may impose a longer period.</p>	<p>The bond-qualified project period begins once 10% of the units in a property are occupied and ends the latest of</p> <ol style="list-style-type: none"> <li>15 years after 50% of the units are occupied,</li> <li>the day no tax-exempt bond is outstanding, or</li> <li>the day Section 8 assistance, if any, terminates.</li> </ol>
<p>§42(i)(1), (f)(1), (h)(6)(D), 8823 Guide chapter 16</p>			<p>HOME Guide 7.1   NHTF 24 CFR 93.302 (d)(1)</p>	<p>§142(d)(2)(A)</p>

## Effective Dates of Certifications

LIHTC	HUD	RD	HOME	Bond
<p>The effective date for move-in is the actual date of move-in.</p> <p>The effective date for in-place residents at Acq/Rehab properties is the date of acquisition (for households certified within 120 days of the acquisition date). After 120 days, the effective date is the date of the last signature on the certification.</p> <p>The effective date of recertification is the anniversary of the effective date of the original tenant income certification (for less than 100% LIHTC projects where recertification is required).</p>	<p>The move-in date is the date of move-in.</p> <p>The effective date of the initial certification where an in-place resident gets rental assistance is the date that assistance is assigned to the tenant.</p> <p>Interim Certifications with a rent increase reported timely is the first of the month after the end of a 30-day notice.</p> <p>The effective date of interim certifications with rent decreases or when increases of income are not timely reported is the 1st of the month after the income is verified.</p> <p>The annual recertification effective date is the first of the month on the anniversary of the original move-in certification. HUD may approve alternative anniversary dates.</p>	<p>The effective date of all RD certifications will always be the 1<sup>st</sup> of the month. The effective date of a move-in cert is the 1<sup>st</sup> of the month. If the tenant did not move in on the 1<sup>st</sup>, the effective date is the 1<sup>st</sup> of the next month after move-in. The effective date of recertification is the anniversary date of the last certification.</p>	<p>Effective dates are not discussed.</p> <p>Initial income certification must be completed no more than 6 months before moving in. Annual recertification is necessary but does not have to be on the anniversary date of the last certification.</p>	<p>Effective dates are not discussed. Typically, the Tax credit rules are followed.</p>
<p>8823 Guide 4-22, 4-25, 5-1</p>	<p>4350.3 7-5, 7-13, 7-5 C</p>	<p>HB-2-3560 6.28</p>	<p>HOME Guide 3.2 E 1, 6</p>	

## Increases of Income and Determining Eligibility

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>For less than 100% tax credit properties, household income that is over 140% of the current income limit at recertification is "over-income". Over-income households continue to qualify as Tax Credit households if the next available unit of the same or smaller size IN THE BUILDING is rented to a qualified tax credit household. This continues until the applicable fraction is restored not counting the over-income households. Once the applicable fraction is restored, the household may be raised to market rent, but cannot be required to vacate the unit.</p> <p>This is often called either:</p> <ul style="list-style-type: none"> <li>the AUR "Available Unit Rule,"</li> <li>the NAUR "Next Available Unit Rule," or</li> <li>the "140% rule"</li> </ul>	<p>Rent increases up to the maximum rent. Households that are at the maximum rent and not receiving RA are NOT required to move out of the unit.</p>	<p>Rents increase up to the maximum rent. Households that exceed the moderate-income limits must vacate the unit.</p> <p>Overage (the amount of the tenant's rent that exceeds Basic Rent up to Note Rent) must be paid to RD.</p>	<p>Income and subsequent rent increases may result in re-classification from LOW to HIGH HOME rents. Rents switch to 30% of adjusted income once the household's income exceeds the 80% limit. LOW HOME households that exceed the HOME 50% limits and HIGH HOME households that exceed the HOME 80% limits are "over-income". Resulting actions are then determined by the program and depend on whether the project is "fixed" or "floating" HOME. Households at the maximum rent are not required to move out of the unit. For projects that have tax credit funding also, rent for over-income households is not based on adjusted income but may be raised to tax credit limits.</p> <p>NHTF units that exceed the NHTF limits are in temporary non-compliance and the next available comparable unit must be rented to an NHTF-eligible tenant for floating NHTF units. If fixed NHTF, the unit(s) will need to be re-occupied with an NHTF-eligible household once the over-income household chooses to vacate.</p>	<p>For less than 100% bond properties, household income that is over 140% of the current income limit at recertification is "over-income". Over-income households continue to qualify as bond households if the next available unit of the same or smaller size IN THE PROJECT is rented to a bond household.</p> <p>NOTE: For bond/tax credit projects, this rule becomes a BUILDING rule to conform to the tax credit regulations.</p>
<p>§42(g)(2)(D)(ii), Treas. Reg. §1.42-15, 8823 Guide Chapter 14</p>	<p>4350.3 chapter 8</p>	<p>HB-2-3560 6.30</p>	<p>HOME Guide 3.5 &amp; 6, Attachment 3-4 &amp; Attachment 3-5 §92.25 3 (c) (2013)   NHTF 24 CFR 93.302 (f)</p>	<p>§142(d)(3)(B) &amp; (C)</p>

## Transferring Households

LIHTC	HUD	RD	HOME	Bond
<p>For less than 100% tax credit properties, households with income above the 140% limit at recertification may only transfer to units in the same building. At 100% tax credit properties and for households with income below the 140% limit, transfers can take place between buildings in the project without the household qualifying under current income limits. See IRS form 8609 to determine which buildings are in a project. Transfers between units cause the units to switch status, especially for purposes of initial tax credit rent up.</p>	<p>Transfers are allowed between buildings within a project. Households that overcrowd or under occupy a unit may be required to move to an appropriately sized unit (if that unit is available) or stay and pay contract rent. The effective date of the household's recertification after the transfer is the anniversary date of their original move-in date to the property.</p>	<p>Transfers are allowed between buildings in a project. Households that overcrowd or under occupy a unit may be required to move to an appropriately sized unit (if that unit is available). If an appropriate unit is not available, the tenancy may be terminated. Recertification is completed at transfer, and the transfer date becomes the new anniversary date.</p>	<p>HUD guidance does not discuss unit transfers for HOME. Generally, households must re-qualify at transfer for the new unit. "Floating" HOME units can switch their designation. "Fixed" HOME units do not switch.</p>	<p>Bond rules do not discuss unit transfers.</p>
<p>Treas. Reg. 1.42-15(d), Rev. Rul. 2004-82, Q&amp;A #8, 8825 Guide 4-24</p>	<p>4350.3 chapter 7 section 3</p>	<p>HB-2-3560 6.21, 6.30 A</p>		

## Subsidy and Rent Limits

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>Section 8 RA and RA from similar programs are exempt when determining household income. Household rent may exceed the tax credit max rents for households receiving assistance and whose income has increased. Tenant rents may also exceed the tax credit limit for households receiving RD assistance for which RD "overage" is paid.</p>	<p>N/A</p>	<p>Rental assistance, if available at a property, pays rent up to basic rent. When tenant rent exceeds basic rent, overage is paid to RD equal to the difference between the tenant rent for a unit and the basic rent.</p>	<p>Include any subsidy when determining compliance with HOME rent requirements. There is an exception for project-based subsidy in LOW HOME units where tenants pay 30% of their income toward rent. For these units, the full subsidy program rents may be collected.</p> <p>For NHTF units with PROJECT-based federal or state subsidy, maximum rents are the rents allowable under the subsidy program.</p>	<p>The bond program does not impose rent requirements. The bond agreement may have some project-specific requirements.</p>
<p>§42(g)(2)(B)(i) &amp; (iv), 8823 Guide 11-5 &amp; 6</p>		<p>HB-2 7.4 C, 7.11 A-C</p>	<p>HOME Guide 3.3 C   NHTF CFR 24 93.302 (b)(ii)(2)</p>	

## Rent Limits

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>Rent limits are calculated based on income limits. There is a gross rent “floor,” established at the date of allocation or placed in service date so that the rents do not have to fall below the “floor” for a project, even if the HUD published Income Limits go down from year to year. Rent limits are calculated imputing 1.5 persons per bedroom.</p> <p>§ 42 (g)(2)(C), Rev Proc 94-57, 8823 Guide 11-2 Example 1</p>	<p>Market (or contract) rents are calculated for a specific property and will be spelled out in regulatory and HAP agreements.</p>	<p>Basic and market rents are calculated for a specific property and will be spelled out in regulatory and other agreements.</p>	<p>HUD publishes the HOME high and low rent limits. Rents do not decrease below the originally approved HOME rents. 2013 HOME regulation requires that PJs approve all rents annually at each HOME project that they monitor.</p> <p>For the NHTF the grantee must approve rents each year.</p> <p>HOME Guide 3.3 §92.2 52(f)(2) (2013)   NHTF 24 CFR 93.302 (a) - (c)</p>	<p>The bond program does not have rent limits. Specific bond agreements may impose limits.</p>

## Utility Allowances

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>Projects with RD or HUD funding use the UA for those programs. There are 5 additional choices for other properties:</p> <ol style="list-style-type: none"> <li>1) Local PHA-published UAs</li> <li>2) Estimate from a Utility Company</li> <li>3) Estimate from an HFA</li> <li>4) HUD Utility Schedule Model (HUSM)</li> <li>5) Engineer Model</li> </ol> <p>For non-RD/HUD-regulated buildings, the UA for voucher-holding households is the PHA-published UA that their rent calculation is based on.</p> <p>Note: many, but not all, states consider HOME to be a HUD-regulated program.</p> <p>Treas. Reg. 1.42-10, 8823 Guide Chapter 18</p>	<p>UA for a property is calculated based on actual consumption at a property every 3<sup>rd</sup> year and adjusted by a HUD-published rate the other years.</p> <p>MF Notice H-2015-4</p>	<p>UA for a property is calculated based on RD policy. If there is more than a 15% rate increase, owners should collect a “significant sampling” of tenant data. If any increase is 15% or less, “a sampling” is required. Each state Agency may set further policies.</p> <p>7 CFR 3560.202 HB-2-3560 4.26/4-29; 7.3 / 7-3</p>	<p>The PJ establishes a UA. Since the 2013 change in HOME regulations, UAs provided by Public Housing Authorities are no longer acceptable. UAs must now be:</p> <ol style="list-style-type: none"> <li>1) Calculated based on actual project consumption; or</li> <li>2) Use the HUD Utility Schedule Model (HUSM)</li> </ol> <p><b>NOTE:</b> This is only applicable to HOME projects committed funds after 8/23/2013. The method for HUD projects is also acceptable. Tax credit options are also acceptable except for PHA estimates.</p> <p>For the NHTF, the grantee must establish UAs each year.</p> <p>HOME Guide 3.3 D; 24 CFR 92.252 (d) (2013) CPD HOME FAQ 11-13, Homefires Vol. 13 No. 2   NHTF 24 CFR 93.302 (c)</p>	<p>The bond program does not impose rent limits; thus, a UA is irrelevant.</p> <p>The bond agreement may impose further rent restrictions.</p>



## Legal Authority and Program Guidance

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>Legal Code: Internal Revenue Code §42, Treasury Regulation 1.42, Revenue Rulings, Revenue Procedures, and IRS Notices. Although not regulatory, “The Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report of Noncompliance or Building Disposition” AKA “The 8823 Guide” and IRS Newsletters provide additional guidance. Private Letter Rulings indicate IRS thinking but cannot be cited as precedent for any, but the individual cases involved.</p>	<p>HUD Handbook 4350.3 “Occupancy Requirements of Subsidized Multifamily Housing Programs” as amended by HOTMA. Additional MF Housing Notices provide updates. HUD also has an RHIIP Listserv where guidance and announcements are often first published.</p>	<p>HB-2-3560 “Multi-Family Housing Asset Management Handbook,” RD also provides updates through Administrative Notice (AN) and Unnumbered Letters (UL).</p>	<p>24 CFR Part 92 regulation, “Compliance in HOME Rental Projects: A Guide for Property Owners” AKA the “HOME Guide.” A HOME Technical Guide and Online Calculator provide income calculation guidance.</p> <p>The NHTF regulations are at 24 CFR Part 93</p>	<p>Internal Revenue Code §142, Revenue Rulings, Revenue Procedures, and IRS Notices.</p>
<p><a href="http://www.irs.gov">www.irs.gov</a></p>	<p><a href="http://www.hud.gov">www.hud.gov</a></p>	<p><a href="http://www.rd.usda.gov">www.rd.usda.gov</a></p>	<p><a href="http://www.hudexchange.info">www.hudexchange.info</a></p>	<p><a href="http://www.irs.gov">www.irs.gov</a></p>

## Vacancies

LIHTC	HUD	RD	HOME	Bond
<p>Vacant units are considered tax credit units if: A) the unit was previously occupied by a qualified household; B) the unit was ready to lease in a reasonable amount of time, and C) the owner/manager can prove that the unit was marketed before any non-tax credit units of the same or smaller size were leased. (Vacant Unit Rule, or VUR)</p>	<p>Vacant units do not impact program compliance unless vacant units are excessive in quantity or duration. Vacancy claims can be made to HUD to recoup lost rent.</p>	<p>Vacant units do not impact program compliance unless vacant units are excessive in quantity or duration. Rental Assistance that remains unused after 6 months due to vacancies may be removed from a property by RD.</p>	<p>A few short-term vacant units do not impact program compliance.</p> <p>NOTE: HOME units that are not leased within 6 months of project completion could become an issue. Within 18 months HOME funds must be paid back on those units that were not leased to HOME-qualified households.</p>	<p>Vacant units are considered bond units if the unit was previously occupied by a qualified household. When the next household leases the unit, qualification is determined for that household.</p>
<p>Treas. Reg. 1.42-5(c)(1)(ix), Rev. Rul. 2004-82, Q&amp;A #9, 8823 Guide Chapter 15</p>		<p>HB-2-3560 9.15/9-33</p>	<p>§92.525 (2013)</p>	<p>IRS Reg. 103.8 (b)(5)(ii)</p>

## Minimum Set-Aside and Required Number of Units in The Program

LIHTC	HUD	RD	HOME	Bond
<p>Historically, properties had a 20-50 or 40-60 minimum set-aside. The first number designates the minimum percentage of units at the property that must be designated “tax credit” units. The second number represents the MTSP income and rent limit for those units. Tax credits are claimed based on the actual percentage of tax credit units to all the units in a building; this is called the “applicable fraction.”</p> <p>Starting for new set-aside elections starting in 2018, the 40-60 set-aside option includes an “Average Income Test” (AIT) version where units may be designated at 20 to 80% MTSP (in whole 10% increments), as long as these average 60%.</p> <p>NOTE: New York City adds minimum set-aside options of 25-60 and 25-60 (AIT).</p> <p>State agencies can determine additional set-asides, but federal tax credits are not at-risk if these set-asides are noncompliant.</p>	<p>This is based on the HUD program type and the regulatory agreement in place for the property.</p>	<p>This is based on the RD program type and the regulatory agreement in place for the property.</p>	<p>The HOME units in a property are determined by the amount of HOME Funds given to the property in proportion to the cost to build. These are designated “low” and “high” HOME units. Typically, 20% of units must be “low” HOME units with a 50% income and rent limit. The remainder of the HOME units are “high” HOME with an 80% rent and income limit.</p>	<p>Typically, properties have a 20-50 or 40-60 minimum set-aside. The first number designates the minimum percentage of units at the property that must be designated “bond” units. The second number represents the MTSP income and rent limit for those units. The bond units must meet the minimum set-aside at the property, but do not need to exceed the minimum. During lease-up once a property reaches 10% occupancy the minimum set-aside must be maintained among the occupied units. This may cause a hold on leasing to non-bond households until the bond minimum set-aside is reached.</p> <p>NOTE: New York City projects have a fourth minimum set-aside option of 25-60 and a fourth AIT (25-60 average) option. State agencies can determine additional set-asides.</p>
<p>§42(g)(1), 8823 Guide chapter 10, IRS form 8609(s) line 10C shows the designation</p>			<p>HOME Guide 1.8</p>	<p>§142(d)(1) Rev. Proc. 04-39</p>

## Initial Lease and Lease Term

LIHTC	HUD	RD	HOME (NHTF)	Bond
Other than in SRO or transitional housing projects, households must not be “transient.” This generally means that the initial lease term must be at least 6 months. Termination or non-renewal must be for good cause under state law.	The initial lease term must be 12 months. The HUD lease must be used. Termination or non-renewal must be for good cause.	The initial lease term must be 12 months or the end of the HAP contract, if sooner. The lease is developed by the owner and must be certified by the owner’s attorney and approved by RD. Termination or non-renewal must be for good cause.	The initial lease term is typically 12 months unless a lesser term is agreed upon, which can’t be less than 30 days, except in cases of threat to the tenants, employees, or property. The lease is developed by the owner avoiding 9 prohibited clauses. The lease must be approved by the PJ. Termination or non-renewal must be for good cause.  NHTF has the same initial term and prohibited lease terms as apply to HOME. Termination of tenancy must be for cause and in a timeframe dictated by local law.	The bond program leaves the lease and initial lease term up to other program funding unless the bond agreement mandates some lease requirements. The minimum term is generally at least 31 days.
§ 42(i)(3)(B)(i) & “Blue Book” 8823 Guide chapter 20; § 42 (i)(3)(B)(iv)	4350.3 chapter 6, Appendix 4 A-G	HB-2-3560 Attachment 6-E & 6-F	HOME Guide 4.3 B, Attachment 4-1 24, CFR 92.253 (b) (2013)   NHTF 24 CFR 93.303 (a) - (c)	Bond Agreement

## Application, Screening, and Monthly Fees

LIHTC	HUD	RD	HOME	Bond
Applicants can be charged a fee for the actual average out-of-pocket costs to run the checks. Non-optional monthly fees must be added when determining gross rent compliance.	Applicants must NOT be charged for the costs of screening. Monthly fees must be approved by HUD.	Fees to applicants are discouraged but allowed and limited to the actual cost of the screening. Monthly fees must be approved by RD.	Application, screening, and other fees must be approved by the Participating Jurisdiction (PJ). Any allowed monthly fees must be deducted from the HOME rent limit to determine the maximum rent charged for a unit.  Fees that are not customary in rental housing are prohibited. Reasonable application fees may be charged or fees for services or meals, as long as the services are voluntary.	Application fees and costs to screen applicants are not addressed.
8823 Guide 11-2 to 11-3	4350.3 4-7 A-C, E 2	HB-2-3560 6.18 B, 6.19	Home Guide 3.3 D 4 HOME Regs § 92.214(b) (2013)   NHTF: 24 CFR 93.204(b)	

## Criminal Background Checks

LIHTC	HUD	RD	HOME	Bond
Owners may screen for criminal backgrounds.	Owners are required to screen for criminal and drug-related criminal activity. Applicants must be screened for lifetime sex offender registration and those registered are prohibited entry.	Owners may screen for criminal backgrounds. Owners may deny admission for criminal activity. If rejected for occupancy, the letter must outline the reason.	Owners may screen for criminal backgrounds. Applicants rejected must receive a written explanation.	Criminal background checks are not addressed.
8823 Guide 11-2 to 11-3	4350.3 4-7 A-C, E 2	HB-2-3560 6.18 B, 6.19	HOME Guide Exhibit 4-1	

## Release of Information Forms

LIHTC	HUD	RD	HOME	Bond
No specific form is required.	HUD uses forms 9887 and 9887-A. These are signed once by all adults.	The owner is required to develop a Release of Information form. No specific form is required.	No specific form is required.	No specific form is required.
	4350.3 3-11, HOTMA Joint Implementation Notice 2023-10 J.1	HB-2-3560 6.11 2		

## Citizenship Requirements

LIHTC	HUD	RD	HOME	Bond
The Internal Revenue Service (IRS) does not establish citizenship requirements. The HFA or the owner may establish non-citizen restrictions.	Only U.S. citizens or eligible non-citizens may receive assistance. Non-citizens must provide documentation that is verified through the Department of Homeland Security (DHS) U.S. Citizenship and Immigration Services' SAVE system. Households that consist of non-eligible and eligible members will have their assistance pro-rated.	Only U.S. citizens or eligible non-citizens may receive benefits. RD guidance on how to establish this is still pending.	The multi-family HOME program does not have established citizenship requirements.	The bond program does not have established citizenship requirements.
8823 Guide 13-2	4350.3 3-5 F, 3-12, Exhibit 3-5	§3560.152 (a)(1)		

## Race / Ethnicity Reporting Requirements

LIHTC	HUD	RD	HOME (NHTF)	Bond
Race and ethnicity data collection and reporting procedures are established by the State Housing Finance Agency (HFA). The HFA is required to report this data to HUD.	Applicants have the option to report their race and ethnicity using the form HUD-27061-H, though this is NOT a required form. Management must NOT complete the form on the applicant's behalf. Race and ethnicity data is NOT placed on the waiting list.	Application forms and waiting lists must include race and ethnicity data. If the applicant will not supply the data, management is required to complete the race and ethnicity information based on observation.	The PJ must establish race and ethnicity data collection and reporting procedures. The PJ must review the data collected each year.  As affirmative marketing rules apply, NHTF would require monitoring of race and ethnicity.	The bond program does not have race and ethnicity data collection or reporting procedures.
The Housing and Economic Recovery Act of 2008 (HERA) section 2835	4350.3 2-11 A, 4-14 A 4, Exhibit 4- 3, 4-16 D 4	HB-2-3560 6.18 A, Exhibit 6-5	HOME Guide 4.2 B 5   NHTF 24 CFR 93.350	

## Affirmative Fair Housing Marketing

LIHTC	HUD	RD	HOME (NHTF)	Bond
The Internal Revenue Service (IRS) does not address affirmative marketing.	HUD requires an Affirmative Fair Housing Marketing Plan (AFHMP) on HUD form 935.2A. This is updated by the owner/manager at least every 5 years and must be approved by HUD or the Contract Administrator (CA).	RD requires an Affirmative Fair Housing Marketing Plan (AFHMP) on HUD form 935.2A. This must be approved by RD and updated every 5 years.	The PJ must establish affirmative marketing procedures. The PJ is responsible for making sure that the established affirmative marketing plan is followed by the site.  Grantees must establish and monitor affirmative marketing plans for NHTF properties.	The Internal Revenue Service (IRS) does not address affirmative marketing.
	HUD.gov Form 935.2A	HB-2-3560 6.17, HUD.gov Form 935.2A	HOME 4. 2 B   NHTF 24 CFR 93.350	

## Online System Used by Program

LIHTC	HUD	RD	HOME	Bond
The Internal Revenue Service (IRS) does not have an online system. Individual State Housing Finance Agencies (HFAs) may have a unique online system.	HUD has Tenant Rental Assistance Certification (TRACS) and Enterprise Income Verification (EIV).	Management Agent Interactive Network (MINC).	The Participating Jurisdiction (PJ) uses the Integrated Disbursement and Information System (IDIS) to report to HUD.	The IRS does not have an online system.

## Administering Agency

LIHTC	HUD	RD	HOME (NHTF)	Bond
The Internal Revenue Service (IRS) and State Housing Finance Agencies (HFAs). NOTE: Each state has an HFA; however, they are not all specifically called Housing Finance Agencies.	Housing and Urban Development (HUD) Multi-family Division and Contract Administrators (CAs) which are 'contracted' by HUD.	Rural Development (RD) / Rural Housing Services (RHS) under the United States Department of Agriculture (USDA).	Housing and Urban Development (HUD) under the Office of Community Planning and Development (CPD). CPD appoints Participating Jurisdictions (PJs) that commit the HOME funds to owners and monitor compliance.  HUD CPD. CPD appoints state Grantees that commit the NHTF funds to owners and monitor compliance.	The Internal Revenue Service (IRS) and bond issuers.
IRS.gov and individual state HFA websites	HUD.gov and individual CA websites	RurDev.USDA.gov	HUD.gov and individual PJ and Grantee websites   NHTF 24 CFR 93.100 and 92.404	IRS.gov

## Reporting Requirements

LIHTC	HUD	RD	HOME	Bond
IRS form 8609 must be filed with the IRS after the first year of the credit period. Form 8609A is filed in the other years of the compliance period. An annual owner certification of program compliance must be submitted to the state HFA.	Reporting and HAP processing are submitted monthly through TRACS.	Reporting and RA processing are submitted to RD monthly through MINC by the 10 <sup>th</sup> of the month.	Annual occupancy and other reports are submitted to the PJ.	Form 8703 must be filed with the IRA annually.

## Violence Against Women Act (VAWA)

LIHTC	HUD	RD	HOME (NHTF)	Bond
VAWA applies to tax credit properties since 2013. The IRS is unlikely to issue guidance. HUD guidance may be used as a model and state HFAs often issue guidance based on the HUD model.	Applies since 2005 to Section 8 and since 2013 for most other HUD programs. HUD has issued a sample notice of rights (Form HUD-5380), victim cert. (5382), a model emergency transfer plan (5381), and a model emergency transfer request (5383). A lease addendum (91067) is required.	The VAWA statute covered RD in 2013. In 2017 RD adopted the HUD 2016 VAWA Rule. The 2023 VAWA reauthorization covered RD vouchers.	HUD 2016 guidance applies to HOME.  The HUD 2016 guidance applies to NHTF. The VAWA statute explicitly includes NHTF starting with the 2022 VAWA reauthorization.	VAWA does not apply.
	Fed Reg Vol 81 No. 221 Wed Nov 16, 2016	Admin Notice 4814 dated 1-18-17; Fed Reg Vol 81 No. 221 Wed Nov 16, 2016	Fed Reg Vol 81 No. 221 Wed Nov 16, 2016   NHTF 24 CFR 93.356	

## Inspections – File Review and Physical

LIHTC	HUD	RD	HOME (NHTF)	Bond
<p>Inspections are done on a minimum 3-year cycle. At least one aspect of ALL buildings is inspected (such as the building exterior or HVAC). The number of files and units inspected is the lower of 20% or the number listed on a chart published in IRS regs (based on HUD REAC standards). NSPIRE (National Standards for the Physical Inspection of Real Estate) or local standards are used for the Physical Review.</p> <p>NOTE: Section 504 is not applicable to tax credit funding where other federal funding is not involved. Fair Housing standards apply.</p>	<p>MORs (Management Occupancy Reviews) are performed on a risk-based cycle of 1-3 years. REAC Physical inspections use UPCS and are conducted on a 1 to 3-year schedule based on the previous REAC score:</p> <p>&gt;89 = 3-year schedule 80-89 = 2-year schedule &lt;80 = 1-year schedule</p> <p>NSPIRE (National Standards for the Physical Inspection of Real Estate) is the protocol used for the Physical Review. Section 504 and Fair Housing standards apply for a review of accessibility.</p>	<p>Annual Physical Inspections: 5% of occupied units (minimum of 2) and 5% of vacant units (minimum of 2).</p> <p>Tri-annual Supervisory Visits review units based on size:</p> <p>1-5 units = all units inspected 6-30 units = 6 inspected 31-74 units = 10 inspected &gt;74 units = 15 inspected</p> <p>Vacant units = 5% inspected (minimum of 2 units)</p> <p>RD 3560-11 is the form used for Physical reviews. Section 504 and Fair Housing standards apply for a review of accessibility.</p>	<p>Reviews are based on the total number of units in a property, NOT just the HOME units, with a 3-year inspection cycle. The inspector selects a “Reasonable Sample.” The PJ must choose between local and state codes or NSPIRE* for the physical reviews. Section 504 and Fair Housing standards apply for a review of accessibility.</p> <p>*NSPIRE replaced UPCS and HQS in 2023. Further guidance is forthcoming.</p> <p>NHTF tri-annual inspections are based on a sample as set forth by HUD notice. For projects with 1-4 NHTF units, all of the NHTF units are inspected. NHTF properties must meet the HUD NSPIRE standard and Section 504.</p>	<p>No inspection schedule is required by the tax code.</p> <p>NOTE: Section 504 does not apply to bond funding. Fair Housing standards apply.</p>
<p>Treas. Reg. §1.42-5(c)(1)(vi) &amp; (2) 8823 Guide 6-1 &amp; Exhibit 6-1</p>	<p>4350.1 chapter 5, see also <a href="http://www.hud.gov">www.hud.gov</a> for further REAC and NSPIRE information. HUD Final Rule “Streamlining MORs for Section 8 Housing Assistance Programs” 6-26-22 - effective 9-26-2022.</p>	<p>HB-2-3560 9.9 F, 9.10 F, RD 3560-11</p>	<p>HOME Guide Exhibit 6-1, 6.2 C 7; HOME Guide Exhibit 5- 1 24 CFR 92.504 (d) (2013)   NHTF 24 CFR 93.301 (e) and 404 (d)</p>	

## ATTACHMENT J: TOPIC: VERIFICATION

### Regulations

24 CFR §§ 5.216(g)(1); 5.230; 5.230(c)(5)(iii); 5.232; 24 CFR 5.232(c); 5.233; 5.240(c); 5.609(c)(3); 5.659(d); 891.105; 891.410(b)-(c) and (g); 891.610(b)-(c) and (g); 891.750; 960.259(c); and 982.516(a)(2)

### Applicable Programs

HUD Multifamily Housing	HUD Multifamily Housing	Public and Indian Housing
Section 8 (Project Based Rental Assistance)	Section 202/162 PAC, Section 202/8, Section 202/811 PRAC, Section 236 IRP, Section 811 PRA, SPRAC	HCV (including Project-Based vouchers), Public Housing, Section 8 Moderate Rehabilitation, Section 8 Moderate Rehabilitation SRO
Yes	Yes	Yes

### Summary

The final rule updated verification of income requirements in 24 CFR §§ 5.230; 5.232; 5.233; 5.609; and 5.659.

### Subtopics

#### J.1 Authorization for the Release of Information (Forms HUD-9886/HUD-9887)

**Regulations:** 24 CFR §§ 5.230; 5.232; 891.105; 891.410(b)-(c); and 891.610(b)-(c)

**Summary:** In accordance with the final rule, all applicants must sign the consent form at admission, and participants must sign the consent form no later than their next interim or regularly scheduled income reexamination. After an applicant or participant has signed and submitted a consent form either on or after January 1, 2024 (regardless of the PHA/MFH Owner's compliance date), they do not need to sign and submit subsequent consent forms at the next interim or regularly scheduled income examination except under the following circumstances<sup>J1</sup>:

- When any person 18 years or older becomes a member of the family;
- When a member of the family turns 18 years of age; and
- As required by HUD or the PHA in administrative instructions.

These consent forms contain provisions authorizing HUD and the PHA/MFH Owner to obtain necessary information for verification of an application or to maintain a family's assistance, including income information and tax return information. The executed consent forms will remain effective until the family is denied assistance, the assistance is terminated, or if the family provides written notification to the PHA/MFH Owner to

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<sup>J1</sup> Any person, regardless of age, who subsequently becomes a family member as the head of household, co-head of household, or spouse, must sign the consent form, in accordance with 24 CFR § 5.230(a).



revoke consent. If a family voluntarily leaves a HUD program, the family's assistance is considered to be terminated and the signed consent forms will no longer be in effect.

HUD will publish a new form HUD-9886-A and is updating forms HUD-9887 and HUD-9887-A (Fact Sheet) to conform with the final rule. HUD will include language in the forms allowing PHAs/MFH Owners to obtain financial records from financial institutions whenever the PHA/MFH Owner determines that such a record is needed to determine an applicant's or participant's eligibility for assistance or level of benefits.

**PHA/MFH Owner Discretion:** PHAs/MFH Owners have the discretion to establish policies around when family members must sign the consent forms when they turn 18 between reexaminations. PHAs/MFH Owners must establish these policies in their ACOPs, Administrative Plans, and Tenant Selection Plans, if requiring family members to sign consent forms at intervals other than at reexamination.

## **J.2 Revocation of Consent**

**Regulations:** 24 CFR §§ 5.230(c)(5)(iii); 24 CFR 5.232(c); 891.105; 891.410(g)(3)(ii); and 891.610(g)(3)(ii)

**Summary:** The executed consent forms will remain effective until the family is denied assistance, the assistance is terminated, or if the family provides written notification to the PHA/MFH Owner to revoke consent. Revocation of consent or refusal to sign the consent forms prohibits the PHA/MFH Owner from requesting and accessing income information and financial records, including pulling EIV reports and using the EIV data to verify income (although the data matches between HUD and other agencies will continue to occur automatically if the family is not terminated from the program). PHAs/MFH Owners will not be able to process interim or annual reexaminations of income, including when a family's income decreases and the family requests an interim reexamination to decrease tenant rent, without the family's executed consent form(s).

Families have the right to revoke consent by providing written notice to the PHA/MFH Owner; however, revoking consent may result in termination of assistance or denial of admission, if the PHA/MFH Owner has a policy that the revocation of consent will result in termination of assistance or denial of admission. When PHAs/MFH Owners do not establish such a policy, the family is required to sign a new consent form by the next reexamination, whichever occurs first, in order to avoid termination of assistance or be reviewed for eligibility for admission. PHAs/MFH Owners must explain to families the consequences, if any, of revoking their consent.

**PHAs/MFH Owners must notify their local HUD office of a family's revocation of consent.**

**PHA/MFH Owner Discretion:** PHAs/MFH Owners may decide whether revocation of a family's consent will result in termination of assistance or denial of admission. Such a policy must be included in the PHA/MFH Owner's Administrative Plan, ACOP, or Tenant Selection Plan, as applicable.

## **J.3 Mandated and Discretionary use of HUD's Enterprise Income Verification (EIV) System**

**Regulation:** 24 CFR § 5.233

**Summary:** The regulation clarifies that PHAs/MFH Owners must use EIV to verify tenant employment and income information at annual and streamlined reexaminations of family composition and income. However, PHAs/MFH Owners are no longer required to use EIV to verify tenant employment and income information during an interim reexamination of family composition and income.

PHAs/MFH Owners are still required to use EIV in its entirety, including using all of the required reports, such as the Existing Tenant Search and Income Reports, to verify tenant employment and income information at all other times.

**Note:** HUD intends to update the discrepancy logic for the MFH and Public Housing Income Discrepancy Reports and the Income Verification Tools (IVTs) to conform to the requirements of the final rule. PHAs/MFH Owners are not required to investigate discrepancies resulting from the MFH and Public Housing Income Discrepancy Reports and the IVT Tools until HUD updates the discrepancy logic. HUD will notify PHAs/MFH Owners when the new reports are ready for use.

Table J1 provides guidance on the frequency with which individual EIV reports must be utilized by a PHA/MFH Owner.

**Table J1: Mandatory and Discretionary Use of EIV by PHAs/MFH Owners**

Report Title	Report Description	Frequency of Use	PHAs/MFH Owners
Debts Owed to PHAs & Terminations	Allows users to access information concerning former tenants who left owing a debt to a PHA or who had their voucher terminated for cause.	At the time of processing an applicant family for admission, and to enter debt information or terminations for families who have ended program participation.	PHAs only Report does not exist in MFH EIV.
Deceased Tenants Report	Identifies tenants reported by Social Security Administration (SSA) as being deceased.	At least quarterly	PHAs/MFH Owners
Existing Tenant Search	Identifies applicants who may be receiving assistance at another Multifamily project or PIH location.	At the time of processing an applicant family for admission	PHAs/MFH Owners
Failed EIV Prescreening Report	Identifies tenants who have missing or invalid personal identifiers (last name, date of birth, SSN) in HIP/TRACS. These tenants will not be sent to SSA from EIV for the SSA identity test.	Monthly	PHAs/MFH Owners

<p>Failed Verification Report (Failed SSA Identity Test)</p>	<p>Identifies tenants whose personal identifiers (last name, date of birth, SSN) do not match the SSA database.</p> <p>*PHAs/MFH Owners that admit families using a self-certification of SSN must review the Failed SSN Verification Report monthly to identify and follow up on new issues.</p>	<p>Monthly</p>	<p>PHAs/MFH Owners</p>
<p>Identity Verification Report</p>	<p>Identifies tenants that, failed SSA verification, and failed EIV pre-screening.</p>	<p>Monthly</p>	<p>PHAs/MFH Owners</p>
<p>Income Discrepancy Report for MFH Programs</p>	<p>Identifies households where there is an income discrepancy in the wage, unemployment, and SSA benefit information reported in EIV and wage, unemployment, and SSA benefit information reported in TRACS for the period of income used for discrepancy analysis. The report serves as a tool to alert MFH Owners that there may be a discrepancy in the income reported by the tenant during the period of income used for the discrepancy analysis.</p>	<p>Must be used at annual reexamination. MFH Owners may use the report at other intervals, in accordance with the MFH Owner's written EIV policies and procedures. MFH Owners <b>are not</b> required to use the report at annual reexamination if they used Safe Harbor verification to determine the family's income at the last reexamination.</p> <p>*See note under Summary above about updates to the MFH Income Discrepancy Report.</p>	<p>MFH Owners</p>

<p>Income Information for PIH Programs</p> <p>Income Report for MFH Programs</p>	<p>Provides employment and income reported by HHS and SSA for each household member that passes the SSA identity test.</p> <p>Identifies tenants who:</p> <ul style="list-style-type: none"> <li>• May not have reported complete and accurate income information; and/or</li> <li>• May be receiving multiple subsidies.</li> </ul>	<p>Must be used at annual reexamination; not required at interim reexaminations. PHAs/Owners may use, if desired. PHAs/MFH Owners <b>are not</b> required to use at annual reexamination if they use Safe Harbor verification to determine the family's income.</p> <p><b>New Admissions:</b></p> <p>Review new admissions within 120 days after the move-in information is transmitted to HUD to confirm/validate the income reported by the household.<sup>J2</sup></p>	<p>PHAs/MFH Owners</p>
<p>Income Validation Tool Report for PIH Programs</p>	<p>Provides projections of discrepant income for wages, unemployment compensation, and SSA benefits pursuant to HUD's data sharing agreements with the Department of Health and Human Services (HHS) using the National Directory of New Hires (NDNH) database, and the SSA.</p>	<p>PHAs are required to obtain an EIV Income and Income Validation Tool Report for each family any time the PHA conducts an annual reexamination of family income and composition. PHAs may use the report at other intervals, in accordance with the PHA's ACOP or Administrative Plan. PHAs <b>are not</b> required to use the report at annual reexamination if they used Safe Harbor verification to determine the family's income at the last reexamination.</p> <p>*See note under Summary above about updates to the MFH and Public Housing Income Discrepancy Reports.</p>	<p>PHAs</p>

<sup>J2</sup> PHAs/MFH Owners must rely on other documents (e.g., pay stubs, benefit award letters, etc.) to verify families' income eligibility before admission.

Multiple Subsidy Report	Identifies tenants who may be receiving rental assistance at more than one location.	At least quarterly	PHAs/MFH Owners
New Hires Report	Identifies tenants who have new employment within the last six months. Report is updated monthly.	PHAs/MFH Owners must review this information at annual reexamination except when the PHA/MFH Owner uses Safe Harbor verification to determine the family's income. PHAs/MFH Owners that do not require families to undergo interim reexaminations (IRs) for income increases after an IR decrease do not need to review this report at all between a family's annual reexamination. If the PHA/MFH Owner's policy is to require an IR for increases in income after an IR decrease, then the PHA/MFH Owner must review the report quarterly after the family's IR decrease.	PHAs/MFH Owners
No Income Reported by HHS or SSA	Identifies tenants who passed the SSA identity test but where no income was reported by HHS or SSA. This scenario does not mean that the tenant does not have any income. PHAs/MFH Owners must obtain written, third-party verification of any income reported by the tenant.	As identified in a PHA's ACOP or Administrative Plan or a MFH Owner's written EIV policies and procedures.	PHAs/MFH Owners
No Income Reported on 50059	Identifies households where there is no income listed on the HUD-50059.	As identified in MFH Owner's written EIV policies and procedures.	MFH Owners

Summary Report	Summary of household information from the current, active certification in the TRACS file at the time of the income match.	Must be used at annual reexamination; not required at interim reexaminations. MFH Owners may use the report at other intervals, if desired, as described in the MFH Owner's written EIV policies and procedures.	MFH Owners
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**PHA/MFH Owner Discretion:** PHAs/MFH Owners may choose to use EIV to verify tenant employment and income information at interim reexaminations of family composition and income. PHAs that choose to use EIV to verify income information at interim reexaminations must include this information in the PHA's ACOP and/or Administrative Plan. MFH Owners who choose to use EIV to verify tenant employment and income information at interim reexaminations must establish this policy in their written EIV policies and procedures. Any policy adopted by a PHA/MFH Owner must be applied consistently for all households.

#### J.4 **Determination of Income Using Other Means Tested Public Assistance (i.e., "Safe Harbor")**

**Regulation:** 24 CFR §§ 5.609(c)(3) and 891.105; 891.410(b)-(c) and (g); and 891.610(b)-(c) and (g)

**Summary:** PHAs/MFH Owners may determine a family's annual income, including income from assets, prior to the application of any deductions based on income determinations made within the previous 12-month period, using income determinations from the following types of means-tested federal public assistance programs:

- The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.).
- Medicaid (42 U.S.C. 1396 et seq.).
- The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.).
- The Earned Income Tax Credit (26 U.S.C. 32).
- The Low Income Housing Tax Credit (26 U.S.C. 42).
- The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786).
- Supplemental Security Income (42 U.S.C. 1381 et seq.).
- Other programs administered by the Secretary.
- Other means-tested forms of federal public assistance for which HUD has established a memorandum of understanding.
- Other federal benefit determinations made by other means-tested federal programs that the Secretary determines to have comparable reliability and announces through a *Federal Register* notice.

If a PHA/MFH Owner elects to use the annual income determination from one of the above-listed forms of means-tested federal public assistance, then they must obtain the income information by means of a third-party verification. The third-party verification must state the family size, must be for the entire family (i.e., the family members listed in the documentation must match the family's composition in the assisted unit, except for household members), and must state the amount of the family's annual income. The annual income need not be broken down by family member or income type. Annual income includes income earned from assets, therefore when using Safe Harbor to verify a family's income, PHAs/MFH Owners will neither further inquire about a family's net family assets, nor about the income earned from those assets, except with respect to whether or not the family owns assets that exceed the asset limitation in 24 CFR § 5.618.

The Safe Harbor verification may be in the form of an award letter from the relevant federal program and must show that the family's income determination was made in the previous 12 months. **HUD clarifies in this notice that the verification will be considered acceptable if the documentation meets the criteria that the income determination was made within the 12 months prior to the receipt of the verification by the PHA/MFH Owner. This satisfies all verification date requirements for Safe Harbor income determinations.**

The Safe Harbor documentation will be considered acceptable if any of the following dates fall into the 12-month period prior to the receipt of the documentation by the PHA/MFH Owner:

- Income determination effective date;
- Program administrator's signature date;
- Family's signature date;
- Report effective date; or
- Other report-specific dates that verify the income determination date.

The only information that PHA/MFH Owners are permitted to use to determine income under this Safe Harbor is the total income determination made by the federal means-test program administrator. Other federal programs may provide additional information about income inclusions and exclusions in their award letters; however, these determinations and any other information **must not** be considered by the PHA/MFH Owner for purposes of the HOTMA Safe Harbor provision. PHAs/MFH Owners are not permitted to mix and match Safe Harbor income determinations and other income verifications.

The amounts of unreimbursed reasonable attendant care expenses and child-care expenses deducted from a family's annual income, except for when a family is approved for a child-care expense hardship exemption, must still be capped by the amount earned by any family member who is enabled to work as a result of the expense. PHAs/MFH Owners are therefore required to obtain third-party verification of the applicable employment income and cap the respective expense deductions accordingly.

It is anticipated that in many cases tenants will provide the PHA/MFH Owner with the Safe Harbor third-party verification for the purpose of reexamination, rather than the PHA/MFH Owner mailing a verification form to the third party to complete. If the

PHA/MFH Owner does not accept Safe Harbor documentation, is unable to obtain Safe Harbor documentation, or if the family disputes the other program's income determination, the PHA/MFH Owner must calculate the family's annual income using the methods established in § 5.609(c)(1) and (2).

If the PHA/MFH Owner uses a Safe Harbor determination to determine the family's income for an income examination (New Admission/Move Ins, Initial Certification for MFH programs only, Interim Reexamination, or Annual Reexamination), then the family is obligated to report changes in income that meet the reporting requirement and occur after the effective date of the PHA/MFH Owner's transaction. This might mean that a certain source of income was not considered in the family's income, because the other program does not consider the source to be income. For example, if the family begins receiving a new source of income on 2/1/2024 and the PHA/MFH Owner completed an annual reexamination effective 3/1/2024 using a Safe Harbor income determination, then the family does not need to report that change in income. If the family has a change in adjusted income in accordance with HUD's rules that occurs after 3/1/2024, when the Annual Reexamination was effective, then the family must report the change to the PHA/MFH Owner.

**Example J1: Acceptable Verification of Safe Harbor**

Background: A PHA/MFH Owner decides to implement the Safe Harbor provision, and their policy states that they will accept income determinations from the Supplemental Nutrition Assistance Program (SNAP). At the Smith family's annual reexamination interview, the Smiths provide the reexamination specialist an original print-out from the agency that administers SNAP benefits. The printout reflects the Smith's correct family size of 4, and current household composition, and it states the total amount of the family's earned income. The annual income is \$19,500 (\$812.50 x 24 semi-monthly pay periods). The print-out was dated 30 days prior to the PHA/MFH Owner's request, and the income was determined six months ago.

SNAP Budget Calculation (from State Department of Social Services)

Report Date: 05/17/2024

Head of Household: Smith, Hunter

Home Address: 123 Main Street, USA

Household members:

<u>Last Name</u>	<u>First Name</u>	<u>Date of Birth</u>	<u>Relationship</u>
Smith	Hunter	01/01/1974	Head of Household
Smith	Annabelle	06/18/1976	Spouse
Smith	Lola	05/17/2019	Daughter
Smith	Eric	05/17/2019	Son



### Budget Calculation

Monthly Earned Income: \$1,625

Total Unearned Income: \$0

Standard Deduction: \$112.50

Monthly child care/dependent care: \$50

Allowable medical deductions: \$0

**Result:** The PHA/MFH Owner may use this printout to determine the Smith's annual income for their annual reexamination. The PHA/MFH Owner lists \$19,500 as the annual income for the family's reexamination (\$1,625 monthly earned income + \$0 unearned income x 12 months). The PHA/MFH Owner **does not** need to take any additional steps to verify or calculate gross annual income, including comparing the income determination to EIV data. The PHA would then verify and apply applicable deductions to calculate the family's annual adjusted income.

**PHA/MFH Owner Discretion:** PHAs/MFH Owners are not required to accept or use determinations of income from other federal means-tested forms of assistance.

PHAs/MFH Owners must establish in policy whether and when they will accept Safe Harbor income determinations (e.g., at reexamination only or at admission and reexamination), including which programs from which they will accept income determinations. PHAs/MFH Owners must also create policies that outline the course of action when families present multiple verifications from the same or different acceptable Safe Harbor programs (e.g., to accept the most recent income determination). These policies must be included in the PHA's/MFH Owner's ACOP, Administrative Plan, or Tenant Selection Plan, as applicable.

## **J.5 Verification Hierarchy**

**Regulation:** 24 CFR §§ 5.240(c); 5.659(d); 891.105; 891.410(b)-(c) and (g); 891.610(b)-(c) and (g); 960.259(c); 982.201(e); and 982.516(a)(2)

**Summary:** PHAs/MFH Owners are responsible for obtaining third-party verification of reported family annual income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income. Third-party verification is a process by which PHAs/MFH Owners gather information (e.g., about the family's annual income, value of assets, etc.) independently from the source of the income, assets, expenses, or other factors that affect the determination of adjusted income. Third-party verification may be obtained directly from the third party or through the family. PHAs/MFH Owners must document in the tenant file the reason why third-party verification was not available unless HUD's regulations specifically permit families to self-certify a particular component of adjusted income.

HUD developed a hierarchy (see table J2, below) that describes verification documentation from most acceptable to least acceptable. The PHA/MFH Owner must demonstrate efforts to obtain third party verification prior to accepting self-certification except instances when self-certification is explicitly allowed (e.g., net family assets that do not exceed \$50,000).

A description of each verification technique and additional guidance follows Table J2.

**Table J2: Verification Hierarchy**

<b>Level</b>	<b>Verification Technique</b>	<b>Ranking/Order of Acceptability</b>
6	Upfront Income Verification (UIV), using HUD's Enterprise Income Verification (EIV) system	<p>Highest</p> <p>PHAs/MFH Owners must pull the EIV Income Report for each family at every Annual Reexamination, unless using Safe Harbor documentation to verify the family's income</p> <p>EIV may be used as the sole verification of Social Security income.</p> <p>EIV income information may be used to calculate other types of annual income when family agrees. See Level 4 for more information.</p>
5	Upfront Income Verification (UIV) using non-EIV system (e.g., The Work Number, web-based state benefits systems, etc.)	Highest
4	<p>Written, third-party verification from the source, also known as "tenant-provided verification"</p> <p>OR</p> <p>EIV + Self-Certification</p> <p>PHAs/MFH Owners can choose either option when both are available to verify income. PHAs/MFH Owners must use written, third-party verification when the income type is not available in EIV (e.g., self-employment, Go Fund Me accounts, general public assistance, Veterans Administration benefits, etc.)</p>	<p>High</p> <ul style="list-style-type: none"> <li>• Written, third-party verification is used when tenant disputes EIV-reported employment and income information.</li> <li>• The EIV Income Report may be used to verify and calculate income if the family self-certifies that the amount is accurate and representative of current income. The family must be provided with the information from EIV.</li> </ul>
3	Written, Third-Party Verification Form	<p>Medium</p> <ul style="list-style-type: none"> <li>• Use if Level 5 or Level 4 verification is not available or is rejected by the PHA/MFH Owner and when the applicant or tenant is unable to provide acceptable documentation.</li> <li>• May substitute Level 2 for written, third-party verification form, only completing one of the two forms of verification before moving to self-certification.</li> </ul>
2	Oral Third-Party Verification	Medium
1	Self-Certification (not third-party verification)	<p>Low</p> <ul style="list-style-type: none"> <li>• Use as a last resort when unable to obtain any type of third-party verification or if specifically permitted, such as to determine actual income from assets</li> </ul>

		<p>when the family certifies that net family assets do not exceed \$50,000.</p> <ul style="list-style-type: none"> <li>• May be used as highest form of verification when the family reports zero income.</li> </ul>
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### J.5.a Third-Party Verification Descriptions and Guidance

- **Upfront Income Verification (UIV) (Level 6/5):** The verification of income before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a number of individuals. It should be noted that the EIV system is available to all PHAs/MFH Owners as a UIV technique and that all PHAs/MFH Owners are required to use EIV in its entirety (see paragraph J.3 on Mandated and Discretionary Use of EIV). PHAs/MFH Owners are encouraged to continue using other non-HUD UIV tools, such as The Work Number (an automated verification system) and state government databases, to verify tenant-reported income.
- **Written, Third-Party Verification (Level 4):** An original or authentic document generated by a third-party source dated within 120 days of the date received by the PHA/MFH Owner. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

Such documentation may be in the possession of the tenant (or applicant) and is commonly referred to as tenant-provided documents. PHAs/MFH Owners may obtain any tenant-provided documents and follow up directly with the third-party source to obtain necessary verification of information, when necessary.

Examples of acceptable tenant-provided documentation (generated by a third-party source) include but are not limited to the following: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

PHAs/MFH Owners are required to obtain a minimum of two current and consecutive pay stubs for determining projected annual income from wages when they are relying on pay stubs for Level 4 documentation. MFH Owners were previously required to collect the most recent four to six weeks of pay stubs to verify employment income. For new income sources or when two pay stubs are not available, the PHA/MFH Owner should determine income based on the information from a traditional written, third-party verification form or the best available information.

Income tax returns with corresponding official tax forms and schedules attached and including third-party receipt of transmission for income tax return filed (i.e., tax preparer's transmittal receipt, summary of transmittal from online source, etc.) are an acceptable form of written, third-party verification.

When verification of assets is required, PHAs/MFH Owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts. MFH Owners were previously required to average the balance of six checking account statements to determine the cash value of a checking account.

EIV may be used as Level 4 verification and may be used to calculate income as long as the family agrees with the information in EIV; this practice is known as “EIV + Self-Certification.” The PHA/MFH Owner may use their discretion to determine which method of calculation is reasonable: the last 4 quarters combined or an average of any number of quarters. The EIV Income report must be pulled within 120 days prior to the reexamination effective date.

- **Written, Third-Party Verification Form (Level 3):** This practice is also known as “traditional third-party verification.” This type of verification is a form developed by the PHA/MFH Owner and used uniformly for all families when needed to collect information from a third-party source. The form is completed by the third party by hand (in writing or typeset). PHAs/MFH Owners send the form directly to the third-party source by mail, fax, or email.

The PHA/MFH Owner may skip this level of verification before attempting Level 2, which means they will have only completed Level 3 or Level 2 verification before moving to Self-Certification.

- **Oral Third-Party Verification (Level 2):** Independent verification of information by contacting the individual income/expense source(s), as identified through the UIV technique, or identified by the family, via telephone or in-person visit. PHA/MFH Owner staff must document in the tenant file the date and time of the telephone call (or visit to the third party) and the name of the person contacted and their telephone number, along with the confirmed information.

This verification method is commonly used when the independent source does not respond to the PHA/MFH Owner’s faxed, mailed, or e-mailed request for information in a reasonable time frame (e.g., 10 business days).

The PHA/MFH Owner may skip this level of verification if they attempted Level 3, which means they will have only completed Level 3 or Level 2 verification before moving to Self-Certification.

- **Non-Third-Party Verification Technique: Self-Certification (Level 1):** The tenant submits a signed statement of reported income and/or expenses to the PHA/MFH Owner. This verification method should be used as a last resort when the PHA/MFH Owner has not been successful in obtaining information via all other required verification techniques. When the PHA/MFH Owner relies on self-certification to verify income or expenses, the PHA/MFH Owner must document in the tenant file why third-party verification was not available.

HUD does not require that a self-certification be notarized; however, HUD recommends including language on any self-certification to ensure the certifier understands the consequences of knowingly providing false information.

Sample language to use in a self-certification: “I/We, the undersigned, certify under penalty of perjury that the information provided here is true and correct, to the best of my knowledge and recollection. WARNING: Anyone who knowingly submits a false claim or knowingly makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. 287, 1001, 1010, 1012; 31 U.S.C. 3279, 3802)”

## **J.6 Verification of Social Security Number (SSN)**

**Regulation:** 24 CFR § 5.216(g)(1) 891.105; 891.410(b)-(c) and (g); 891.610(b)-(c) and (g)

**Summary:** It has become increasingly difficult for applicants to meet HUD’s SSN disclosure requirements, particularly for those individuals experiencing homelessness. To help protect individuals’ privacy, many federal, state, and local agencies no longer print an individual’s SSN on official documentation. Individuals may be required to visit their local Social Security office and provide original identity documentation in order to obtain a replacement Social Security card.

HUD is adjusting what the Department considers acceptable documentation of SSN under 24 CFR § 5.216(g)(1) to make it easier for applicants to access programs even if they do not have access to their Social Security card or other documentation acceptable to HUD. PHAs/MFH Owners must still attempt to gather third-party verification of SSN prior to admission; however, they will also have the option of accepting a self-certification and a third-party document with the applicant’s name printed on it to satisfy the SSN disclosure requirement if the PHA/MFH has exhausted all other attempts to obtain the required documentation. HUD has provided similar flexibility to PHAs through the CARES Act waivers and for Emergency Housing Vouchers.

HUD prescribes, through this notice and in accordance with 24 CFR 5.216(g)(1)(iii), that the following evidence of SSN is acceptable only after the PHA/MFH Owner has attempted to first obtain a valid SSN card issued by the SSA or an original document issued by a federal or state government agency that contains the name of the individual and the SSN of the individual, along with other identifying information of the individual:

**Self-certification of SSN *and* at least one third-party document, such as a bank statement, utility or cell phone bill, benefit letter, etc., that contains the name of the individual.**

If verifying an individual’s SSN using this method, the PHA/MFH Owner must document why the other SSN documentation was not available.

If the tenant’s SSN becomes verified in EIV, then no further verification is required. If the tenant’s SSN fails the SSA identity match, then the PHA/MFH Owner must obtain a valid SSN card issued by the SSA or an original document issued by a federal or state government agency that contains the name of the individual and the SSN of the

individual, along with other identifying information of the individual. The tenant's assistance must be terminated if they fail to provide the required documentation.

## **J.7 Verification of Excluded Income**

To reduce administrative burdens on PHAs/MFH Owners, HUD is providing guidance and clarification on the requirements for verifying excluded income.

For income sources where the entire amount qualifies to be excluded from the annual income determination in accordance with 24 CFR § 5.609(b) and any *Federal Register* notice on mandatory exclusions issued by HUD, the PHA/MFH Owner **is not** required to:

- Verify the income using third-party verification;
- Document in the tenant file as to why the third-party verification was not available as required by 24 CFR §§ 5.659(d), 960.259(c)(i), and 24 CFR 982.516(a)(2); 891.105; 891.410(b)-(c) and (g); 891.610(b)-(c) and (g); or
- Report the income on forms HUD-50058/HUD-50059.

PHAs/MFH Owners may accept an applicant or participant's self-certification as verification of excluded income. The PHA/MFH Owner's application and reexamination questionnaire documentation may serve as the self-certification of excluded income. PHAs/MFH Owners have the option of verifying the income using third-party verification, if necessary, to determine if a source of income qualifies for exclusion.

Examples of excluded income categories that are verifiable through applicant or participant self-certification include:

- Supplemental Nutrition Assistance Program (SNAP) benefits, formerly known as food stamps.
- Income of a live-in aide. For a complete list of income exclusions, see 24 CFR § 5.609(b).

An income source that is partially excluded, for example, earnings in excess of \$480 for full-time students 18 years of age or older (24 CFR § 5.609(b)(14)), must be third-party verified and reported on forms HUD-50058/HUD-50059.

## **J.8 Zero Income Procedures**

PHAs/MFH Owners may accept a self-certification of zero income from the family at admission and at reexamination without taking any additional steps to verify zero reported income. HUD does not require that such self-certification be notarized. PHAs/MFH Owners are reminded that they must verify families' income in EIV within 120 days after admission, except where the PHA/MFH Owner used Safe Harbor documentation to verify a family's income.

PHAs/MFH Owners have discretion to establish reasonable procedures to manage the risk of unreported income, such as asking families to complete a zero income worksheet at admission or periodically after admission to determine if they have any sources of unreported income, or searching an upfront income verification source (see Level 5) for unreported income, such as a public benefits database to which the PHA/MFH Owner has

access. These procedures are meant to avoid improper payments and the need for repayment agreements.

In calculating annual income from a zero income worksheet, PHAs/MFH Owners must not assign monetary value to non-monetary in-kind donations from a food bank or similar organization received by the family (24 CFR § 5.609(b)(24)(vi)). PHAs/MFH Owners perform an interim reexamination only due to an increase in the family's adjusted income (24 CFR §§ 5.657(c)(3); 882.515(b)(3); 891.410(g)(2); 891.610(g)(2); 960.257(b)(3); and 982.516(c)(3)).

PHAs/MFH Owners that establish zero income procedures must update their local discretionary policies, procedures, and forms to comply with the final rule requirements. For example, families who begin receiving income which does not trigger an interim reexamination should no longer be considered zero income even though the family's income is not reflected on the form HUD-50058/HUD-50059.

## **APPENDIX: SAMPLE NET FAMILY ASSET SELF-CERTIFICATION FORM**

### **Self-Certification of Net Family Assets and Real Property**

This form will help determine your eligibility for the program under the asset limitation. Your housing provider may also use this form to help determine your income from assets if your total net family assets do not exceed \$50,000 (adjusted annually for inflation). Third-party verification is required when net family assets exceed \$50,000, and every three years.

**Real Property** (for example: land, house, condominium, commercial building, etc.).

1. Do you or any member of your assisted family have an ownership interest in any real property?

Yes

No

**If the answer to question #1 is No, skip to question #6.**

2. If yes, please check off if any of the following statements are true about the property:

\_\_\_\_\_ The property does not meet the disability-related needs for all members of the family (for example, physical accessibility requirements, accessible common areas, disability-related need for additional bedrooms, or closeness to accessible transportation/medical facilities/other supportive services, etc.);

\_\_\_\_\_ The property is not sufficient for the size of the family;

\_\_\_\_\_ The property is located in an area that is a hardship (for instance, far from a family member's place of work or school);

\_\_\_\_\_ The property is not safe to live in because of physical condition; or

\_\_\_\_\_ The property is not a property where a family can live based on the State or local laws where the property is located.

If you checked off any of the above statements, you will need to provide additional documentation to demonstrate that the statement is true.

3. If you did not check off any of the statements in question 2, do you or any member of your assisted family have the legal authority to sell the property?

Yes  No

4. There is an exemption from the limitation on assistance for families that have an ownership interest in real property for victims of domestic violence, dating violence, sexual assault, and stalking. If you or any member of the assisted family is a victim, you can claim this exemption from the real property limitation. Please check this box if you think you may be eligible for this exemption..

I believe I may be eligible for this exemption and I would like more information from the PHA's VAWA Coordinator or Executive Director, or the MFH property's Owner/Agent. (If you do not understand this exemption or how to exercise your rights, you can speak to these individuals for more information.)

5. What is the estimated cash value of the property (market value minus mortgage/other loans and costs to sell. Enter \$0 if market value of property is less than outstanding debt (i.e., mortgage is upside down/underwater)?

\$
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**Other Assets** (for example: accounts, luxury items that are not necessary)

6. How much income do you expect your family to earn from your total family assets in the next year? This includes interest, dividends, and other earnings, e.g., anything for which you receive Form 1099 tax documents. Actual income (interest, dividends, etc.) from excluded assets is included as income.

\$
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7. Do you or any member of your assisted family have other assets (including checking accounts, savings accounts, certificates of deposits (CDs), stocks, bonds, luxury items, recreational vehicles, etc.) that total more than \$50,000 (adjusted annually for inflation)?

Yes  No

Assets to consider	Assets always excluded
<ul style="list-style-type: none"> <li>• Checking and savings accounts</li> <li>• Stocks, bonds, mutual funds</li> </ul>	<ul style="list-style-type: none"> <li>• Retirement accounts (e.g., IRAs, 401k, 403b)</li> <li>• Educational savings accounts (Section 529, Section 530, Coverdell ESA, etc.)</li> </ul>



<ul style="list-style-type: none"> <li>• Luxury items or items that are not necessary, e.g., recreational boat, vehicles not used for regular transportation</li> <li>• Assets disposed of for less than fair market value; for example, if you gave away a house to someone out outside of the assisted family within the past two years, the value of the house would be considered an asset (except as determined by certain divorce or separation settlements)</li> </ul>	<ul style="list-style-type: none"> <li>• ABLE accounts</li> <li>• Non-revocable trusts</li> <li>• Necessary items of personal property (items essential for the maintenance, use, and occupancy of a home or necessary for employment, education, cultural expression, or health and wellness)</li> <li>• Federal tax refunds (must be subtracted from total net family assets)</li> </ul>
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I/We, the undersigned, certify that the information provided here is true and correct to the best of my knowledge and recollection. Anyone who knowingly submits a false claim or knowingly makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties. (18 U.S.C. 287, 1001, 1010, 1012; 31 U.S.C. 3279, 3802)

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Head of Household Signature

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Date

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