Consistency Among State Housing Credit Allocating Agencies: Recommended Practices in Compliance Monitoring, Capital Needs Assessments, Operating Cost Databases, and Accountant Opinion Letters

Background

Congress has delegated responsibility for administering the Housing Credit to the states, recognizing that each state is better able than the federal government to address the low income housing needs unique to its citizens. Within the statutory and regulatory parameters set forth by the Congress and the Internal Revenue Service, the states have developed a variety of practices for allocating Housing Credits and monitoring the resulting developments for compliance.

Since 1992, the states, through NCSHA, have developed numerous "Recommended Practices" to strengthen state administration of the Credit. The Congress and the U.S. General Accounting Office have cited these Recommended Practices and their implementation by most states as proactive measures that enhance state administration of the program.

Consistency in some procedures and reporting among the states strengthens the Housing Credit program by streamlining and simplifying agency reviews and creating efficiency and clarity for developers and other Housing Credit industry professionals. In other areas, uniformity among the states is impractical or inconsistent with states' need for flexibility to respond to their unique priorities.

In October 1998, NCSHA's Board of Directors adopted the report of its Housing Credit Task Force, which recommended practices in Housing Credit allocation and underwriting. That report also recommended that NCSHA: (i) consider existing state allocation and compliance practices to determine where standardization would best streamline Credit administration; (ii) define components of a capital needs assessment; (iii) suggest components of an operating cost database; and (iv) develop further recommended practices in Housing Credit compliance.

NCSHA President Bob Kucab instructed the NCSHA staff, through consultation with HFA Housing Credit staff and industry experts, to produce recommended practices on these subjects for the Board's consideration. The process for achieving those recommended practices and the practices themselves are the subject of this report.

Part One: Recommended Practices in Housing Credit Compliance Monitoring

Congress in 1992 required states to monitor Housing Credit properties for program compliance, subject to IRS guidelines issued later that year. Since then, states have developed sophisticated and efficient monitoring systems that go well beyond the minimum requirements imposed by the Service's regulations. Tailored to respond to specific state needs, compliance practices vary considerably from state to state.

The process for developing recommended compliance practices was designed to include all state allocating agencies from the outset and to seek the views and comments of agency executive directors, Housing Credit staff, and private sector experts at multiple stages of the product's development. We began by developing an outline of issues for a roundtable discussion with state Housing Credit compliance staff at NCSHA's 1999 Housing Credit conference. That discussion and subsequent ones with state compliance staff and industry experts identified those issues recommended practices should address.

NCSHA then convened a series of conference calls with HFA compliance staff to discuss standardized compliance reports, forms, and certifications. During these calls, the group developed six standardized documents, including a tenant income certification, owner's certification of continuing program compliance, employment verification form, certification of zero income, under $5,000 asset certification, and student verification.

All states discussed potential recommended practices and reviewed the six standardized documents at NCSHA's January 2000 Housing Credit workshop in Washington. Several Housing Credit industry compliance experts also participated in these discussions.

With significant input from agency compliance staff, NCSHA drafted the recommended practices in this report and circulated them to every state Housing Credit agency for comment. Revised recommendations incorporating staff comments were then sent to HFA executive directors and private sector experts for comment.

We received comments from several national compliance trainers, the National Association of Home Builders' Housing Credit Group, the Affordable Housing Investors Council, and others. All of the industry representatives praised the initiative and provided constructive comments on the recommendations. Some industry comments were conflicting, and some suggested that additional discussions with the industry, particularly on the standardized documents, were necessary to produce optimal recommendations.

Those discussions were held at NCSHA's 2000 Housing Credit conference in San Diego, where Housing Credit staff and industry representatives discussed another draft of the report. A subsequent draft, incorporating state and industry comments from San Diego, was circulated to all state executive directors, their Credit staff, and industry representatives for comment in July. The results are reflected in this final report. These recommended practices represent the minimum standards that all states should meet in monitoring Housing Credit properties for compliance, regardless of other differences among them.

Compliance Manuals

Recommendation: Agencies should make available a Housing Credit compliance manual, with all necessary regulations and forms, as a comprehensive resource for owners and managers. Agency monitoring staff should use such manuals to ensure consistency in monitoring developments within the state. Staff should review and update compliance manuals periodically.

Discussion: Agencies recognize that compliance requirements are extensive and complex. Manuals informing Housing Credit property owners and managers of what they must do to keep properties in compliance have proven to be invaluable tools in many states. These manuals differ in scope but frequently describe owner and management responsibilities, IRS regulations and forms, and state documents relating to compliance.

Owner/Manager Training

Recommendation: Agencies should strongly encourage owners and on-site managers of Housing Credit developments to attend or document that they have recently attended training on management and compliance prior to property lease-up, but no later than receipt of IRS Form 8609, which certifies an allocation of Credits. Agencies should also strongly encourage such training following significant or repeated noncompliance events. At a minimum, such training should cover key compliance terms, qualified basis rules, determination of rents, tenant eligibility, file documentation, next available unit procedures and unit vacancy rules, agency reporting requirements, record retention requirements, and site visits.

Discussion: Successful operation of a Housing Credit development is management intensive. Thorough understanding of Housing Credit development requirements and compliance monitoring procedures requires training of development owners and managers. This training should be provided to the property's on-site management staff before the property is occupied.

Coordination of Monitoring Activities

Recommendation: To the extent practical, agencies should coordinate compliance reviews for Housing Credit developments financed with multiple subsidies.

Discussion: Developments with multiple subsidies (i.e., Housing Credit and HOME) are subject to reviews for different program compliance requirements. Furthermore, the division within the agency responsible for monitoring one program may not be the same division, or even the same agency, responsible for another program. This situation is inefficient, as each responsible party collects duplicative information. It is also a burden on property managers and the low income tenants who must accommodate multiple property reviews.

Transmittal of Development Information

Recommendation: Agencies should develop procedures for transmitting critical development information from allocation to monitoring staff. At a minimum, this information should include the completed IRS Form 8609 for the development, once obtained from the owner, and any extended low income housing commitments that document tenant income or other property restrictions.

Discussion: Different agencies or divisions within an agency often carry out Housing Credit allocation and monitoring. Coordination and communication between them is critical to compliance staff having the development information necessary to effectively monitor. Development information included on IRS Form 8609, such as the owner's certification of the original qualified basis of the building at the close of the first year of the Credit period and the election to begin the Credit period of a building the first year after it is placed in service, is essential information for property monitoring. Extended low income housing commitments, documenting income set-asides and other property restrictions, are also critical. Monitoring staff also needs the qualified allocation plan in effect at the time of the allocation and any additional loan agreements, especially if the Credits were allocated by a different agency.

Distributing Income and Rent Limits

Recommendation: Agencies should make updated Housing Credit income and rent limits available to development sponsors and managers annually.

Discussion: HUD issues revised income limits each year that must be used to qualify tenants and determine new rent limits in Housing Credit developments. Some development sponsors and managers apparently are unaware that the income and rent limits change each year and rely on incorrect limits for income qualification.

Monitoring Fees

Recommendation: Agencies should develop a reasonable monitoring fee structure taking into account the cost of monitoring to the agency and the impact on developments. Given that fees may change over time, agencies should notify the development community of any such changes in the qualified allocation plan or through other state notice.

Discussion: Monitoring Housing Credit developments for the mandated compliance period is costly, and new requirements imposed by the IRS in its recent compliance regulations may make it more costly. It is reasonable for agencies to pass this cost on to development owners in the form of compliance monitoring fees. The IRS clarified in its monitoring regulations that federal law does not prohibit an agency from charging fees to cover the agency's monitoring expenses.

Monitoring Section 515 Developments

Recommendation: Agencies should execute a compliance Memorandum of Understanding (MOU) with their Rural Housing Service (RHS) field office.

Discussion: IRS compliance regulations allow agencies to exempt owners of Section 515 developments from the submission of tenant income certifications, supporting documentation, and rent records if the agency enters into an agreement with RHS to provide this information. RHS developed a model MOU for this purpose in 1993, which has been implemented by most states. IRS compliance regulations also permit exemption of Section 515 properties from habitability inspections beginning in 2001, provided that RHS inspects the property and transmits inspection results to the state agency pursuant to an executed MOU.

Tenant File Review Procedures

Recommendation: When conducting tenant file reviews of Housing Credit properties, agencies should review the current rent record and, at minimum, verify the following from the tenant files for at least 20 percent of the development's low income apartments:

- Rental application completed, including certification of assets and disposal of assets, if applicable;
- Tenant income certification completed for move-in and current year, including all required signatures and dates;
- Income verification(s) completed and documented;
- Assets documented, and verified if total assets are more than $5,000 in value;
- Student eligibility documented;
- Lease and lease addendum completed at move-in; and
- Current year utility allowance on file.

Discussion: IRS Housing Credit compliance regulations require state agencies to review tenant files of Credit properties on a regular basis but do not specify what must be evaluated in these file reviews. State agencies, based on their significant experience in conducting tenant file reviews, find the above essential elements of a thorough file review.

Calculating Anticipated Tenant Income

Recommendation: Agencies should instruct property managers qualifying tenants for Housing Credit apartments to calculate household income using the gross income the household anticipates it will receive in the 12-month period following the effective date of the income certification or recertification. For purposes of this recommendation, anticipated income should be documented in the tenant file by third party verification whenever possible or by an acceptable alternate method of verification with documentation as to why third party verification was not possible. States and property managers should use current circumstances to project income, unless verification forms or other verifiable documentation indicate that an imminent change will occur. Agencies should refer managers to HUD Handbook 4350.3 for guidance on the proper calculation of income and assets.

Discussion: For purposes of calculating annual household income, IRS regulations refer to HUD Handbook 4350.3. This handbook defines annual income as the gross income the household anticipates it will receive from all sources, including all net income derived from assets, during the 12-month period following the effective date of the income certification or recertification. Third party verification of annual income and the value of assets is the preferred method of verification for HUD programs. Alternate methods, such as pay stubs or income tax returns, are allowed in the event third party verification cannot be obtained and the file is documented accordingly.

Student Households

Recommendation: For purposes of qualifying student households to live in Housing Credit developments, agencies should in general:

- consider a single person household ineligible if he or she is a full-time student at the time of initial occupancy or will be at any time during the certification period (unless the individual meets one of the student exceptions described below);
- consider a household of students eligible if it includes at least one part-time student or meets one of the student exceptions described below;
- consider a household containing full-time students and at least one child (who is not a full-time student) an eligible household;
- not consider children enrolled in kindergarten through 12th grade to be full-time students; and
- consider TANF an acceptable Title IV program exception.

In addition, agencies should encourage Housing Credit property managers to utilize a lease provision in all Housing Credit properties requiring tenants to notify management of any change in student status.

Discussion: A household comprised entirely of full-time students may not be counted as a qualified household under the Housing Credit program, unless the household meets one of the following four exceptions:

- all household members are full-time students, and such students are married and file a joint tax return;
- the household consists of single parents and their children, and such parents and children are not dependents of another individual;
- at least one member of the household receives assistance under Title IV of the Social Security Act (i.e., AFDC assistance); or
- at least one member of the household is enrolled in a job training program receiving assistance under the Job Training Partnership Act or similar federal, state, or local laws.

IRS has not issued adequate guidance to states regarding qualification of student households, and as a result, state policies vary considerably. In a draft of its forthcoming guide on Correction of Noncompliance, IRS has attempted to address this situation with guidance consistent with this recommended practice. NCSHA and the states will continue to request clarification from the Service on student issues. Until IRS issues such guidance, the above recommendations will help to provide consistency on student eligibility among states.

Unborn Children

Recommendation: Agencies should count unborn children in determining household size and applicable income limits. If permitted by state law, agencies should require documentation of pregnancy in such circumstances.

Discussion: In qualifying households for Housing Credit apartments, property managers must know the size of the household to calculate the applicable income limit. State policies currently differ regarding the inclusion of unborn children in household size. To provide consistency with the HUD handbook requirement to estimate household income for a future 12-month period, household size should be measured over the same 12-month period and include any unborn children. Some property managers require documentation of pregnancy, such as a doctor's statement, in such circumstances.

Interim Recertifications

Recommendation: Agencies should require tenant income recertifications on an annual basis.

Discussion: IRS rules require Housing Credit property owners to recertify tenant income eligibility at least annually. Some property managers require interim recertifications for circumstances such as addition of a new household member or transfer of a household within the same building. IRS does not require interim recertifications. Agencies requiring them only on an annual basis will simplify the recertification process and reduce the paperwork burden on managers.

Encouraging Fair Housing Compliance

Recommendation: In addition to the IRS annual owner certification requirement for development owners to certify to the state agency any finding of discrimination under the Fair Housing Act, agencies should refer any fair housing complainants to the appropriate state fair housing enforcement agency.

Discussion: Beginning in January 2001, Housing Credit property owners are required to certify annually to the state monitoring agency any finding of discrimination under the Fair Housing Act. Because most state Credit agencies are not the designated fair housing agency for their state, they should develop a procedure for referring any fair housing complainants to the appropriate agency within the state and report any discrimination findings to the IRS as required by IRS Form 8823

Monitoring Property Restrictions

Recommendation: Agencies should require that extended low income housing commitments identify all requirements imposed on the development which are material to the award of Credit, including, for example, income restrictions, rent skewing, affordability period, reserve levels, amenities and services, definition of housing type, and requisite tenant qualifications. Compliance staff should monitor to ensure these commitments are met and report any noncompliance to the Service on IRS Form 8823.

Discussion: In making Credit allocation determinations, agencies frequently award additional points to developments that elect restrictions beyond those required by federal law, such as deeper income targeting, longer affordability periods, or special needs tenancies. Agencies can monitor and enforce these restrictions by incorporating them into extended low income housing commitments.

Standardized Forms and Reporting

Recommendation: Agencies should adopt the six attached standardized documents for use in Housing Credit monitoring.

Discussion: All states require Housing Credit development owners to use certain forms for compliance reporting. These forms differ from state to state. Standardization of some compliance forms among the states would create efficiency for developers and other Housing Credit industry professionals.

Part Two: Recommended Practices on Capital Needs Assessments, Operating Cost Databases, and Accountant Opinion Letters

NCSHA's 1998 Housing Credit Task Force report included recommendations on conducting capital needs assessments for rehabilitation projects and the creation and use of operating cost databases in Housing Credit project underwriting. It also suggested that states develop standard 10 Percent Test certification and final cost certification opinion letters.

As with the recommended practices in compliance monitoring, NCSHA developed these recommended practices through consultation with and multiple reviews by all state allocating agency executive directors, their Housing Credit staff, and private sector experts.

To facilitate implementation of the first two recommendations, NCSHA contacted several national Housing Credit syndicators to discuss industry practices relating to capital needs assessments and operating expense analysis. Through these discussions, we developed parameters for conducting capital needs assessments in rehabilitation projects and defined the necessary components of an operating cost database for use in Housing Credit project underwriting.

At the same time, we consulted with several national accounting firms to develop standardized 10 Percent Test certification and final cost certification letters that incorporate the more stringent requirements imposed by IRS regulations effective in January 2001.

These draft documents were sent to all state agencies in advance of NCSHA's 2000 Housing Credit conference in San Diego and were discussed by states and industry representatives at the conference. Based on that discussion, the documents were revised and sent to executive directors and Housing Credit staff from all allocating agencies for comment.

At the same time, NCSHA solicited comments on the documents from a number of national groups including the Affordable Housing Tax Credit Coalition, National Association of Home Builders, Affordable Housing Investors Council, National Association of State and Local Equity Funds, and others. We were able to accommodate virtually all comments in the following revised recommendations:

Capital Needs Assessments

Recommendation: States should require that any award of Housing Credits for rehabilitation be preceded by and take into account a capital needs assessment by a competent third party, such as a licensed architect or engineer. The assessment should include a site visit and physical inspection of the interior and exterior of units and structures, as well as an interview with available on-site property management and maintenance personnel to inquire about past repairs/improvements, pending repairs, and existing or chronic physical deficiencies. The assessment should also consider the presence of hazardous materials on the site.

The assessment should include an opinion as to the proposed budget for recommended improvements and should identify critical building systems or components that have reached or exceeded their expected useful lives. The assessment should also include a projection of recurring probable expenditures for significant systems and components impacting use and tenancy, which are not considered operation or maintenance expenses, to determine the appropriate replacement reserve deposits on a per unit per year basis. The following components should be examined and analyzed for a capital needs assessment:

- site, including topography, drainage, pavement, curbing, sidewalks, parking, landscaping, amenities, water, sewer, storm drainage, gas and electric utilities and lines;
- structural systems, both substructure and superstructure, including exterior walls and balconies, exterior doors and windows, roofing system, and drainage;
- interiors, including unit and common area finishes (carpeting, vinyl tile, plaster walls, paint condition, etc.), unit kitchen finishes, cabinets and appliances, unit bathroom finishes and fixtures, and common area lobbies and corridors; and
- mechanical systems, including plumbing and domestic hot water, HVAC, electrical, lighting fixtures, fire protection, and elevators.

Issues identified by the capital needs assessment should be addressed during the rehabilitation process and considered in establishing replacement reserve accounts.

Discussion: Housing Credit properties must provide a minimum of 15 years, and often 30 years or more, of affordable housing use. In rehabilitating older properties, developers may encounter unforeseen issues which can delay, make more costly, or even halt rehabilitation. To avoid this, states should require that all allocations of Housing Credits for rehabilitation be preceded by a capital needs assessment by a competent party. A capital needs assessment represents a qualified professional's opinion of a property's current overall physical condition and identifies significant deferred maintenance, existing deficiencies, and material building code violations that affect the property's use and its structural and mechanical integrity.

Operating Cost Databases

Recommendation: States should require realistic operating expense and vacancy rate projections. In consultation with development sponsors, owners, property managers, syndicators, lenders, and investors, states should establish and maintain operating cost databases based on historic and current Housing Credit property experience and use them in their Housing Credit property underwriting. At minimum, the following operating expenses should be included in an agency's operating cost database:

- Management fees
- Administrative expenses
- Utilities
- Maintenance expenses
- Real estate taxes
- Property insurance, and
- Other operating expenses

Discussion: The Housing Credit statute requires agencies to assess the reasonableness of all development and operating costs in evaluating the financial feasibility of Credit properties. Inaccurate projection of operating expenses at underwriting, for example, by failing to consider historic experience in trending forward expenses compared to income, is a significant cause of financial underperformance of multifamily rental properties. Measuring projected operating costs against actual expenses of comparable properties is an effective way to judge the adequacy of operating budgets.

Standardized Accountant Opinion Letters

Recommendation: Agencies should adopt the attached standardized 10 Percent Test certification opinion letter and final cost certification letter.

Discussion: All states require Housing Credit development owners to certify project costs for purposes of meeting the 10 Percent Test for a carryover allocation and again once the project is complete on a final cost certification. The format of these letters differs from state to state. Standardization of such accountant letters among the states would create efficiency for developers and other Housing Credit industry professionals.

OWNER'S CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

To: *Insert State Agency name and address*

Certification Dates:	**From:** **January 1, 20_______**		**To:** **December 31, 20_______**	
Project Name:			**Project No:**	
Project Address:			**City:**	**Zip:**
Tax ID # of Ownership Entity:				

☐ No buildings have been Placed in Service
☐ At least one building has been placed in Service but owner elects to begin credit period in the following year.
If either of the above applies, please check the appropriate box, and proceed to page 2 to sign and date this form.

The undersigned____ on behalf of

____ (the "Owner"), hereby certifies that:

1. The project meets the minimum requirements of: (check one)

   ☐ 20 - 50 test under Section 42(g)(1)(A) of the Code
   ☐ 40 - 60 test under Section 42(g)(1)(B) of the Code
   ☐ 15 - 40 test for "deep rent-skewed" projects under Section 42(g)(4) and 142(d)(4)(B) of the Code

2. There has been **no change in the applicable fraction** (as defined in Section 42(c)(1)(B) of the Code) for any building in the project:
   ☐ NO CHANGE **☐ CHANGE**
   If **"Change",** list the applicable fraction to be reported to the IRS for <u>each building</u> in the project for the certification year on page 3:

3. The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy.
   ☐ YES **☐ NO**

4. Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code:
   ☐ YES **☐ NO**

5. All low-income units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii) of the Code):
   ☐ YES **☐ NO** **☐ HOMELESS**

6. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court:
   ☐ NO FINDING **☐ FINDING**

7. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project:
   ☐ YES **☐ NO**
   If **"No"**, state nature of violation on page 3 and attach a copy of the violation report as required by 26 CFR 1.42-5 and any documentation of correction.

8. There has been **no change in the eligible basis** (as defined in Section 42(d) of the Code) of any building in the project since last certification submission:

   ☐ **NO CHANGE** ☐ **CHANGE**

   If **"Change"**, state nature of change (e.g., a common area has become commercial space, a fee is now charged for a tenant facility formerly provided without charge, or the project owner has received federal subsidies with respect to the project which had not been disclosed to the allocating authority in writing) on page 3:

9. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings:

   ☐ **YES** ☐ **NO**

10. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income:

    ☐ **YES** ☐ **NO**

11. If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income:

    ☐ **YES** ☐ **NO**

12. An extended low-income housing commitment as described in section 42(h)(6) was in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989):

    ☐ **YES** ☐ **NO** ☐ **N/A**

13. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.

    ☐ **YES** ☐ **NO** ☐ **N/A**

14. There has been no change in the ownership or management of the project:

    ☐ **NO CHANGE** ☐ **CHANGE**

    If **"Change"**, complete page 3 detailing the changes in ownership or management of the project.

Note: Failure to complete this form in its entirety will result in noncompliance with program requirements. In addition, any individual other than an owner or general partner of the project is not permitted to sign this form, unless permitted by the state agency.

The project is otherwise in compliance with the Code, including any Treasury Regulations, the applicable State Allocation Plan, and all other applicable laws, rules and regulations. This Certification and any attachments are made UNDER PENALTY OF PERJURY.

____
(Ownership Entity)

By: __________________________________

Title: __________________________________

Date: __________________________________

PLEASE EXPLAIN ANY ITEMS THAT WERE ANSWERED "NO", "CHANGE" OR "FINDING" ON QUESTIONS 1-14.

Question #	Explanation

CHANGES IN OWNERSHIP OR MANAGEMENT
(to be completed **ONLY if "CHANGE"** marked for question 14 above)

TRANSFER OF OWNERSHIP

Date of Change:	
Taxpayer ID Number:	
Legal Owner Name:	
General Partnership:	
Status of Partnership (LLC, etc):	

CHANGE IN OWNER CONTACT

Date of Change:	
Owner Contact:	
Owner Contact Phone:	
Owner Contact Fax:	
Owner Contact Email:	

CHANGE IN MANAGEMENT CONTACT

Date of Change:	
Management Co. Name:	
Management Address:	
Management city, state, zip:	
Management Contact:	
Management Contact Phone:	
Management Contact Fax:	
Management Contact Email:	

TENANT INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other _________

Effective Date: ____________________
Move-in Date: ____________________
(MM/DD/YYYY)

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 (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	$	$	$	$

Add totals from (A) through (D), above TOTAL INCOME (E): $

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
		TOTALS:	$	$

Enter Column (H) Total If over $5000 $_____________ X Passbook Rate 2.00% = (J) Imputed Income $

Enter the greater of the total of column I, or J: imputed income **TOTAL INCOME FROM ASSETS (K)** $

(L) Total Annual Household Income from all Sources [Add (E) + (K)] $

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 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 V. DETERMINATION OF INCOME ELIGIBILITY

RECERTIFICATION ONLY:

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 $

Household Meets Income Restriction at:

☐ 60% ☐ 50%
☐ 40% ☐ 30%
☐ _____%

Current Income Limit x 140%: $ ________

Household Income exceeds 140% at recertification: ☐ Yes ☐ No

Current Income Limit per Family Size: $ ________

Household Income at Move-in: $ ________

Household Size at Move-in: ________

PART VI. RENT

Tenant Paid Rent $ ________

Utility Allowance $ ________

Rent Assistance: $____________

Other non-optional charges: $____________

GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges) $

Unit Meets Rent Restriction at:

☐ 60% ☐ 50% ☐ 40% ☐ 30% ☐ _____%

Maximum Rent Limit for this unit: $ ________

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS?

☐ yes ☐ no

If yes, Enter student explanation* (also attach documentation)

Enter 1-4

*Student Explanation:
1 TANF assistance
2 Job Training Program
3 Single parent/dependent child
4 Married/joint return

PART VIII. 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/recertification.

a. Tax Credit ☐	b. HOME ☐	c. Tax Exempt ☐	d. AHDP ☐	e. ________ ☐ *(Name of Program)*
See Part V above.	*Income Status*	*Income Status*	*Income Status*	*Income Status*
	☐ ≤ 50% AMGI	☐ 50% AMGI	☐ 50% AMGI	☐ ________
	☐ ≤ 60% AMGI	☐ 60% AMGI	☐ 80% AMGI	☐ ________
	☐ ≤ 80% AMGI	☐ 80% AMGI	☐ OI**	☐ OI**
	☐ OI**	☐ 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.

________________________________ ____________

SIGNATURE OF OWNER/REPRESENTATIVE 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., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
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.

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	O	-	Other family member
C	-	Child	F	-	Foster child(ren)/adult(s)
L	-	Live-in caretaker	N	-	None of the above

Enter the date of birth, student status, and social security number or alien registration number for each occupant.

If there are more than 7 occupants, use an additional sheet of paper to list the remaining household members and attach it to the certification.

Part III - Annual Income

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income, including acceptable forms of verification.

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve 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.

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).

Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

See HUD Handbook 4350.3 for complete instructions on verifying and calculating income from assets, including acceptable forms of verification.

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve 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 (F)	List the type of asset (i.e., checking account, savings account, etc.)
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, 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 (H)	Enter the cash value of the respective asset.
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).
TOTALS	Add the total of Column (H) and Column (I), respectively.

If the total in Column (H) is greater than $5,000, you must do an imputed calculation of asset income. Enter the Total Cash Value, multiply by 2% and enter the amount in (J), Imputed Income.

Row (K)	Enter the greater of the total in Column (I) or (J)
Row (L)	Total Annual Household Income From all Sources Add (E) and (K) and enter the total

HOUSEHOLD CERTIFICATION AND SIGNATURES

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 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

Total Annual Household Income from all Sources	Enter the number from item (L).
Current Income Limit per Family Size	Enter the Current Move-in Income Limit for the household size.
Household income at move-in Household size at move-in	For recertifications, only. Enter the household income from the move-in certification. On the adjacent line, enter the number of household members from the move-in certification.
Household Meets Income Restriction	Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside(s) for the project.
Current Income Limit x 140%	For recertifications only. Multiply the Current Maximum Move-in Income Limit by 140% and enter the total. Below, indicate whether the household income exceeds that total. If the Gross Annual Income at recertification is greater than 140% of the current income limit, then the available unit rule must be followed.

Part VI - Rent

Tenant Paid Rent	Enter the amount the tenant pays toward rent (not including rent assistance payments such as Section 8).
Rent Assistance	Enter the amount of rent assistance, if any.
Utility Allowance	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other non-optional charges	Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit	Enter the total of Tenant Paid Rent plus Utility Allowance and other non-optional charges.
Maximum Rent Limit for this unit	Enter the maximum allowable gross rent for the unit.
Unit Meets Rent Restriction at	Check the appropriate rent restriction that the unit meets according to what is required by the set-aside(s) for the project.

Part VII - 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.

**Full time is determined by the school the student attends.*

Part VIII – 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, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

Tax Credit	See Part V above.
HOME	If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicting the household's designation.
Tax Exempt	If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household's designation.
AHDP	If the property participates in the Affordable Housing Disposition Program (AHDP), and this household's unit will count towards the set-aside requirements, mark the appropriate box indicting the household's designation.
Other	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.

EMPLOYMENT VERIFICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: (Name & address of employer) Date: ____________________

____

____

____

RE: ______________________________ ______________________________ ______________________________
Applicant/Tenant Name Social Security Number Unit # (if assigned)

I hereby authorize release of my employment information.

______________________________ ______________________________
Signature of Applicant/Tenant Date

The individual named directly above is an applicant/tenant of a housing program that requires verification of income. The information provided will remain confidential to satisfaction of that stated purpose only. Your prompt response is crucial and greatly appreciated.

,

____
Project Owner/Management Agent

Return Form To:

THIS SECTION TO BE COMPLETED BY EMPLOYER

Employee Name: ______________________________ Job Title: ______________________________

Presently Employed: Yes ____ Date First Employed ____________ No ____ Last Day of Employment ____________________

Current Wages/Salary: $____________ (circle one) hourly weekly bi-weekly semi-monthly monthly yearly other__________

Average # of regular hours per week: _______ Year-to-date earnings: $________________ through __/____/____

Overtime Rate: $____________ per hour Average # of overtime hours per week: __________

Shift Differential Rate: $__________ per hour Average # of shift differential hours per week: _______

Commissions, bonuses, tips, other: $_______ (circle one) hourly weekly bi-weekly semi-monthly monthly yearly other________

List any anticipated change in the employee's rate of pay within the next 12 months: ____________________; Effective date: __________

If the employee's work is seasonal or sporadic, please indicate the layoff period(s): ______________________________

Additional remarks: ______________________________

______________________________ ______________________________ ______________________________
Employer's Signature Employer's Printed Name Date

____
Employer [Company] Name and Address

______________________________ ______________________________ ______________________________
Phone # Fax # E-mail

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.

STUDENT VERIFICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY STUDENT

This Student Verification is being delivered in connection with the undersigned's eligibility for residency in the following apartment:

Project Name: ____

Building Address: ____

Unit Number if assigned: ____________________

I hereby grant disclosure of the information requested below from ______________________
Name of Educational Institution

______________________	______________________
Signature	Date
______________________	______________________
Printed Name	Student ID#

Return Form to:

THIS SECTION TO BE COMPLETED BY EDUCATIONAL INSTITUTION

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:

Is the above-named individual a student at this educational institution? YES NO

If so, part-time or full-time? PART-TIME FULL-TIME

If full-time, the date the student enrolled as such: ______________________

Expected date of graduation: ____________________

I hereby certify that the information supplied in this section is true and complete to the best of my knowledge.

Signature: ______________________ Date: ______________________

Print your name: ______________________ Tel. #: ______________________

Title: ______________________

Educational Institution: ______________________

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.

CERTIFICATION OF ZERO INCOME

(To be completed by adult household members only, if appropriate.)

Household Name:____ Unit No. ________________

Development Name: ____ City:________________

1. I hereby certify that I do not individually receive income from any of the following sources:
   a. Wages from employment (including commissions, tips, bonuses, fees, etc.);
   b. Income from operation of a business;
   c. Rental income from real or personal property;
   d. Interest or dividends from assets;
   e. Social Security payments, annuities, insurance policies, retirement funds, pensions, or death benefits;
   f. Unemployment or disability payments;
   g. Public assistance payments;
   h. Periodic allowances such as alimony, child support, or gifts received from persons not living in my household;
   i. Sales from self-employed resources (Avon, Mary Kay, Shaklee, etc.);
   j. Any other source not named above.

2. I currently have no income of any kind and there is no imminent change expected in my financial status or employment status during the next 12 months.

3. I will be using the following sources of funds to pay for rent and other necessities: ________________

   ____

Under penalty of perjury, I certify that the information presented in this certification is true and accurate to the best of my 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	Printed Name of Applicant/Tenant	Date

UNDER $5,000 ASSET CERTIFICATION

For households whose combined net assets do not exceed $5,000.
Complete only one form per household; include assets of children.

Household Name:______________________________ Unit No. ______________

Development Name: ______________________________ City:______________

Complete all that apply for 1 through 4:

1. My/our assets include:

(A) Cash Value*	(B) Int. Rate	(A*B) Annual Income	Source	(A) Cash Value*	(B) Int. Rate	(A*B) Annual Income	Source
$		$	Savings Account	$		$	Checking Account
$		$	Cash on Hand	$		$	Safety Deposit Box
$		$	Certificates of Deposit	$		$	Money market funds
$		$	Stocks	$		$	Bonds
$		$	IRA Accounts	$		$	401K Accounts
$		$	Keogh Accounts	$		$	Trust Funds
$		$	Equity in real estate	$		$	Land Contracts
$		$	Lump Sum Receipts	$		$	Capital investments
$		$	Life Insurance Policies (excluding Term)				
$		$	Other Retirement/Pension Funds not named above: ______________				
$		$	Personal property held as an investment** : ______________				
$		$	Other (list): ______________				

PLEASE NOTE: Certain funds (e.g., Retirement, Pension, Trust) may or may not be (fully) accessible to you. Include only those amounts which are.

*Cash value is defined as market value minus the cost of converting the asset to cash, such as broker's fees, settlement costs, outstanding loans, early withdrawal penalties, etc.

**Personal property held as an investment may include, but is not limited to, gem or coin collections, art, antique cars, etc. Do not include necessary personal property such as, but not necessarily limited to, household furniture, daily-use autos, clothing, assets of an active business, or special equipment for use by the disabled.

2. ☐ Within the past two (2) years, I/we have sold or given away assets (including cash, real estate, etc.) for more than $1,000 below their fair market value (FMV). Those amounts* are included above and are equal to a total of: $______________ (*the difference between FMV and the amount received, for each asset on which this occurred).

3. ☐ I/we have not sold or given away assets (including cash, real estate, etc.) for less than fair market value during the past two (2) years.

4. ☐ I/we do not have any assets at this time.

The net family assets (as defined in 24 CFR 813.102) above do not exceed $5,000 and the annual income from the net family assets is $______________. This amount is included in total gross annual income.

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.

______________________ ______________ ______________________ ______________
Applicant/Tenant Date Applicant/Tenant Date

MODEL TEN PERCENT LETTER

Independent Auditors' Report

Date: XXXX XX, 2000

To: Tax Credit Allocation Agency
Street
City, State Zip Code

and

XXXX (the "Owner")
Street
City, State Zip Code

Re: TCAA # XX-XXX

We have audited the accompanying Certification of Costs Incurred ("Exhibit XXX") of the Owner for XXXX (the "Project") as of XXXX, XX, 2000. Exhibit XXX is the responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on Exhibit XXX based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether Exhibit XXX is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in Exhibit XXX. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of Exhibit XXX. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Exhibit XXX was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service under the accrual method of accounting and by the Tax Credit Allocation Agency ("TCAA"), which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion, Exhibit XXX referred to above presents fairly, in all material respects, costs incurred for the Project as of XXXX XX, 2000, on the basis of accounting described above.

In addition to auditing Exhibit XXX, we have, at your request, performed certain agreed-upon procedures, as enumerated below, with respect to the Project. These procedures, which were agreed to by the Owner and TCAA, were performed to assist you in determining whether the Project has met the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6. These agreed-upon procedures were performed in accordance with standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of the specified users of the report. Consequently, we make no representations regarding the sufficiency of the procedures below either for the purpose for which this report has been requested or for any other purpose.

MODEL TEN PERCENT LETTER

We performed the following procedures:

- We calculated, based on estimates of total development costs provided by the Owner, the Project's total reasonably expected basis, as defined in Treasury Regulation Section 1.42-6, to be $XXXX as of XXXX XX, 2000.

- We calculated the reasonably expected basis incurred by the Owner as of XXXX XX, 2000 to be $XXXX.

- We calculated the percentage of the development fee incurred by the Owner as of XXXX to be XX% of the total development fee.

- We compared the reasonably expected basis incurred as of XXXX XX, 2000 to the total reasonably expected basis of the Project, and calculated that XX% had been incurred as of XXXX XX, 2000

- We determined that the Owner uses the accrual method of accounting, and has not included any construction costs in carryover allocation basis that have not been properly accrued.

- Based on the amount of total reasonably expected basis listed above, for the Owner to meet the 10% test in accordance with Internal Revenue Code Section 42(h)(1)(E) and Treasury Regulation Section 1.42-6, we calculated that the Project needed to incur at least $XXXX of costs prior to December 31, 2000. As of XXXX XX, 2000, costs of at least $XXXXX had been incurred, which is approximately XX.XX% of the total reasonably expected basis of the Project.

We were not engaged to, and did not, perform an audit of the Owner's financial statements or of the Project's total reasonably expected basis. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the Owner and the Owner's management and for filing with TCAA and should not be used by those who have not agreed to the procedures and taken responsibility for the sufficiency of the procedures for their purposes.

City, State
XXXX XX, 2000

MODEL FINAL COST CERTIFICATION LETTER

Independent Auditors' Report

Owner's Name: XXXX

Project Name: XXXX

Project Number: TCAA # XX-XXX

We have audited the costs included in the accompanying Tax Credit Allocation Agency ("TCAA") Final Cost Certification (the "Final Cost Certification") of XXXX (the "Owner") for XXXX ("the Project") as of XXXX XX, 2000. The Final Cost Certification is the responsibility of the Owner and the Owner's management. Our responsibility is to express an opinion on the Final Cost Certification based on our audit.

We conducted our audit in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Final Cost Certification is free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the Final Cost Certification. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall Final Cost Certification presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying Final Cost Certification was prepared in conformity with the accounting practices prescribed by the Internal Revenue Service, under the accrual method of accounting, and in conformity with the format and qualified allocation plan rules set by TCAA, which is a comprehensive basis of accounting other than generally accepted accounting principles.

In our opinion the Final Cost Certification presents fairly, in all material respects, the actual costs of $XXXX and eligible basis of $XXXX of the Owner for the Project as of XXXX XX, 2000, on the basis of accounting described above.

This report is intended solely for the information and use of the Owner and the Owner's management and for filing with TCAA and should not be used for any other purpose.

We have no financial interest in the Project other than in the practice of our profession.

City, State
XXXX XX, 2000