

# PROPERTY COMPLIANCE REPORT

A MONTHLY PUBLICATION ON LOW-INCOME HOUSING TAX CREDIT COMPLIANCE

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## Are You a Documentaholic? Steps You Should Follow to Become a Compliance Machine

By Michael Kotin, Kay-Kay Realty Corp.

Are your tenant files corpulent? Do they stretch the limits of even the sturdiest binding clip? Do you break fingernails jamming them into the file drawer? If so, you may be a documentaholic.

Relax. Don't panic. Some of the nicest property managers are sufferers. In fact, you might never know it. The property may look neat and orderly on the surface, but open one file and the truth comes out. Fortunately, there is a new 12-step program to help you become that lean, mean, compliance machine that you've always dreamt of being. You don't need to pay big bucks or buy the book. Just read on.

**Admit it!** Yes, just stand up and say it: "I am a documentaholic and I will have to throw things out." Now repeat after me: "Fat files are bad files."

**The stupid envelope:** Are you still saving the envelope that the Verification of Employment (VOE) arrived in? Get with it! Less than 10 percent of verifications are actually sent by snail mail. True, it's sitting there in the U.S. Department of Housing and Urban Development (HUD) Handbook 4350.3, but even HUD verifies by telefax these days. It's an anachronism that went out with the Eisenhower administration. And it doesn't prove anything. If you're truly concerned as to the legitimacy of a VOE, call the person who signed it. It's unclear how saving the envelope substantiates the validity of the document in the slightest.

**Fax cover sheets:** Unless there is something germane on it, pitch it. Once you've received the requested verification back, you don't need to prove that you sent out the request in the first place.

**Original VOE:** While you're at it, pitch the incomplete (albeit original) verification which you sent by telefax in the first place. You have no need for it. The information you need is contained on the bottom half of the VOE and is supplied by the employer. You don't need the tenant's signature; it's there solely to appease the employer and get them to release the information to you. If they accept a telefax of the signature, you're set. Keep it around while you are waiting for a response in case you need to send out a second request. But once the reply comes in, file 13.

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# Documentaholic

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**Student verifications:** Where did the urban myth come from that says that all student statuses need to be verified? Except for the once in a lifetime need to use the \$480 income limitation, it is never necessary to verify full-time student status. If Jack and Jill are married full-time students, you may accept their statement of full-time student status at face value. What you need in the file is a copy of the joint tax return proving up the exception. Similarly, if Mutt and Jeff are both students and Jeff is a part-time student, verify Jeff only. Whether or not Mutt is full-time or part-time is immaterial. What matters in this case is that you have documented that at least one of the household members is not a full-time student.

**Pay stubs:** True. Sometimes we need to have copies of pay stubs in the file. Pay stubs are valuable when a VOE is ambiguous or contains a range, which needs to be clarified. Stubs may also be valuable when a VOE is signed by a relative or when a VOE just doesn't smell right. But most of the time, they're wholly unnecessary. In fact, they're downright bad! Since a completed third-party VOE is acceptable to a state agency, pay stubs can't make a file "more better" as they say. In fact, all they can do is bring the accuracy of the VOE itself into question. A man with one watch knows exactly what time it is; a man with two can never be quite sure.

In keeping with the theme of this article, you need not make copies of this article for everyone in the office or save an extra copy in case you lose your original. The remaining six steps will appear in a future article.

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