

LOW INCOME HOUSING TAX CREDIT

MONITORING AND

COMPLIANCE MANUAL

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PREFACE

The Delaware State Housing Authority (DSHA) is the allocating housing credit agency responsible for the administration and allocation of Low Income Housing Tax Credits (LIHTC) for the State of Delaware. This LIHTC Compliance Manual is intended to be used as a guide and reference for the LIHTC Compliance Monitoring Procedures and to inform owners and managers of the requirements implemented by this agency to facilitate compliance with the IRS regulations as mandated by Section 42 of the Code. This manual is a resource and procedural tool for the management of housing developments in the LIHTC program. This manual is not a substitute for existing federal and state laws and regulations.

Because of the complexity of the LIHTC regulations and the necessity to consider the applicability to specific circumstances, owners are urged to seek competent legal and accounting advice regarding compliance issues. DSHA's obligation to monitor for compliance with the requirements of the Code does not make DSHA liable for an owner's noncompliance.

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I. INTRODUCTION TO DSHA

Delaware State Housing Authority (DSHA) was created in 1968 as a public corporation in the Delaware Department of Housing. In 1970, the Department of Housing was included as a Division in the Department of Community and Economic Development when the executive branch of State Government was reorganized. DSHA became the Division of Housing and Community Development in the Department of Community Affairs by Executive Order in 1983. In recognition of the essential link between housing and the State's overall development, the Delaware State Housing Authority and Delaware Development Office merged on July 1, 1987. In 1997, the director of DSHA was given cabinet level status and serves as an advisor to the Governor which demonstrates that housing is an integral part of the State's overall economic and social plan.

The Housing Authority, with a staff of over 130, is divided administratively into six interdependent sections:

Housing Development and Loan Management reviews all applications to the Housing Development Fund (HDF) and monitors construction of all projects so funded. The Development staff is also responsible for all aspects of the construction and rehabilitation of DSHA Public Housing, as well as other sites owned by DSHA or its nonprofit corporations. The federal HOME Program is also handled by this section. The monitoring and compliance aspect of the LIHTC program also is the responsibility of this section. In addition, the section performs financial monitoring and inspections of HDF financed rental housing and is responsible for enforcing the State Housing Code in those communities which have not adopted and enforced equivalent codes.

Housing Finance manages the Authority's Single Family Mortgage Revenue Bond Program, the Housing Rehabilitation Loan Program (HRLP), the LIHTC Program and works closely with the Housing Development and Loan Management staff to perform financial analysis of applications to the HDF. This office, based in Wilmington, also collaborates with banks, developers, corporations, and various housing sponsors to develop new financing mechanisms for home ownership initiatives and rental projects statewide, including multifamily bond financing.

Planning and Community Development administers the Community Development Block Grant Program, the Emergency Shelter Grant Program, and the Rental Rehabilitation Program and Housing Opportunities for Persons with Aids Program. Members of the section also design and conduct various housing studies to determine the specific nature of the housing supply and demand in Delaware. The Housing Capacity Building Program is also part of this Section.

Administration is responsible for DSHA's general ledgers, purchasing functions, accounts receivable and payable, personnel functions, investments monitoring and the preparation of financial statements for the Authority and its various programs. The section also coordinates the design, maintenance and improvement of the agency's fully integrated computer network which is used to track program progress, analyze costs and provide a centralized source of program data.

Community Relations coordinates all media and public inquiries, in addition to organizing special events in support of DSHA programs and activities. The section also coordinates the production of the annual report and other various brochures and promotional materials detailing the Authority's programs.

Housing Management oversees the administration of federal rent subsidies to units statewide, including the Authority's Section 8 Certificate and Voucher Programs, Section 8 New Construction properties, and DSHA's nine Public Housing sites. The Management Section directly manages 469 units of Public Housing, and 209 units of Section 8 New Construction.

II. DSHA AS AN ALLOCATING AND MONITORING AGENCY

In 1986 Congress enacted the LIHTC program authorized and governed by section 252 of the Tax Reform Act of 1986 and Section 42 of the Internal Revenue Code. The LIHTC program is a federal program which began in Delaware in 1987. The program was developed to stimulate production and preservation of low-income housing. Each state is given the responsibility of allocating credits to qualified projects in an amount not to exceed that which is needed to obtain financial feasibility up to the maximum amount available to that state (\$1.75 per capita or a minimum of \$2 million for small states). DSHA is the allocating agency for the State of Delaware.

Each allocating agency must have an allocation plan as part of their LIHTC application. Basically, the allocation plan lists all of the requirements needed and categories with which DSHA prioritizes LIHTC applications for funding. Under Section 42, the IRS will not consider an allocation plan qualified unless it contains procedures for monitoring noncompliance with provisions for notifying the IRS of any noncompliance matters.

In 1990, the Revenue Reconciliation Act, gave housing credit agencies the additional responsibility of monitoring for compliance all projects placed in service for which the credit is, or has been allowable at any time since the inception of the program in 1987. This definition includes projects financed through the Rural Housing Service (formerly the Farmers Home Administration) and tax-exempt bonds. The program compliance monitoring mandate was effective January 1, 1992.

In January 1992, DSHA implemented LIHTC Compliance Monitoring Procedures (Appendix B). This handbook explains those procedures in a detailed and easy-to-follow manner.

● WHAT IS A TAX CREDIT?

In 1986 Congress enacted the Tax Reform Act, which included the LIHTC program. Basically, the LIHTC is a dollar for dollar reduction in federal tax liability to the project owner in exchange for the acquisition, rehabilitation, or new construction of low- to moderate-income rental housing. The owner may take the credits annually for 10 years, but must maintain the status of the units as low-income for 15 years or longer, depending on which year the credits were allocated to the project.

The amount of tax credit allocated is based on the number of qualified low-income units that must meet federal rent and income requirements, the cost of development and acquisition, as applicable, the credit percentage rate, and the amount to make the project viable. The cost of development is defined as the depreciable basis of the property.

In August 1993, Congress passed and the President signed into law the permanent extension of the LIHTC Program.

III. RESPONSIBILITIES

All parties involved in a Tax Credit development share in the integral part of the compliance monitoring.

A. Allocating/Monitoring Agency

DSHA allocates the Tax Credits through the LIHTC program, in accordance with the Allocation Plan, and has specific responsibilities after the final allocation is awarded to a project such as the following:

1. Review Annual Owners Certification for Continuing Compliance report to ensure that project continuously meets low income use requirements.
2. Perform compliance reviews and physical inspections of each development; review annual tenant certifications, documentation, and tenant files for compliance.
3. Report noncompliance matters to the IRS.
4. DSHA will perform training and education to owners through seminars, periodic letters/notices and compliance manuals so owners are aware of the proper and most current IRS regulations throughout the compliance period.

NOTE: DSHA's monitoring procedures are designed to test a sampling of tenant records and units for compliance. A successful compliance review and physical inspection does not mean the project has completely satisfied all of the program rules since undetected noncompliance may still exist. Owners and management agents are solely responsible for keeping their properties in compliance with all IRS laws and DSHA is not responsible if they fail to do so.

B. Owner

The owner has the responsibility to insure that the project is meeting the requirements of the LIHTC program in which DSHA monitors.

1. **LIHTC REQUIREMENTS**

Owners must provide DSHA with comprehensive project information and evidence of overall economic feasibility. Prior to issuance of a final LIHTC allocation, the project's accountant must provide audited certification of the total project costs. The owner must also certify that all requirements of the LIHTC program have been met through the Annual Owners Certification for Continuing Compliance report. **Any violation of the requirements of the LIHTC program could result in the loss of the Tax Credits issued to the owner and other penalties allowed within the Internal Revenue Code.**

2. **PROPER MANAGEMENT**

The owner is responsible and must make certain that the on-site management (if any) knows, understands, and complies with all appropriate LIHTC rules, regulations, and policies governing the project.

3. **ADMINISTRATION AND NOTIFICATION**

It is the responsibility of the owner to keep DSHA informed throughout all phases of development, rent-up, and operation. This includes the initial phases of construction, the scheduled placed-in-service date, the completion of the project, as well as any major changes that are made at any time. This includes any change of the owner's address during the compliance period or any change in management or ownership of the project.

After units are placed in service, a change in the ownership of buildings or partnership interests before the end of the compliance period may be considered a recapture event by the IRS. Recapture of tax credits previously claimed by the original owner may be avoided by posting a bond that is satisfactory to the IRS. See IRS Revenue Ruling 90-60, Revenue Procedure 99-11 and Internal Revenue Code Section 42(j)(6) for additional guidance on bonding requirements. Owners are advised to seek legal counsel regarding this requirement before transferring any building or ownership interest in a building.

4. **RECORDKEEPING AND RECORD RETENTION**

Under the provisions of the LIHTC program, the owner will be required to keep the appropriate records and retain them for each project by building for the proper periods of time. The records for the first year of the credit period must be kept for the entire compliance period, plus 6 years (21 years total) after the filing of the federal income tax return for the first year of the compliance period. The records for each year thereafter must be retained for 6 years after the filing of the federal income tax return for that year. The owner will keep the records for each qualified low-income building in the project and the records must contain the following:

- a) 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);
- b) The percentage of residential rental units in the building that are low-income units;
- c) The rent charged on each residential rental unit in the building (including the source and amount of any utility allowance calculations);
- d) The low-income unit vacancies in the building(s) and information that shows when and to whom the next available unit(s) was rented;

- e) The number of occupants in each low-income unit;
- f) The annual income certification of each low-income tenant;
- g) Documentation to support each low-income tenant's income certification;
- h) The eligible basis and qualified basis of the building(s) at the end of the first year of credit. IRS Form 8609 and all attachments should be on file;
- i) A list of all tenants of the building(s) at initial rent-up to include the following: name of occupant, number of persons, and annual income of household;
- j) The character and use of the non-residential portion(s) of the building included in the building's eligible basis under Section 42(d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project);
- k) Documentation that the owner has not refused 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;
- l) Documentation that the buildings and low-income units in the project were 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 local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project. If a violation report or notice was issued by the governmental unit, the owner must attach a statement summarizing the violation report or notice to the annual certification submitted to DSHA. In addition, the owner must state whether the violation has been corrected;
- m) No findings of discrimination under the Fair Housing Act, U.S.C. 3601-3619, occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616(a)(1), or an adverse judgement from a federal court.

The owner is responsible for certifying annually in the form DSHA specifies, the project's compliance with the IRS regulations and the LIHTC program (see DSHA Monitoring Procedures, Annual Owners Certification for Continuing Compliance report Appendixes B & C). Additionally, the owner is responsible for submitting to DSHA upon request, any tenant file and any documentation for those units that DSHA specifies.

C. Management Agent and On-Site Personnel

The management agent and all on-site personnel should be well versed in the LIHTC program requirements. Anyone who is authorized to lease units to tenants should be thoroughly familiar with all federal and State laws, rules, and regulations governing certification and leasing procedures. It is also important that the management agent provide information, as needed, to DSHA and submit all required reports and documentation in a timely manner.

IV. WHAT IS A "QUALIFIED" LOW-INCOME PROJECT?

In order to benefit from the Tax Credit, a development must meet two very important tests at all times:

1. Minimum Low-Income Set-Aside

- A. Twenty percent of the residential units in a project shall be both rent-restricted and occupied by individuals whose gross income is fifty percent (50%) or less of the area median income based on family size; or,
- B. Forty percent of the residential units in a project shall be both rent-restricted and occupied by individuals whose gross income is sixty (60%) percent or less of the area median income based on family size.

For properties that receive HOME funds, at least forty percent (40%) of the units in a building must be occupied by households at or below fifty percent (50%) of the median income limit.

NOTE: Rents and Income Limits are published yearly by HUD.

The owner may select either (A) or (B) above as a minimum set-aside or a greater percentage, up to 100%. The selection is made at the time of Tax Credit application and must be maintained throughout the compliance and extended use periods.

Basically, the first minimum low-income set-aside test means that units are being rented to income eligible persons in accordance with the set aside chosen by the owner. Most projects that DSHA has allocated Tax Credits to have chosen to rent 100% of their units to persons who are at 50% or 60% of median income.

Those units which meet this income are "qualified low-income units".

Placing a Property In Service

The minimum set-aside test must be met by the end of the first year of the credit period. This date is called the Placed-In Service Date (PISD). This can be the year the building was actually placed in service (i.e., the date the building is ready and available for its specifically assigned function) or the next year, at the election of the owner.

Rehabilitation projects: The PISD is at the close of any 24-month period during which expenditures were aggregated. The PISD is chosen by the owner

For New Construction Properties: The PISD is on which the first unit in the building is certified as being suitable for occupancy in accordance with state or local law (usually by a certificate of occupancy).

2. Rent Limitation/Rent Restriction

The second test, rents that projects can charge, depends on what year their Tax Credits were allocated. Developments fall into two rent categories:

A. Pre-1990 Category

For projects that were allocated Tax Credits prior to 1990, the gross rent (including a utility allowance for any tenant paid utilities) charged to a tenant in a low-income unit may not exceed 30% of the maximum qualifying income for the number of persons in the household in the unit. For example:

Based on the following chart, a family of four in Sussex County with an income not exceeding \$29,820 could not be charged more than \$745, including all utilities.

MAXIMUM INCOME AT 60% OF MEDIAN INCOME LIMITS

<u>Household Size</u>					
<u>2</u>		<u>3</u>		<u>4</u>	
Maximum Annual Income	Maximum Monthly Gross Rent	Maximum Annual Income	Maximum Monthly Gross Rent	Maximum Annual Income	Maximum Monthly Gross Rent
\$23,880	\$597	\$26,820	\$670	\$29,820	\$745

B. Post-1990 Category

For projects that were allocated Tax Credits in 1990 and subsequent years, the maximum rent is based on the number of bedrooms, while assuming an occupancy of 1.5 persons per bedroom.

For example:

Based on the following chart a family of four in Sussex County with an income not exceeding \$29,820 living in a 3-bedroom unit could not be charged more than \$775, including utilities.

Bedroom Size	1	2	3
New Castle	\$853	\$1,024	\$1,184
Kent	\$586	\$703	\$813
Sussex	\$559	\$670	\$775

Those units that meet this test and the minimum low-income set-aside test are then considered to be a "Qualified Low-Income Project". Before instituting any rent, all rents should be pre-approved by DSHA so that we can verify that the rents are in compliance with Section 42.

If the household's income increases above 140% of the applicable income limit for the family size and the tenant(s) initially met the qualifying income limit requirements, the unit may continue to be counted as a qualifying unit as long as the unit continues to be rent-restricted and the next available unit of comparable or smaller size is rented to a qualified low-income tenant. **(In projects where 100% of the units are rented to persons with incomes at 40%, 50%, or 60% of the median income, all vacant units must be rented initially to income qualified tenants. In all cases, no tenant can be displaced as a result of an increase in income only).**

1987-1989 LIHTC OWNERS ELECTION TO DETERMINE RENTS BY BEDROOM SIZE

In the 1993 Budget Bill, there were some minor changes to the LIHTC program. The most significant change to the program was that owners in the Pre-1990 category could make a one-time irrevocable election to determine rents based on the bedroom size versus the number of persons in the household. The election to change the basis to determine rents was not retroactive and was done at the time the election was made. The owner had to notify the IRS and DSHA of the election to change the method used in determining rents by February 7, 1994. If such election was not made by the owner by that deadline, the owner must continue to calculate rents using the family size method.

NOTE: For those properties where the election was made, the waiver is effective only for those new households moving into the property after February 7, 1994. All existing tenant rents will continue to be determined by the number of persons in the household until they move from the unit.

3. Compliance Period

Tax Credit Developments receiving Credit Allocations on or before December 31, 1989

In order to receive the Tax Credit, all owners who received an allocation between 1987 and 1989, must comply with eligibility and rent restriction requirements for a period of 15 taxable years beginning with the first taxable year of the building's credit period ("the compliance period").

Credit Allocations after December 31, 1989 or for projects making the one-time irrevocable election to determine rents by bedroom size

Owners receiving credit allocations after December 31, 1989, or for owners making the one time irrevocable election to determine rents by bedroom size, must enter into a Land Use Restriction Agreement (Declaration of Land Use and Restrictive Covenants) at the time the credits are allocated. These owners must comply with the eligibility and rent restriction requirements for an additional 15 year period or for a total of 30 years. This document is a recorded restrictive covenant.

All owners must agree to a thirty year low-income use compliance period for the project. However, if the owner of the project wants to transfer the property after the initial 15 year low-income use period and is unable to transfer the property with a continued low-income use, the owner can notify the allocating agency, which has one year from the date of receipt of the owner's written notice to find an eligible buyer at a specified price not less than the sum of the outstanding indebtedness and adjusted investor equity contribution as defined in Section 42 (h)(6) of the Code, less cash distributions from the project. Adjusted investor equity contribution is defined as the aggregate amount of cash that taxpayers invested into the operation. Cost-of-living adjustments shall not exceed 5% in any calendar year. If a buyer is not located within one year after the owner notified the allocating agency of his desire to sell, the property may be converted to market rate use with the qualification that existing low-income tenants may not be evicted within three years after the transfer of the property. The owner can notify the allocating agency of his desire to transfer the property any time after the fourteenth year of low-income use.

V. UTILITY ALLOWANCES

The Maximum Allowable Gross Rent that can be charged a tenant includes both rent for the unit and tenant paid utilities. The Internal Revenue Service requires that utility allowances be set according to IRS Notice 89-6 (Appendix G-2)

To remain in compliance, owners must utilize a correct utility allowance in order to properly determine unit rents. Annual utility allowance approval from DSHA must be received before adjusting rents either up or down. Therefore:

Gross Rent = Maximum LIHTC rent plus utility allowance and non-optional fees

or

Gross Rent = Maximum LIHTC rent (with all utilities and non-optional fees paid by owner)

In government sponsored properties such as RD or HUD Project-Based Section 8 projects, the utility allowance that must be used is determined and approved by the appropriate governmental agency.

For all other non-government sponsored properties, if the utilities are not included in the rent the owner must subtract from the rent either the applicable Public Housing Authority (PHA) Utility Allowance for the area in which the project is located or the utility allowance as calculated by the utility provider. IRS Final Regulations (TD8520), Carryover Allocations, General Public Use and Utility Allowances (Appendix G-9), state utility allowances can be determined under the following methods:

1. When a tenant has a Section 8 Certificate/Voucher and occupies a rent-restricted unit, the local PHA allowance should be used for that unit.
2. For all other units, the local PHA allowance may be used or an estimate from the local utility provider(s) may be obtained for each building in the project. The utility provider's estimate must be in writing and any costs incurred to receive this estimate is borne by the owner. The owner must retain the original utility provider estimate and must furnish a copy to DSHA and must make copies available to all tenants. This utility analysis or survey must also be pre-approved by DSHA.

NOTE: An owner may choose to change the utility allowance calculation after the credits have been reserved. However, special care should be taken when changing the method of the utility calculation. If later, during the compliance period, the utility allowance calculation causes the project to be in noncompliance as the units are no longer rent-restricted, the owner will be required to reduce rents immediately. For example, when the utility provider's utility allowance increases, the Gross Rent will increase. If the new Gross Rent charged to tenants is more than the Maximum LIHTC Rent allowed under the code, the project will no longer be considered rent-restricted.

If the local PHA Utility Allowance is used at the property, documentation of the PHA Utility Allowance table should be kept with the projects records.

Of course, the lower the utility allowance, the higher the amount of gross rent the project will be able to receive thus increasing the project's feasibility. However, it is important for owners to keep track of the local PHA Utility Allowances when Section 8 Certificate or Voucher holders are occupying rent-restricted units.

If you are using the local PHA Utility Allowance, you should also be aware when a PHA issues new utility allowances and the utility allowance increases. You will need to analyze the rents charged to tenants to see if the increase in the utility allowance will cause the rent to be more than the Maximum LIHTC Rent. To complete this, use the following calculation:

	Tenant Rent	\$___
Add	New PHA Utility Allowance	\$___
	New Gross Rent	\$___

If the Gross Rent you are currently charging is higher than the Maximum LIHTC Rent, you must reduce your tenant's rent immediately. In addition, you must rebate or credit rent that was paid for the period of noncompliance. If you do not, you will be in violation of the Rent Limitation/Rent Restriction test and your project will be in noncompliance with the IRS.

However, this rule does not apply to those LIHTC rent restricted units that include any subsidy received from programs such as Section 8 or RD Rental Assistance. A tenant may pay higher than the Maximum Allowable Rent in two instances: (1) In HUD Project-Based Section 8 projects or units that house Section 8 Certificate/Voucher holders, if the income increases so that the tenant portion of the rent is higher than the Maximum Allowable Rent, the Section 8 subsidy is reduced. (According to the IRS, this reduces the subsidy burden to the Federal government. However, the tenant can not pay more than the HUD contract rent); (2) In RD 515 projects allocated credits in 1991 and later years, the extent of the overage is passed along to RD, therefore, the tenant may be charged more than the Maximum Allowable Rent. (see Section 42 (g)(2)(B)(iv) and (g)(2)(E)).

However, there are instances where the Gross Rent is less than the RD Basic Rent. In this case, the overage is the difference between the adjusted tenant rent and the Gross LIHTC Rent. (See example below:)

Gross Rent:	\$300	RD Basic Rent:	\$320
Tenant Adjusted Rent:	\$350	How much overage?	\$ 30

Tenant would pay \$330 (The difference between the RD Basic Rent and the Tenant Adjusted Rent = \$30 plus the LIHTC Gross Rent of \$300).

For projects receiving credits prior to 1991, the overage must be paid by the owner to RD. For projects receiving credits in 1991 and later years, the overage is paid by the tenant.

VI. INCOME LIMITS AND LIHTC RENTS

The U. S. Department of Housing and Urban Development (HUD) annually reviews and publishes the median income information for a given area. These income limits are then used to determine the incomes and LIHTC rents for Delaware.

Appendix (F) contains a chart that have been designed by DSHA to assist owners in determining the maximum income limit amounts for household size and the Maximum LIHTC rents they can charge for their rent-restricted units.

The chart shows the maximum income by family size of tenants residing in LIHTC projects as well as the respective rent that can be charged. Rents must include all utilities other than telephone or be reduced by an appropriate utility allowance. For 1987, 1988, and 1989 LIHTC projects, the rents are based on 30% of the tenant's maximum gross monthly income, based on household size (please use the rents on the **left** side of the chart). For 1990 through 2002 projects or projects that were pre-1990 but made the allowed one-time election to change the method of determining rents, rents are 30% of an imputed income limit based on the number of bedrooms (please use the rents on the **right** side of the chart).

Limits will remain in effect until new annual limits are published by HUD. DSHA will update the charts annually as new income information is received.

VII. GENERAL MANAGEMENT POLICIES AND GUIDELINES

The following guidelines are suggested management procedures you may use or adapt. However, you or your management company may have policies and procedures that are as equally effective in meeting the requirements of Section 42.

DSHA recommends that a management plan be developed for the property if the project has more than 6 units. The management plan should establish guidelines and practices for the property that will insure implementation of effective and consistent policies. The management plan should include, as a minimum, the following:

1. Marketing, including a description of the development, Fair Housing, and Advertising
2. Organization chart, staffing requirements, hiring procedures, job descriptions
3. Rent Structure
4. Qualifying Tenants, Application, and Eligibility procedures
5. Waiting list procedures
6. Verification and documentation procedures
7. Certification and Recertification procedures
8. Occupancy and lease requirements (including rent collection procedures)
9. Transfers
10. Eviction procedures
11. Maintenance and Preventative Maintenance
12. Inspections
13. Accounting Procedures, including tenant accounting (i.e, tenant ledger cards, rent rolls)

A. MARKETING AND ADVERTISING

A description of the property should start off your management plan noting the name of the project, location, number of units, bedroom sizes, construction type and amenities. The plan should also describe the relationship between the owner and management entity (i.e., an organizational chart, delegation of authority, and key contact person).

DSHA recognizes that marketing is a critical tool to be used for a successful project. We require that all Fair Housing and American Disability Act (ADA) regulations be consistently applied and followed. However, for those properties that receive HUD and/or RD assistance, Affirmative Action Policies must be followed in addition to, Fair Housing, and ADA regulations.

B. RENT STRUCTURE

When setting rents at your property, please note, that owners do not have to charge tenants the Maximum Allowable Gross Rent. The Maximum Allowable Rent is just that, the maximum amount of rent that can be charged in accordance with Section 42. The market area and average market rents should be used to determine what rents would make the project most feasible and marketable.

VIII. QUALIFYING TENANTS

Potential tenants for low-income, rent-restricted units should be advised during the application process that there are maximum income limits that apply to these units. Management should explain that the applicant's anticipated household income of all adult persons (over the age of 18) expecting to occupy the unit must be verified and included on an Annual Tenant Income Certification (Appendix E) prior to occupancy and annually thereafter. After initial certification, both the tenant and the unit will retain low-income status for IRS compliance if, (1) the tenant's income exceeds the allowable income but the tenant remains in the same unit and the project is designated 100% low-income; or (2) the tenant's income increases up to 140% of the income limit (based on household size) and the tenant remains in the same unit in a project that is less than 100% low-income set-aside.

At the present time, IRS Revenue Notice 88-80 (Appendix G-1) provides the only official guidance for Section 42 tenant income compliance. The notice states that determination of annual income of individuals and county median gross income adjusted for household size must be made in a manner consistent with HUD Section 8 income definitions and guidelines. HUD Handbook 4350.3, Occupancy Requirements of Subsidized Multifamily Housing Programs is a good reference guide if specific questions arise when calculating applicant and tenant income.

A. ELIGIBILITY CRITERIA

1. Minimum Occupancy Standards*

DSHA has set minimum occupancy standards. They are as follows:

BEDROOM SIZE	NUMBER OF PERSONS
Efficiency	1
1	1
2	2
3	3
4	6

DSHA does not have maximum occupancy standards. Those standards should be set by each owner in accordance with applicable local housing codes. We recommend, however, that any maximum occupancy standards established be disclosed in writing to applicants/tenants and be a part of the owner's management plan.

* DSHA reserves the right to waive minimum family size eligibility for two bedroom units when it is satisfied that conditions exist that indicate difficulties in finding qualified families to rent two-bedroom units. Conditions include, but are not limited to: market condition shifts; low absorption rates; no waiting lists; large number of one person household applicants; excessive vacancies for extended periods of time and increased elderly household demand. If conditions can be documented, a project owner may apply in writing for a waiver. DSHA, may elect to permit occupancy of one person in a two-bedroom unit for a maximum of 10% of the total number of two-bedroom units in property to be occupied by single individuals. Request for the waiver will only be accepted 24 months after project had reached 100% occupancy. For elderly only properties, one person households may be eligible for two-bedroom units. However, priority must be given to two person elderly households on the waiting list.

Please note, the following determination of household size was made in the HUD 4350.3 handbook, Change-27: "Unborn children and children who are in the process of being adopted (who do not live in the unit) are considered household members for purposes of determining unit size **and income limits** but do not qualify the family for any adjustments to income nor is their unearned income counted in determining annual income." As an example, if a pregnant single woman applies for housing, the two person income limit should be used for income limit eligibility.

A written request to waive DSHA's minimum occupancy standards is required when household size no longer meets DSHA's minimum occupancy requirements during any lease period.

2. Minimum and Maximum Income Limits

As referenced in Section VII of this manual, there are maximum income limits that households cannot exceed in order to be eligible to reside at a LIHTC property. The maximum income limit is based on the number of persons in the household.

In addition, each owner or management company should establish minimum income amounts (often referred to as "the Window"). The minimum income limit is the amount of annual income a household would need to earn in order to pay the Tax Credit rent, utilities and all other necessities. A rule of thumb that some owners use is a 35% income-to-rent ratio. However, before determining the household to be ineligible, you may want to interview the applicant and decide if the applicant is paying comparable rent and utilities and has acceptable landlord history.

Income-to-Rent Ratio Calculation

Annual verified income divided by 12 = Monthly Income.

Gross Rent divided by monthly income = should not exceed 35%

The income to rent ratio, again, should be established by the owner or management company and should take into consideration the market area, the household rent paying history, and individual household circumstances.

The income to rent ratio should not be used for applicants who are Section 8 Certificate/Voucher holders, RD rental assistance participants, or Section 8 Project-Based households as the tenant rent is based on 30% of adjusted income. However, you may require a minimum income to pay basic expenses such as utilities.

3. Screening Criteria

DSHA also recommends that the owner include in its management plan established screening criteria other than income eligibility. Examples include, but are not limited to, the following:

1. Minimum income standards
2. Landlord history
3. Home visits, when applicable
4. Credit checks
5. Criminal background check

Some of the above screening criteria may not be financially feasible for the project; however, basic screening such as previous landlord history and home visits are recommended and may prevent problems later.

B. THE APPLICATION

A completed application is critical to an accurate determination of eligibility. The information on the application should be used as a tool to determine all sources of income, assets and credit information.

We suggest that the applicant complete the application at the management office or in the presence of the owner. The application can be checked at that time for completeness and the applicant can be asked questions pertaining to the application.

Extracting as much information as possible from applicants during the applicant interview is very important. For RD and HUD properties, zip codes, race, and ethnicity should always be included on every application. The application should also include at least the following:

1. The name, age, and sex of each person that will occupy the unit (legal name should be given just as it will appear on the Lease and Tenant Income Certifications);
2. All sources and amounts of income that will be received during the next twelve month certification period, listing the address, phone numbers, and contact person for all income sources; NOTE: We recommend that applications include a question on child support awards and whether or not the applicant receives the payment;
3. Full-time student status;
4. Section 8 Certificate or Voucher participation;
5. The signature of the applicant(s) and the date the application was completed. The application should be time and date stamped especially if a waiting list is being maintained.

All applications should be reviewed by the owner or management to determine eligibility. If the applicant is determined **ineligible**, the applicant should be notified in writing of the ineligible status. A copy of the rejection letter should be attached to the application. We recommend that rejected applications be retained for at least three years.

C. WAITING LISTS

If a project has sufficient qualified applicants but the project has no vacancies, we suggest that a waiting list be maintained.

The waiting list should be kept in a separate bound folder and should contain at least the following information (per bedroom size):

1. Applicant's name
2. Family Size
3. Address
4. Phone Number
5. Ethnicity/Race
6. Program Type (i.e., RD Rental Assistance, Project-Based Section 8, LIHTC only)
7. Date of Application
8. Bedroom Size Requested
9. Handicap/Disability

The waiting list should be maintained to show the history of applicants and status of each application (approved, denied, withdrawn, etc.) and should include original application dates and all other respective dates. In addition, waiting lists should be maintained so that it is evident which application is next for processing.

All applicants should be informed at the time of completing their application that their name will remain on the waiting list for an established period of time. Further, all applicants should be informed that they will either be contacted for an application update or will need to contact the management office if they are interested in remaining on the waiting list.

To assure that the "vacant unit rule" is met in accordance with Section 42, we recommend that at least the top 5 applications on the waiting list be kept current. All applicants in the top five should be notified that they may be potential tenants and requested to come to an interview to verify all information contained on the application form. The top five applications on the waiting list should be updated every 90-120 days. This can easily be done by having the applicant sign original verification forms. The owner can then make copies of the verification form and send out the forms to the appropriate parties. Documented telephone conversations may also be used to update the application if written verification can not be obtained.

The top five applicants for the waiting list (per bedroom size) should be interviewed. A management checklist (Appendix D-1) can be used during this interview to certify that the information received from the applicant is true and correct. Verification of income and assets should be completed. After the applicant has successfully passed all screening criteria, the applicant may move into the next available and correct size unit. A letter should be forwarded to the applicant explaining the new address, date of move-in, amount of rent, and security deposit.

IX. GENERAL VERIFICATION PROCEDURES AND REQUIREMENTS

Owners must verify the income of low income tenants occupying set-aside units at move-in and annually thereafter. Owners must re-verify income of those tenants in set-aside units who plan to remain in that unit for another lease term and a new Annual Tenant Income Certification Form (Appendix E) must be completed together with supporting income documentation. Tenants may report changes in income and household composition that occur between annual recertifications.

The following certification/verification procedures should be completed:

1. Contact applicant/tenant for an appointment and request them to bring in information on income, assets, family size, etc. For example, wage stubs, tax returns, bank statements, birth certificates can be used for qualifying the applicant/tenant. Make copies of any information brought by the applicant/tenant at the appointment. We recommend that a copy of some form of identification be received for all adult members of the household (i.e., social security card, drivers license, legal alien card, etc) and placed in the applicant/tenant file.
 2. At the appointment, use the checklist as a guide (Appendix D-1) and ask the applicant(s)/tenant(s) questions on income, assets etc. The check list should include a statement that the applicant certifies that the information given at application is true and correct. Have applicant/tenant sign applicable verification forms.
 3. Send out verification forms (Appendix D) to third party income and asset sources.
 4. Upon receipt of the verification forms, calculate anticipated annual income and asset income received by all adults in the household for the 12 months following certification. If third party verification forms cannot be obtained in a timely manner, the income and asset information submitted by the applicant/tenant at the interview can be used as documentation, until proper verification is obtained and placed in the tenant file.
- Complete an Annual Tenant Income Certification Form (See Below or Appendix E). Attach all appropriate verification to the Certification form. The Annual Tenant Income Certification must be completed along with the lease prior to actual move-in. It is preferred that the Annual Tenant Income Certification form and lease be signed on the day of move-in (but not more than 5 days before move-in). Place all information in an individual tenant file.

Acceptable Certification Forms:

HUD Section 8 Properties - HUD 50059 form

RD Section 515/514/516 - FmHA 1944 form

All others must use - DSHA TIC form (Appendix E)

We recommend that a statement stating that there have been no changes in income and/or family composition be signed by the applicant/tenant on the day the tenant moves into property. (This statement may be used for tenant fraud and keeps the burden of proof on the tenant.)

For rehabilitation properties with existing residents, the initial certification of income establishing eligibility for tax credit purposes should be completed before the PISD (either at acquisition PISD or Rehabilitation PISD - the owner will choose which PISD for the property). This means that the verification of income should not be more than 90 days old before the certification effective date.

IRS RECERTIFICATION WAIVER

In 1993, the IRS published Revenue Ruling 94-64 which stated that a waiver may be given by the IRS if requested by the Owner for buildings where 100% of the units are occupied by qualified LIHTC households. In order to obtain the waiver, the owner must send a written statement to the IRS agreeing to the following three requirements:

1. Request the waiver in accordance with Section 42 (g)(8)(B);
2. Obtain a statement from DSHA that each residential unit in the building was a low-income unit under Section 42 at the end of the most recent credit period for the building. DSHA would conduct a 100% file review. Any noncompliance matters would be reported to the IRS.
3. Understand that DSHA may continue to require an annual income recertification under the agency's monitoring procedure and that the waiver does not exempt the owner from the record keeping and certification requirements of Section 1.42-5 for the verification of the annual income of a tenant upon the tenant's initial occupancy of any unit in the building. In addition, the statement needs to include in the upper right hand corner the building identification number, the building or project name, the building address, the owner's name, the owner's address and owner's taxpayer I.D. number.

NOTE: Owners may not implement the recertification waiver until the waiver has actually been granted from the IRS and DSHA has received a copy for its records. The waiver would not go into effect until the next monitoring cycle after receipt of the IRS waiver. DSHA also reserves the right to resume the annual recertification process procedure at any time under DSHA's monitoring procedures.

In addition, until the IRS provides an amendment to revise their recertification waiver procedures, the waiver only allows the project to discontinue the third party verification process. Households will still need to be annually certified. Household changes and student status may change during the occupancy period which may affect continued eligibility. (Owners who have received the recertification waiver, must use form # D-26 in Appendix # D)

Which properties are **not eligible for the waiver**: Properties participating in other programs requiring annual reverification of income (i.e, Rural Development, Section 8 Project-Based, tax-exempt bond financed and HOME) and properties that **are not** 100% low income.

To request a recertification waiver, contact DSHA's compliance monitoring staff. Since the recertification waiver requires a site visit and 100% file review before a statement can be issued to the IRS, DSHA reserves the right to charge a fee for this service.

A. Tenant Income Verification

- Term of Verification

Verification of income is valid for 90 days prior to move-in or recertification date. After 90 days, the information may be updated verbally by the income sources for an additional 30 days. A verbal update must be documented in the applicant's or tenant's files.

B. Methods of Verification

- Written verification is required. There are sample verification forms you may use or adapt in Appendix D.

Any request for income must state the reason for the request, include a release statement signed and dated by applicant or tenant, and provide a section for the employer or another third party source to state the applicant's current anticipated gross annual income or rate of pay, number of hours worked, and frequency of pay. Bonuses, tips and commissions must be included. Spaces should also be available for a signature, job title, telephone number and date.

- Applicants should be asked to sign two copies of each verification form. The second copy can be used if the first request is not returned in a timely manner. If the second request is not returned, the information received from the applicant/tenant may then be used to document income.
- Verification requests must be sent directly to and from the source, not through the applicant/tenant. It is suggested that a self-addressed, stamped envelope be included with the request for verification. Facsimiles are acceptable as long as the forms are legible and on bond paper.
- Verifications may be hand-delivered by the applicant/tenant only if it is provided on the letterhead of the source or by a notarized affidavit.
- All income verifications should be date-stamped as they are received.
- When written verification is not possible prior to move-in or at certification, direct contact with the income source will be acceptable to DSHA, but only as a last resort.

Any conversations should be documented in the applicant's file including the information that would be included in a written verification. The name and title of the contact person providing the information, the name of the on-site management representative accepting the information, and the date must be included.

C. Acceptable Forms of Income Verification

IMPORTANT NOTE:

For tenants who receive Section 8 Certificates/Vouchers, receipt of the Public Housing Authority Verification form (Appendix D-18) is acceptable as verification of income. However, an Annual Tenant Income Certification Form must be completed by the owner and signed by the tenant. The Public Housing Authority Verification Form may be attached to the Certification form and placed in the tenant folder. If the Public Housing Authority is not cooperative, other proper income verification and certification methods must be followed.

Specific information must be obtained on income verifications. Owners or management agents may develop their own forms; however, the following acceptable forms of verification for specific types of income situations, in the order of prioritized acceptability, must be included:

1. Employment Income

- a. Employment verification forms completed by the employer or statement from employer on company letterhead. Verification must specify frequency of pay, effective date of last pay increase, and probability and effective date of any anticipated increase during the next 12 months; or
- b. Check stubs or earnings statements (minimum of 4 weeks) showing the employee's gross pay per pay period and frequency of pay; or
- c. Notarized statements or affidavits along with the most recent income tax returns signed by the applicant or W-2 forms providing the income including income from tips and other gratuities, when available.

NOTE: We recommend that you request a copy of all adult household members' tax returns or W-2 forms as an additional source of previous or current employment history prior to certification or recertification.

2. Self-Employment Income

- a. Accountant's or bookkeeper's statement of net income;
- b. Audited or unaudited financial statement(s) of the business along with a notarized statement from the applicant giving the anticipated income for the 12 months following certification; or
- c. A notarized affidavit and, if available, the prior year's federal income tax return (personal **and** business tax returns, if household is sole proprietor). The tax return received as documentation should always be complete, signed and have all attachments required.

3. Social Security, Pensions, Supplemental Security Income (SSI), Disability Income, Veteran's Administration Benefits

- a. A benefit verification form completed by the agency providing benefit

information; or

- b. An award or benefit notification letter prepared and signed by the authorizing agency. NOTE: Since checks or bank deposit slips show only the net amount remaining after deducting SSI or Medicare, they may be used only when award letters cannot be obtained. Any withholdings must be verified and included in annual income. If using a bank statement, always add the medicare payment or SSI payment back into the gross amount.
4. Unemployment Compensation
 - a. A verification form completed by the unemployment compensation agency; or
 - b. Records from the unemployment office stating payment dates and amounts. (unemployment income should be annualized unless an ending date has been specified on the verification).
5. Alimony and Child Support Payments
 - a. A copy of a separation or settlement agreement or a divorce decree stating the amount and type of support payment schedule. If the document is not within the 90-day time frame, a notarized statement is requested from the applicant stating current income; or
 - b. Child support verifications forms completed by the Division of Child Support Enforcement specifying the amount and frequency of support and whether or not the award is received by the applicant/tenant/household; or
 - c. A notarized letter from the person paying support; or
 - d. A copy of the latest check and documentation of how often the check is received or;
 - e. As a last resort, a notarized statement from the applicant or tenant stating the amount being received and how often.
6. Recurring Contributions and Gifts
 - a. Notarized statement or affidavit signed by the person providing the assistance which gives the purpose, dates, and value of the gifts; or
 - b. A letter from a bank, attorney, or a trustee providing required verification; or
 - c. Only when the above is not possible, the applicant's notarized statement giving the same information.
7. Unemployed Applicants/Tenants
 - a. The income of unemployed applicants/tenants with regular income from any source, such as Social Security, pension, recurring gifts, etc., must be verified

as covered previously.

- b. If an applicant/tenant is currently unemployed and claiming zero (0) income, they must provide evidence of current anticipated income for the certification year by executing an Unemployment Affidavit **and** providing a signed copy of the prior year's federal income tax return.
- c. If the applicant/tenant is unemployed with no regular verifiable income from any source and intends to live off of assets or zero income, an Unemployed Affidavit must be submitted **along with** a copy of the prior year's federal income tax return.

D. Annual Income

Annual income includes the anticipated total income received from all sources by all adult members of the household (18 years of age or older, including full-time students, or a spouse that is temporarily absent) for the 12-month period following the effective date of certification of income and all unearned income for all members of the household.

1. Annual income includes, but is not limited to the following:
 - Gross amount (before any payroll deductions) of wages, salaries, overtime pay, commissions, fees, tips, bonuses, allowances (documented by an IRS 1099), and any other compensation for personal services received by every adult member of the household;
 - Net income, salaries, and other amounts distributed from a business;
 - Gross amounts, before deductions for Medicare, of social security payments. This includes payments received by adults on behalf of minors for their support;
 - Annuities, insurance policies, retirement funds, pensions, disabilities and other similar types of periodic payments;
 - Lump sum payments received because of delays in processing unemployment, welfare or other benefits;
 - Payments in lieu of earnings, such as unemployment and disability compensation, workmen's compensation, and severance pay. Any payments that will begin during the next twelve months must be included;
 - Alimony and child support; Alimony or child support paid by a member of the household is also counted as income, even if it is garnished from wages;
 - Welfare assistance;
 - Interest, dividends, and other income from net family assets (including income distributed from trust funds). On deeds of trusts or mortgages, only the interest portion of the monthly payments received by the applicant is included;

- Lottery winnings paid in periodic payments. (Winnings paid in a lump sum are included in family assets, not in annual income).
- Recurring monetary contributions or gifts regularly received from persons not living in the unit, including rent or utility payments paid on behalf of the household; and
- Actual income distributed from trust funds that are not revocable by or under the control of any member of the tenant family. NOTE: even if family assets exceed \$5,000, use actual income distributed from the irrevocable trust.

2. Annual Income **Excludes:**

- Employment income of members of the household that are under 18, including foster children. (Unearned income such as social security payments received on behalf of minors must be included as income).
- Earnings in excess of \$480 for each **full-time student 18 years old or older** (excluding the head of household, co-head or spouse).
- Deferred periodic payments supplemental security income and social security benefits that are received in a lump sum payment.
- Payments received for the care of foster children and foster adults.
- Adoption assistance payments in excess of \$480 per adopted child
- Income associated with persons who reside in the unit but are not household members, for example, temporary live-in attendants.
- Income that is received on behalf of someone who does not reside with the family, as long as the amounts are: (1) not intermingled with the family's funds; and (2) used solely to benefit the person who does not reside with the family.
- The full amount of student financial assistance either paid directly to the student or to the educational institution. This amount includes education grants, scholarships, or Veterans Administration benefits are intended as a subsistence allowance to cover tuition, fees, books, rent, equipment, utility costs, and board of a student living away from home.
- The value of state or local employment training programs and training of resident management staff. In addition, amounts received under training programs funded by HUD (Comprehensive Improvement Assistance Program, Section 3 or Family Self-Sufficiency Programs) are not included as income.
- Principal portion of the payments received on mortgages or deeds of trust held as assets.
- Hazardous duty pay to a family member in the military.

- Lump sum additions to family assets such as inheritances, cash from sale of assets, one-time lottery winnings, insurance and workman's compensation, or settlement for personal or property losses.
- Temporary, nonrecurring or sporadic income (including gifts).
- Food Stamps, Meals on Wheels or other programs that provide for the needy; groceries provided by persons not living in the household; and amounts received under the School Lunch Act and the Child Nutrition Act of 1966 (including reduced lunches and food under Special Supplemental Food Program for Women, Infants and Children (WIC)).
- Amounts paid by a State agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.
- Payments, rebates, or credits received under Federal Low-Income Home Energy Assistance Programs.
- Annual rent credits or rebates paid by government agencies. This includes any earned income tax credit up to and equal to the tenant income tax liability. This amount is excluded from income.
- Tenant Service Stipends (not to exceed \$200 per month). A tenant service stipend is a payment received by a tenant from the owner for performing a project community service on a part-time basis. Common examples include, nightly patrols, day care assistance, door-to-door delivery assistance, lawn maintenance and tenant initiatives coordination. No tenant may receive more than one such stipend during the same period of time.
- Amounts earned by temporary census employees (terms may not exceed 180 days for the purpose of this exclusion).
- Other forms of income excluded by federal statutes are:

Relocation payments received under Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies act of 1970;

Payment under the Job Training Partnership Act (employment and training programs for native Americans and migrant and seasonal farmworkers, Job Corps, veterans employment programs, State job training programs, career intern programs);

Payment received under Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);

Payments received under Alaskan Native Claims Settlement Act, and the first \$2,000 of per capita shares received from judgments awarded by the Indian Claims Commission or the Court of Claims or from funds the Secretary of

Interior holds in trust for an Indian Tribe.

Payments received under Title V of the Older Americans Acts (Green Thumb, Senior Aides, Older American Community Service Employment Program).

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. Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era.

E. Calculating Annual Income

Verified income must be converted to annual amounts by using the following calculations:

- For employment:

Hourly wages by number of hours expected to work per week;
Weekly by 52;
Bi-Weekly by 26;
Semi-Monthly by 24;
Monthly amounts by 12;

If a range of hours is stated on the verification form, use the highest number of hours noted or re-verify the amount with the third party and document the conversation and all information given in the tenant record.

- For other income types, periodic payments should be calculated on the actual payments received over a period of 12 months.
- Annual wages should always reflect a full 12 month period, regardless of the pay schedule. For example, if a school teacher earns a gross annual salary of \$17,000, the \$17,000 should be used as annual salary whether the teacher is paid over a nine month period or throughout the year.

F. Assets

Assets are items of value, other than necessary personal items, and are considered along with verified income to determine the eligibility of a household. Income from assets is added to annual income to determine eligibility.

In 1993, the IRS revised the ruling that households with assets less than \$5,000 only had to certify to this and no verification of assets was needed. However, this rule does not apply to RD, HOME, and HUD Section 8 Project-Based Assisted properties. All RD and HUD regulations must be followed with reference to assets for those properties.

Appendix E - An Asset Certification must be completed *for all households* at move-in and recertification. When assets are verified, regardless of the value, and interest income and any other actual income is documented, the interest must be added to the household income.

When households have assets worth more than \$5,000, verification of assets is required. The asset information (total value and income to be derived) should be obtained at the time of application or annual certification. The calculation of asset value is included on the Annual Tenant Income Certification (Appendix E).

NOTE: When HOME funds are used in an LIHTC property, HOME requires verification of all asset income regardless of the amount or worth of the asset.

1. Assets Include:

- Cash held in savings and checking accounts, safety deposit boxes, homes, etc. For savings accounts, use the most current balance and for checking accounts, use the average balance for the last six (6) months.
- Revocable Trusts - Include the principal value of any trust available to the household. The grantor can change this trust as often as he/she wishes and can have access to this asset at any time. Generally, upon the death of the grantor, the asset is transferred to the beneficiary.

Do not include irrevocable trusts that a family can not control. An example of an irrevocable trust is a trust fund established for a son or daughter, prior to the parent's death. For example, some irrevocable trusts allow the beneficiary to receive only the interest from the trust during his/her lifetime and the principal cannot be withdrawn. Irrevocable trusts are considered as income.

- Equity in real estate or other capital investments. Include current market value less any unpaid balance on any loans secured by the property and any reasonable costs that would be incurred in selling the asset such as prepayment penalties or broker fees.
- Stocks, Bonds, Treasury Bills, Certificates of Deposits, Money Market Funds.
- IRA's or Keough accounts, 401 (k) accounts, Retirement or Pension Funds.
- Lump sum receipts should include inheritances, capital gains, one-time lottery winnings, settlement on insurance and other claims.
- Personal property held as an investment such as gems, jewelry, coin collections, antique cars, paintings, etc.
- Assets owned by more than one person should be prorated according to the percentage of ownership.
- Cash value of life insurance policies available to the individual before death (e.g. surrender value of a whole life policy).
- A mortgage or deed of trust held by household. Payments are usually received as one combined figure of principle and interest. Separate the principle and interest portions (by using an amortization schedule) and ***include only the interest for the future 12 months*** as income. Determine the amount of the loan outstanding at the end of the 12-month period following the certification and include that amount as the asset value.

2. **Assets Do Not Include:**

- Necessary personal property (i.e., clothing, furniture, automobiles, etc.)
- Vehicles specially equipped for the handicapped.
- Interest in Indian Trust Land.
- Term Life Insurance Policies (i.e. where there is no cash value).
- Equity in the cooperative unit in which the family lives.
- Assets that are part of an active business. (“Business” does not include rental of properties that are held as investments and not a main occupation.)
- Assets held in the applicant's/tenant's name, but which are actually owned by someone else; such as:
 - assets and any earned income that is accrued to the benefit of someone else;
 - a situation wherein another person is responsible for income taxes incurred on income generated by the assets;
 - applicant/tenant is responsible for disbursing someone else's money, such as in the case of having Power of Attorney, but the money is not his/hers and no benefit is received.
- Assets that are not accessible to the applicant/tenant and provide no income.

3. **Determining the Value of Assets**

For assets valued at \$5,000 or greater, owners must use the cash value of the assets, which is the amount the applicant/household would receive if the assets were converted to cash. Expenses which may be deducted from the asset value include:

- Penalties for withdrawing funds before maturity;
- Broker/legal fees assessed to sell or convert the asset to cash; and,
- Settlement costs for real estate transactions.

4. Sale or Disposition of Assets

At the time of application, it must be determined if the applicant has disposed of any assets for less than fair market value at any time within two years prior to the effective date of the application.

If the fair market value of the disposed assets exceeds the gross amount that the family has received from the liquidation of the assets by more than \$1,000 then include as assets the whole difference between the cash value and the amount received. If the difference is less than \$1,000, do not count it.

Example: Mr. Jones sold his home to his niece for \$5,000. The home could have been sold to another buyer for \$60,000. \$60,000 subtract \$5,000= \$55,000. This difference between the value and the price received is greater than \$1,000. You would need to include \$55,000 in total household asset value (and would impute the income received from this asset).

DO NOT consider assets disposed of for less than fair market value as a result of a foreclosure, bankruptcy, or a divorce or separation settlement.

DO consider assets put into trust and business assets disposed of for less than fair market value. (Business assets are excluded from net family assets only while they are part of an active business.)

5. Assets Owned Jointly

If assets are owned by more than one person, prorate the assets according to their percentage of ownership. If no percentage is specified or provided by state or local law, prorate the assets evenly among all owners.

6. Determining Asset Income

For assets valued at \$5,000 or greater, the actual interest or cash received will be compared to the imputed value of the asset and the greater will be added to the tenant's annual income. To impute a value of assets over \$5,000 you must multiply 2.00% (or the current HUD approved imputed percentage) by the cash value of the asset. The greater of the imputed amount or the actual interest or cash received will be added to the gross annual income of the applicant/tenant.

Example of Asset Calculation:

<u>Asset</u>	<u>Cash value</u>	<u>Actual Income from the Asset</u>
Checking	\$ 255	\$ 0
Savings	\$ 1,100	\$ 17
Nonrevocable Trust	\$ 0	\$ 750
C.D.	\$ 4,925	\$ 123
Carryover amount of Disposed asset	\$28,320	\$ 0
Mortgage	<u>\$30,000</u>	<u>\$ 432</u>
Total	\$64,600	\$ 1,322

Imputed income VS. Actual income
\$64,600 x 2% = \$1,292 \$1,322

Amount to be included as annual income = \$1,322

Sources of Asset Verification

- A. Checking and Savings Accounts or other types of accounts held by a bank:
 - 1. Third party verification with bank/lender.
 - 2. Copies of account statement: for checking - the last six months, for savings - most current statement.

- B. Trust Funds
 - 1. Copy of the most current fund statement.
 - 2. Letter from the trust administrator or representative of trustee.

- C. Real Estate
 - 1. Copy of most current tax assessment or statement from real estate broker.
 - 2. If under contract of sale, a copy of the contract.
 - 3. For the outstanding loan balance, a payoff statement from the mortgage holder or amortization schedule.

- D. Stocks, Bonds, Treasury Bills, Money Market Accounts
 - 1. Copy of the most current account statement from a brokerage firm.
 - 2. A statement from a brokerage account representative.

- E. Retirement and Pension Funds
 - 1. Copy of the most current account statement showing the ownership percentage.
 - 2. Copy of the most current benefit statement.

- F. Whole Life or Universal Life Insurance Policy
 - 1. Copy of the most current statement of cash value.
 - 2. Statement from the insurance company as to value of policy.

- G. Personal Property Held as an Investment (i.e., paintings, jewelry, coin or stamp collection)
 - 1. Copy of 90-day current appraisal.

- H. Mortgage or Deed of Trust Held by an Individual
 - Copy of an amortization schedule relating the specific term and interest rate of the mortgage.

X. TENANT INCOME CERTIFICATION/RECERTIFICATION PROCEDURES

After all the income and asset information has been obtained and computed, a DSHA Annual Tenant Income Certification form should be completed. (See Appendix E). This form is a legal document which, when fully executed along with the lease, qualifies the applicants to live in the set-aside units in the project. Attach all verification and documentation to the Certification form. The Certification form should be signed on the date of move-in or no earlier than 5 days before the move-in date.

Owners must annually recertify all households (unless a recertification waiver has been granted by the IRS, see page 18-A for further information). The recertification should always be completed by the first day of the month of the anniversary month that the household moved into the property. Example: Move-in date 5/15/98; recertification should be completed and signed by the household by 5/1 each year.

The DSHA Annual Tenant Income Certification must be executed along with the lease prior to move-in. The following guidelines also apply:

1. The owner/management agent should instruct the applicants/tenants to sign the Annual Tenant Income Certification form as the name appears on the form.
2. No one may live in a low-income set-aside unit unless tenants are certified and under a lease.
3. In the event the tenant wishes to have an additional person move into the unit, the following steps should be taken:
 - The additional persons should complete an application for residency and provide verification of income and asset information as required above; and
 - The additional person's income should be added to the current tenant's previously certified income; and
 - A determination must be made as to whether the income requirement is jeopardized by adding an additional occupant (140% rule).
 - In the event a household member moves or vacates the unit, the unit will remain in the category as originally certified as long as an original member of the household still remains in the unit. Example: Mary and Jane are income eligible and move-in as roommates. A year later Jane moves out. Mary finds another roommate, Carol, and their total household incomes will allow for continued qualified occupancy. After a few months, Mary moves out (the last original income qualifying resident) and is transferred by her employer. At this point Carol is the sole remaining resident. She was not a member of the original qualified household and the unit is no longer Tax Credit eligible. The new household must re-qualify as a tax credit eligible household.

The tenant file should be documented when any household member vacates the unit.

4. The applicant/tenant's month of move-in should be placed on a "tickler" system. We recommend initiating recertification procedures approximately 90-120 days prior to the anniversary month of their original move-in date in order to give proper notice.

XI. 140% NEXT AVAILABLE UNIT RULE OR OVER INCOME TENANTS

If a tenant qualifies as being low-income when initially occupying a unit in the project (or on any subsequent determination date), an increase in the low-income tenant's income of up to one hundred forty percent (140%) of the current applicable income limit (adjusted for family size) will not result in noncompliance. At annual recertification, in the event that a low-income tenant's income increases to a level more than 140% of the applicable limit, the next available unit of comparable or smaller size in the same building must be rented to a qualified low-income tenant. The unit which exceeded the 140% income limit must continue to be rent restricted. This rule is applied on a per building basis.

Multiply 1.4 times the current applicable income limit adjusted to family size. If the current tenant's income does not exceed this figure, the unit may be counted as low-income at recertification.

NOTE: This ruling DOES NOT apply to projects with 100% low-income set-aside units. (In projects where 100% of the units are rented to persons with incomes at 50% or 60% of the median income, all vacant units must be rented initially to income qualified tenants. In all cases, no tenant can be displaced as a result of an increase in income only.)

In mixed-use properties (those that have tax credit units and market rate units), after the next available unit of comparable or smaller size is rented or legally committed to be rented to a qualified low-income household, the rent of the over-income unit may then be increased to market rate in accordance with any lease restrictions. At that time, the newly rented comparable size unit then becomes the tax credit qualified unit in place of the original unit that went over income. Comparable size is measured by the same method used to determine qualified basis for the credit year in which the comparable unit became available (i.e., either number of bedrooms or square footage in the units).

If the household's income is above 140% and the next unit is not rented to a qualified household, all the units in the building having income above 140%, as well as the unit rented that did not qualify, will be out of compliance. This rule is called "1 for all rule". Meaning if you make one mistake, all of the over-income units in the building are in noncompliance.

In Tax-Exempt Bond mixed-use properties, the Next Available Unit Rule is applied on a *project* basis rather than a building basis. This means that if one unit in the project goes over 140%, the next available unit **in the project** must be rented to a qualified household.

XII. STUDENT TENANTS

A housing unit is generally not eligible for the Tax Credits if tenants occupying the unit are full-time students who are not married individuals filing joint returns. Exceptions to this ruling are as follows:

1. A student receiving assistance under Title IV of the Social Security Act (AFDC); or
Note: In Delaware, TANF (Temporary Assistance for Needy Families) is considered the same as AFDC.
2. A student enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State, or local laws or;
3. Housing unit is occupied entirely by full-time students and such students are single parents and his or her minor children and no other tenants are dependents of a third party; or
4. Students married and filing a joint return. (NOTE: Married students must have filed a joint tax return prior to moving into the unit or at the time of application.)

Generally, if all of the household members are full-time students and are not considered an exception above, the household does not qualify as eligible. **This rule must be applied during the entire occupancy period for each household.** We recommend that owners utilize a lease provision requiring tenants to notify management of any change in student status.

For purposes of clarification and qualifying, households containing students that live in or are applying to Tax Credit properties, the following applies:

- an applicant is 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;
- a household of students is eligible if it includes at least one part-time student or one household member who meets one of the student exceptions;
- a household containing full-time students and at least one child (who is not a full-time student) is an eligible household;
- children in Tax Credit properties are to be considered full-time students when they enter first grade, unless kindergarten is mandatory under state law.

A full-time student is defined as any individual who has been or will be a full-time student at an educational institution, other than correspondence school, with regular facilities and students during five months of the year in which the application is submitted. The student must also meet the institution's requirements for full-time status.

XIII. TRANSFERS

Compliance is on a unit-by-unit basis. Households who need to be transferred into larger or smaller sized units should be considered new tenants or households and must meet the same qualifications as a brand new household as to income and rent qualifications. However, in accordance with TD 8732 - Available Unit Rule (Appendix G-75), households may be transferred within a building. If there is a larger or smaller unit within the building that would accommodate the household, a transfer may occur. If a household is transferred to a different building, the household must be considered new and must re-qualify. An Annual Tenant Income Certification with supporting verification of income and a new lease should always be completed regardless if the transfer was within the building or to a different building.

There may be conflicts with regard to transfers for HUD or RD projects. Both Federal agencies require transfers in certain cases which may conflict with current LIHTC regulations. We recommend consulting DSHA and the applicable Federal agency before implementing any transfers that result in conflicts with either agency's regulations.

XIV. VACANT UNITS AND SPECIAL OCCUPANCY RULES

VACANT UNITS

DSHA will be monitoring vacant units as well. Until we receive further guidance from the IRS, the following applies to vacant units:

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

Basically this means when a unit becomes vacant, the credit is still available so long as reasonable attempts are made to market the unit, and the next available unit in the project of the same size or smaller size, is rented to a Tax Credit eligible household. Documentation of marketing attempts should be on file with the project's records.

This becomes particularly important to mixed-use properties that do not have 100% tax credit qualified units. If a tax credit unit becomes vacant and a market unit is also vacant, the tax credit unit must be rented before the market unit or the vacant unit rule is violated regardless of whether the units are in the same or different buildings.

EMPLOYEE UNITS

If the unit is part of the common space, an employee for that property may occupy the unit. The employee does not need to be income eligible. In addition, no rent is usually charged for the unit, there is no need for certification and an employee should sign an employment agreement that terminates occupancy when employment is terminated.

If an employee resides in a rent-restricted rental unit that is part of the applicable fraction, the employee's household income must be eligible for the Tax Credit program, the household income must be verified and certified. (Please note, that income verification of employees should be completed by an accountant from the management agent and should not be completed by an employee in a supervisory role). If the employee household receives a rent-free unit, this compensation (the dollar amount that is normally considered rent) must be included as part of their income.

In mixed-use properties, (where there are market rate units) the management, maintenance or security unit may not be counted as a tax credit unit unless the employee occupying the unit is qualified exactly as any other tax credit household.

MODEL UNITS

A model unit is a residential rental unit, the unit is included in the number of units used to determine the applicable fraction when calculating the amount of the credit, and as such must be rented to a qualified household once it is available for occupancy (this should be within 24 months after the placed-in-service date). At the time a household moves out, a property may temporarily convert a vacant unit to a model. Because of the vacant unit rule, if tax credits are claimed on the model unit, continuing efforts must be made to market that unit to qualified households and the next available vacant unit in the property must be rented to a tax credit qualified household.

COMMERCIAL SPACE

In accordance with Section 42, residential rental property may qualify for the credit even though a portion of a building in which the residential rental units are located is used for commercial use.

However, commercial space is not Tax Credit basis eligible and could be cause for a recapture event. Therefore, careful thought should be given when having commercial space within your Tax Credit property. Make sure the following guidelines are taken into consideration:

1. Do not take common areas and turn them into commercial space after claiming Tax Credits. (For example, renting your community building to local community groups).
2. Any commercial activity on your property should have all proper licenses, approvals and zoning. This includes satellite dishes, cable t.v.
3. Do not allow tenants to conduct commercial business from their units. Do not permit residents to have licensed day cares in Tax Credit units. Tax credit units must be residential in nature.
4. Make sure you have proper liability coverage for any services provided for in either common or commercial space.
5. A permanent model may be considered commercial space.

COMMON AREA

Eligible basis may include the cost of facilities for tenant use and other amenities that are considered common areas. Tenant facilities, such as swimming pools, parking areas, and other recreational facilities may be included in basis. Therefore, no separate fees can be charged (to any tenant whether tax credit or market rate) for these amenities if they were included in basis.

SUPPORTIVE SERVICES

Mandatory fees for supportive services (transportation, housekeeping, etc.) must be included in the gross rent calculation. However, if the fee is optional or paid by an outside agency, it should not be included in gross rent. Owners cannot prevent a household from contracting privately for services including medical nor can an owner require "capacity for independent living". This is a violation of Fair Housing.

XV. FAIR HOUSING AND SECTION 8 CERTIFICATE AND VOUCHER PARTICIPANTS

In January 2000, the IRS revised compliance monitoring regulations and owner certification requirements. The new regulations require owners to certify that they have not discriminated in selecting applicants or in the ownership and management of the Tax Credit property. Effective January 1, 2001, owners must certify to two new provisions:

1. The owner has not refused 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.

Owners may no longer have policies that refuse to admit Section 8 applicants. Owners must allow Section 8 applicants to apply to their LIHTC property. However, the Section 8 applicant must still meet all of the property's screening and eligibility criteria.

2. No findings of discrimination under the Fair Housing Act, U.S.C. 3601-3619, occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616(a)(1), or an adverse judgement from a federal court.

XVI. LEASES

DSHA requires all tenants in rent-restricted units to be annually certified and be under a lease in order to occupy a unit. All leases should be pre-approved by DSHA. Any amendments or changes to the lease during the compliance period should be submitted to DSHA for approval.

The lease should include at least the following information:

- Legal name of parties to the agreement and all other occupants;
 - A description of the unit to be rented;
 - Term of the lease and date of move-in or possession;
 - The rental amount;
 - Use of the premises;
 - Rights and obligations of each party;
 - Full-time student status clause;
 - Subletting/assignment is prohibited;
 - Optional charges (i.e., washer/dryer rentals) should be listed separately on an addendum or separate agreement*;
Attachments should include, but are not limited to:
- Annual Certification and qualification information on the LIHTC program.
 - Copy of Summary of Delaware Landlord Tenant Code
 - Rules and Regulations
 - Move-in inspection form (completed by landlord and signed by tenant)

For properties newly rehabilitated, a new lease should be executed along with the Annual Tenant Income Certification prior to the placed-in-service date.

In general, occupancy must be provided on a non-transient basis to the general public. This means that in Delaware, tax credit residents must sign leases for an initial term of one year. After the initial term, the lease may convert to a month-to-month lease at the owners option.

There are, however, provisions for housing for the homeless and Single Room Occupancy (SRO) properties contained in Section 42 (i)(3)(B)(iii) & (iv). For SRO properties, a thirty (30) day lease will be required.

* Optional charges should not be a requirement to live in the unit. If the charge or fee is a requirement to live at the property, the charge or fee must be included as part of the rent. However, these charges or fees may not be allowed under the Delaware Landlord Tenant Code.

XVII. INSPECTIONS

We suggest that units always be inspected by the owner for all new tenants on the date of initial occupancy. A move-in inspection report should be completed documenting any problems noted in the unit at the time of move-in.

Bi-annual or quarterly inspections should also be completed by the owner on each unit. Please be aware, in accordance with the Delaware Landlord Tenant Code, tenants need to be given at least 2 days written notice of the inspection, unless it is an emergency or scheduled maintenance repair.

Annual and bi-annual inspections enable the owner to find unreported maintenance and housekeeping problems.

In January 2000, the IRS revised compliance monitoring regulations and owner certification requirements. Owners must certify that:

The buildings and low-income units in the project were 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 local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project. If a violation report or notice was issued by the governmental unit, the owner must attach a statement summarizing the violation report or notice to the annual certification submitted to DSHA. In addition, the owner must state whether the violation has been corrected.

DSHA is required to inspect a minimum of 20% of all units in each project and all buildings and common areas.

XVIII. GENERAL AND PREVENTATIVE MAINTENANCE

Part of the owners compliance with IRS regulations is to annually certify that the project is in compliance by signing an Annual Owners Certification for Continuing Compliance report Form (Appendix C). However, there is one section that the owner should pay close attention to with regard to compliance where maintenance and turnover of their rent-restricted units are concerned:

- Section (f):

Each building in the project is suitable for occupancy, taking into account local health, safety, and building codes.....

Generally, we recommend that routine and preventative maintenance plans be part of the general management plan for the project.

The standards of maintenance should be consistent with the objective of providing satisfactory, decent, safe and sanitary housing at an economical cost and of having the buildings and grounds present an attractive and well-groomed appearance. All maintenance services and preventive maintenance programs should be performed on a regular and scheduled basis. Systematic and thorough maintenance keeps the housing in a good state of repair, appreciably extends the useful life, and results in lower overall cost. It also makes for tenant satisfaction and, by example, elicits their cooperation.

XIX. DSHA MONITORING AND COMPLIANCE

DSHA will perform an annual on-site compliance review of at least 20% of all LIHTC projects, including RD 515 projects, and tax-exempt bond financed properties. The following items are examples of items that will be completed on the annual compliance review:

- Review of the Annual Tenant Income Certification;
- Documentation to support income that the owner has received for each low-income unit;
- Review of the rent records for each low-income unit;
- Review that the minimum set-aside is being maintained;
- Review of correct income, utility allowances and rent limitations;
- Vacant unit review, move-out files and waiting list;
- Review of the qualified basis per building and any decrease in basis that the owner has claimed on IRS Form 8609 was accurate;
- Review that all extended use provisions are being met (i.e., compliance period, income targeting, services, amenities, etc.);
- Review of Annual Owners Certification for Continuing Compliance report.

DSHA is required to inspect a minimum of 20% of all units in each project and all buildings and common areas.

DSHA recommends that owners keep a general compliance file at the property for monitoring visits by investors, lenders, asset management staff and DSHA. The following should be kept at the property:

General Property Compliance File

- **IRS Form 8609, page 1 & 2 for the first year of the credit period**
- **Copies of all Certificates of Occupancy, if applicable, for all Buildings**
- **Partnership Agreement**
- **Annual Utility allowance survey or letters from utility providers**
- **Copy of each initial tenant certification, verification and lease (tenant file)**
- **Copy of all support services and social service contracts**

XX. NONCOMPLIANCE

A. Notification to Owner

DSHA will notify each owner in writing if a building and/or the project is in noncompliance with Section 42 of the Code when:

1. Annual Owners Certification for Continuing Compliance report and/or Monitoring Fees have not been received by January 15 (only a one-time notice will be issued);
2. DSHA has attempted to contact owner for a compliance review and/or inspection and the owner did not respond or could not be located;
3. After a compliance review has been performed and DSHA finds that Annual Tenant Income Certifications, supporting documentation, or rent records are missing or are incorrect or DSHA Annual Monitoring Report has not been completed;
4. The project is found to be out of compliance with the requirements of Section 42 of the Internal Revenue Code through physical inspection, review, or other discrepancies.

B. Correction Period

Should DSHA find a building and/or the project to be in noncompliance with Section 42 of the Code, the owner must supply any missing certifications, correct any findings, and bring the project into compliance with provisions of Section 42. The correction period is not to exceed 60 days from the date of DSHA notification to correct the violation.

C. Notice to Internal Revenue Service

DSHA is required to file Form 8823 "Low-Income Housing Credit Agencies Report of Noncompliance" with IRS no later than 45 days after the correction period has expired whether or not the noncompliance or failure to certify is corrected.

Any change in the applicable fraction or eligible basis that results in a decrease in the qualified basis of the project is noncompliance and must also be reported to the IRS.

D. Monitoring Fees

DSHA will charge a monitoring fee on Tax Credit eligible units for performing the service of monitoring the LIHTC project. For new projects, DSHA will charge a one-time fee of \$400 per unit. This fee must be paid prior to receiving an allocation of Tax Credits; at the issuance of IRS form 8609 or the Carryover Agreement, whichever is issued first. For all projects allocated credits after January 1, 1990 through December 31, 1996, the fee will be \$15 per unit and will be due January 15 each year for the remaining years of the compliance period or for as long as DSHA has LIHTC monitoring responsibilities for the project.

E. Examples of Noncompliance and Corrective Actions

EXAMPLES ARE BASED ON PROJECT HAVING 100% OF ITS UNITS AT THE LOW-INCOME SET-ASIDE (RENT RESTRICTED).

Please note, that many noncompliance problems can be corrected, however, DSHA has the responsibility to report all noncompliance findings to the IRS regardless of whether or not the findings have been corrected. However, when DSHA completes IRS form 8823, "Low-Income Housing Credit Agencies Report of Noncompliance," corrected findings by the owner will also be reported to the IRS.

1. PROBLEM:

The unit was rented to a household whose income was over the Maximum Income Limit at the time of move-in.

CORRECTION:

There may not be very much an owner can do to correct this problem and the unit will stay in noncompliance until the household moves out of the unit or until the household's income is at or below the current Maximum Income Limit. However, the following step may be taken to attempt to correct the problem:

- Reverify and document income at the time of move-in. Tax returns or W-2's may be obtained from the tenant as documentation and can document that the tenant may have been within the income limit.

2. PROBLEM:

An incorrect utility allowance was used to calculate the maximum allowable rent. Tenants were not charged the correct rent for one year of the compliance period. The rent charged the tenants was more than the maximum allowable rent.

CORRECTION:

Credit or rebate the tenant the difference between the correct rent and the rent charged. Immediately implement the correct new rents using the correct and approved utility allowance.

3. PROBLEM:

Documentation of income was missing in the tenant's folder and the Annual Tenant Income Certification was not completed during the initial year of occupancy.

CORRECTION:

Contact tenant for tax returns or W-2's. If unavailable, have tenant sign third party income verification forms for the initial year of occupancy. Upon receipt of documentation, complete an Annual Tenant Income Certification form and attach to verification.

4. PROBLEM:

DSHA does not receive the Annual Owners Certification for Continuing Compliance report due January 15 each year.

CORRECTION:

A one-time only warning notice will be sent to each owner giving an additional 30 days to submit the Annual Owners Certification for Continuing Compliance report. If DSHA does not receive the Annual Project Certification by the extension date, DSHA will file IRS form 8823 for Noncompliance.

5. PROBLEM:

DSHA can not locate owner to inform them of compliance review and inspection date or to inform the owner of new IRS regulations.

CORRECTION:

Owners should always keep DSHA informed of any changes in address, owners or any other LIHTC issues. If DSHA can not locate or contact owners, DSHA must file IRS form 8823 for Noncompliance.

6. PROBLEM:

During a DSHA physical inspection, a smoke detector was found to be inoperable. Under Section 42, this is a major violation of health, safety and building codes and IRS form 8823 "Low-Income Housing Credit Agencies Report of Noncompliance," should be filed.

CORRECTION:

DSHA **must** receive written notification that the smoke detector was repaired/replaced by the end of the working day the violation was discovered. If written notification is not received, DSHA will file IRS Form 8823 for noncompliance immediately.

XXI. COMBINING THE HOME PROGRAM WITH THE LIHTC

A. What is the "HOME" Program?

On November 28, 1990, the Cranston-Gonzalez National Affordable Housing Act enacted into law the HOME Investment Partnerships (HOME) program.

The HOME program is a formula-based housing block grant program, which provides states and local governments the flexibility to fund a wide range of affordable housing activities. HOME addresses diverse local housing needs through moderate and substantial rehabilitation, new construction, tenant-based rental assistance and other related activities. In Delaware, DSHA, New Castle County Community Development and Housing, and the City of Wilmington Real Estate and Housing receive funding through the HOME program.

All HOME funds must benefit persons below 80 percent of area median income. In the case of rental projects, at least 90 percent of HOME funds must serve households with incomes below 60 percent of the median income limit.

To use HOME funds, states and local governments are required to match federal HOME amounts using state and local resources. There is a 25 percent local match for all projects. HOME also attempts to promote and expand nonprofit housing activities by setting aside, at a minimum, 15 percent of each community's HOME allocation for investment in housing that is owned, sponsored or developed by nonprofit entities called Community Housing Development Organizations or what are referred to as CHDO's.

In many cases for LIHTC properties, HOME is now being used for GAP financing, part of an already complicated layering of funding sources.

B. HOME AND LIHTC REQUIREMENTS

Basically, the HOME program and the LIHTC program work hand in hand. As with the LIHTC program, the determination of income should be consistent with Section 8 of the United States Housing Act of 1937. This includes the definition of income, verification and documentation procedures, and certification requirements. However, there are two important requirements when mixing LIHTC and HOME funds that must be considered: (1) income and (2) rent.

1. Income Requirements

HOME rules are very specific about who can occupy HOME-assisted units. Two constraints restrict occupancy:

The **program fund rule** requires that not less than 90 percent of the HOME funds invested in rental projects in a fiscal year must be invested in units occupied by families whose income does not exceed 60 percent of the area median income limit at the time of occupancy. The remaining portion must benefit families below 80 percent of median. When LIHTC projects are 100 percent low-income, the program fund rule is automatically met. However, for mixed-income projects, when HOME funds are invested in the property, would require at least 90 percent of the units rented to households at 60 percent of median or below.

The **project rule** requires that for rental housing, upon initial occupancy: **at least 40% of the units must be occupied by households at or below 50% of the median income limit per building.**

The HOME income requirements only apply at the time of initial occupancy. However, **tenant incomes must be reverified annually**. This rule would apply for 100 percent low-income LIHTC projects that have received HOME funds. This type of project is not eligible for the 100% Recertification Waiver from the IRS.

2. Rent Requirements

Generally, HOME rents cannot be greater than the lesser of:

1. The Section 8 Fair Market Rent or;
2. 30 percent of 65 percent of the area median income. If a low-income household income increases beyond 80 percent of median, the tenant must pay no less than 30 percent of the families adjusted monthly income.

However, when combining Tax Credits with HOME funds, in 100 percent low-income projects, rents are set by the income set-aside chosen by the owner (40 percent at 50 percent of median income with the remaining balance of the units at 60 percent of median income). In addition, the LIHTC's rent provision overrides the rent recertification requirement. Therefore, the household's income may rise up to 140 percent of the median income before the tenant no longer qualifies as low-income. If the project is 100 percent low-income the unit remains qualified as long as the unit stays rent restricted. In mixed-income projects, the tenant may be required to pay the higher rent.

NOTE: In accordance with 92.504(c)(2) of the HOME regulations, when HOME-assisted units do not meet the affordability requirements (i.e.; rent restrictions, income requirements, and other HOME requirements) of the HOME regulations, the owner is required to repay the HOME funds. Therefore, it is very important to comply with the HOME program as well as the LIHTC program.

3. Other HOME requirements:

- An Environmental Review Record must be completed by the State or local government funding source, notices published and obtain a release of funds from HUD prior to the commencement of the project. HOME funds, however, may not be used to reimburse land costs incurred prior to the release of funds.
- Projects with 12 or more HOME-assisted units must pay federal Davis-Bacon wage rates for construction labor.
- Section 504 Rehabilitation Act standards apply to HOME projects with 15 or more units regardless of the number of HOME-Assisted units. Five percent of the units must be physically accessible and two percent of the units must be made accessible to persons with hearing or vision impairments.
- The period of affordability for new construction properties is 20 years. This will be enforced by the Declaration of Restrictive Use Agreement used with the LIHTC program. For rehabilitation and acquisition properties, the LIHTC use period applies.
- Properties must meet HUD's Housing Quality Standards (HQS) for the period of affordability. New Construction properties must meet local building codes and the Model Energy Code.
- Fair Housing, equal opportunity, affirmative marketing, non-discrimination on basis of race, handicap or familial status must be followed. DSHA or the local government will review these policies to assure compliance with the regulations. All advertisements, brochures, posters, ect., must contain the Equal Housing Opportunity logo or slogan. Copies of all advertisements and such should be maintained at the property.
- An owner may not refuse to rent a HOME-assisted unit to a tenant with a Section 8 Certificate or voucher solely due to that assistance.
- Written Tenant Selection policies and screening criteria is a requirement and must be approved by DSHA or the local government agency.
- There are prohibited lease terms and limitations on lease termination for the HOME-assisted units.
- A waiting list must be maintained at the property. The waiting list should be in conformance with the HUD 4350.3 Handbook requirements.
- A fiscal review of the property is required by DSHA or the local government. Proper insurance (ie, flood insurance, general liability) adequate fidelity bond coverage, payment of taxes, approved operating budget, adequate reserve requirement, security deposits, HQS requirements, and lead base paint certificates (if rehabilitation) will be reviewed for compliance with the HOME Program requirements.

XXII. APPENDIXES

APPENDIX A

GLOSSARY

GLOSSARY

ANNUAL COMPLIANCE REVIEW - A review of the project made annually by DSHA which includes an examination of the records, review of operating procedures and a physical inspection of the property.

ANNUAL GROSS HOUSEHOLD INCOME - Gross income of all persons who intend to permanently reside in a unit. The annual income is defined as income as of date of occupancy for the next 12 months.

ANNUAL INCOME - Total income anticipated to be received by a tenant from all sources, including assets for the coming year.

ANNUAL OWNERS CERTIFICATION FOR CONTINUING COMPLIANCE REPORT - The document by which the owner certifies that the project meets all LIHTC requirements in accordance with the provisions of Section 42 of the IRS Code.

ANNUAL TENANT INCOME CERTIFICATION - The document by which the household's income is calculated and for which the family certifies their annual income for the purpose of determining whether the household will be qualified as low-income in accordance with the provisions of the LIHTC program.

ANTICIPATED INCOME - Gross income as of the occupancy date that is expected to be received by the tenant or tenants for the upcoming 12 months.

APPLICATION - A form completed by a person or family seeking a rental unit in the project. An application should be in a format approved by DSHA and should solicit sufficient information to determine the applicant's eligibility and compliance with Federal and State guidelines.

ASSETS - Items of value, other than necessary personal items which are considered in determining the eligibility of a household.

ASSET INCOME - The amount of money received by a household from items of value as defined. (See Section IX -F for more detail on the calculation of asset income).

AWARD OR BENEFIT LETTER - A notification of income which is completed by a third party providing benefits to tenants. Examples include, Social Security SSI or Disability Income, and Veterans Benefits.

CERTIFICATION YEAR - The 12 month time period beginning on the date the unit is first occupied and each 12 month period commencing on the same date thereafter.

COMPLIANCE - The act of meeting the requirements and conditions specified under the law and LIHTC program requirements.

COMPLIANCE MONITORING - The allocating agency's responsibility for assuring the IRS that properties allocated Tax Credits are meeting all Federal and State requirements pertaining to the LIHTC program. The monitoring is completed through annual reviews and physical inspections.

COMPLIANCE PERIOD - A total of 15 taxable years, beginning with the first taxable year of the credit period, in which the appropriate number of units must be marketed and rented to Tax Credit eligible households. For projects receiving 1990 Tax Credits or later, or for Pre-1990 projects where the owner makes the one time irrevocable election to change the method of determining rents, each building must have an extended low-income housing commitment which is for an additional 15 years (if the owner chooses additional occupancy restrictions in the extended use agreement).

CORRECTION PERIOD - The amount of time determined by DSHA for an owner to correct any violations found after the annual review or physical inspection.

CREDIT PERIOD - The period of 10 taxable years beginning with:

- (1) the taxable year the building is placed in service, or
 - (2) at the election of the taxpayer, the succeeding year,
- but only if the building is a qualified low-income building as of the close of the first year of such building.

DSHA - Delaware State Housing Authority

EFFECTIVE TERM OF VERIFICATION - A verification is valid for up to 90 days and may be verbally updated for an additional 30 days. A verification must be within the validity term at time of tenant's Income Certification.

ELIGIBLE BASIS - For new construction, the eligible basis is the cost of construction determined at the first year of the credit period. For substantial rehabilitation, the eligible basis is the sum of all rehabilitation costs aggregated over 24 months. For an existing building, the eligible basis is the acquisition cost of the building.

ELIGIBLE PERSON OR HOUSEHOLD - One or more persons that are determined to be qualified as low-income.

EMPLOYMENT INCOME - Wages, salaries, tips bonuses, overtime pay or other compensation for personal services from a job.

EXTENDED USE AGREEMENT (DECLARATION OF RESTRICTIVE COVENANTS) - A recorded agreement that the owner covenants to restrict the use of the project during the term of the LIHTC Compliance.

RD - Rural Development (formerly Farmers Home Administration)

FAIR HOUSING LAWS - As mandated by the Fair Housing Amendments of 1988.

FAIR MARKET VALUE - An amount which represents the true value at which property would be sold on the open market.

FIRST YEAR OF THE CREDIT PERIOD - This is either the year a building is placed in service, or, at the owner's option, the following year.

GROSS INCOME - See Annual Gross Household Income

GROSS RENT - The actual rent the household pays to the owner plus utilities plus non-optional charges or the actual rent the household pays (which includes utilities and non-optional charges).

HOUSEHOLD - The individual, family, or group of individuals living together as a unit.

HUD - U.S. Department of Housing and Urban Development.

HOME Program - The HOME program is a formula-based housing block grant program, which provides states and local governments the flexibility to fund a wide range of affordable housing activities.

IMPUTED INCOME (from assets) - The estimated earning potential of assets held by a tenant using the potential earning rate established by HUD. The current rate is provided by DSHA or HUD in its instructions on the Annual Tenant Income Certification.

INCOME LIMITS - Maximum incomes as defined by DSHA for project owners/management agents to use to determine if households are qualified for low income or rent restricted units (50% or 60% of median). These limits will be adjusted periodically by DSHA based on median income figures provided by HUD.

INELIGIBLE HOUSEHOLD - One or more persons or a family who applies for residency in a rent-restricted or set-aside unit and whose combined income exceeds the maximum income limitation (i.e. 50% or 60% of median); someone living in a set-aside unit who is not certified or under lease; and households who have failed the screening criteria of the owner.

LEASE - The legal agreement between the tenant and the owner which includes the terms and conditions of the rental unit.

LIHTC RENT - The maximum amount of rent the owner can charge for rent, including utilities.

LOW-INCOME HOUSEHOLD - An individual or household whose income adjusted for family size does not exceed either 50% or 60% of the median income for the local area.

LOW-INCOME SET-ASIDE UNIT - Any unit in a building which is:

- (1) Rent-Restricted (as defined in subsection (g)(2) of the IRS Section 42)
- (2) Occupied by individuals who meet the income limitations applicable under subsection 42 (g)(1) to the project of which such building is a part.
- (3) Is suitable for occupancy and used other than on a transient basis.

MANAGEMENT AGENT/ COMPANY - A firm selected by the owner to oversee the operation and management of the project and who performs compliance responsibility for the owner.

MAXIMUM ALLOWABLE RENT - The maximum allowable rent calculation is the LIHTC rent less a utility allowance or utilities paid by the tenant for utilities inclusive of heat, electricity, air conditioning, water and sewer, oil or gas.

MEDIAN INCOME - A determination made through statistical methods establishing a middle point for determining income limits. Median is the amount that divides the distribution into two equal groups, one group having income above the median and one group having income below the median.

MINIMUM SET-ASIDE - A minimum portion of units in a project to be "set-aside" as rent restricted units for tenants in targeted income groups (50% or 60% of area median income).

NONCOMPLIANCE - when the requirements and conditions of the LIHTC program are not being met.

OWNER - Any individual, association, corporation, joint venture or partnership which is a sponsor of a LIHTC project.

PLACED IN SERVICE DATE - For buildings, this is the date on which the building is ready and available for its specifically assigned function, i.e. the date on which the first unit in the building is certified as being suitable for occupancy in accordance with state or local law.

NOTE: Rehabilitation expenditures that are treated as a separate new building are placed-in-service at the close of any 24-month period during which such expenditures were aggregated .

PUBLIC HOUSING AUTHORITY (PHA) - Any state, county, municipality or other governmental entity or public body (or agency or instrumentality thereof) which is authorized to engage in or assist in the development or operation of housing for low-income families.

PROJECT - Rental housing developments receiving a LIHTC allocation.

QUALIFIED ALLOCATION PLAN - The plan developed and promulgated by DSHA.

QUALIFIED BASIS - The portion of the eligible basis attributable to low-income rental units. The amount of the qualified basis is determined annually on the last day of each taxable year.

NOTE: This is the lesser of the applicable fraction is defined as the lesser of the unit fraction or the floor space fraction.

Unit fraction = The number of low-income units in the building ÷ total number of all units

Floor space fraction = The total floor space of low-income units ÷ total floor space of all units

The qualified basis at the end of the first year in which the credit is claimed determines the basis for the remainder of the credit period.

SECTION 8 of the HOUSING ACT of 1937, as AMENDED - Regulations used in defining and determining income as required under Section 103(b)(4)(A) of the Internal Revenue Code.

STUDENT - Any individual who has been, or will be, a full-time student at an educational institution with regular facilities and students, other than correspondence school, during five months of the year.

TENANT - Occupant or resident of a rent-restricted unit to whom the unit is leased.

TENANT FILES - Complete and accurate records pertaining to each dwelling unit, containing at least the following: The application for each tenant, verification of income and assets of each tenant, Tenant Annual Income Certification, utility schedules, rent records, lease and lease addendum. Any authorized representative of DSHA or the IRS must be permitted access to these files upon receipt by the project owner or management company of written notice from either agency.

THIRD PARTY VERIFICATION FORMS - The form used by the owner or management company to request verification of income and assets. The form must state the purpose of the request; include a release statement by the applicant/tenant; and request the frequency and amount of pay or interest.

UTILITY ALLOWANCE - The amount of utilities, for a particular unit or project, set by a utility schedule which is published by HUD, RD or PHA or an analysis from the utility provider which states the rates.

VERIFICATION - Information from a third party which is collected in order to corroborate the accuracy of information about income provided by applicants to a project.

APPENDIX B

COMPLIANCE MONITORING PROCEDURES

DELAWARE STATE HOUSING AUTHORITY
LOW INCOME HOUSING TAX CREDIT
COMPLIANCE MONITORING PROCEDURE

Delaware State Housing Authority ("DSHA") has implemented monitoring regulations for the Low Income Housing Tax Credit ("LIHTC") program as required by the Internal Revenue Service ("IRS"). DSHA will monitor all LIHTC projects for compliance with 1) minimum low-income set aside requirements, 2) rent limitations, 3) tenant income requirements, 4) record keeping requirements, and 5) Annual Owners Certification for Continuing Compliance report requirements.

DSHA will perform annual on-site inspections of at least 20% of all LIHTC projects, including RHS Section 515 and tax-exempt bond financed properties. DSHA must inspect the low-income certification, the documentation the owner has received to support the certification, and the rent record for each low-income tenant in at least 20% of the low-income units in those projects for compliance with Section 42 of the Internal Revenue Code of 1986, as amended (the "Code").

These regulations are effective as of January 1, 1992, however, if DSHA becomes aware of noncompliance that occurred before that date, DSHA is required to notify the IRS of noncompliance. These regulations are subject to change at any time to comply with Federal regulations.

Minimum Low Income Set Aside

The minimum criteria for low-income set-asides are as follows:

- A) Twenty percent of the residential units in a project shall be both rent-restricted and occupied by individuals whose income is fifty percent or less of the area median gross income, or
- B) Forty percent of the residential units in a project shall be both rent-restricted and occupied by individuals whose income is sixty percent or less of the area median gross income.

The owner may select either (A) or (B) as a minimum set-aside or a greater percentage, up to one hundred percent. The election is made at the time of application and must be maintained throughout the compliance and extended use periods.

For properties that receive HOME funds, at least forty percent of the units in a building must be occupied by households at or below fifty percent of the median income limit.

Rent Limitations

LIHTC units are rent-restricted. The maximum rent that can be charged for a low-income unit cannot exceed thirty percent of the imputed income limitation applicable to such unit (See - Rent Limits By Number of Bedrooms chart).

Income Requirement

The maximum income requirement is fifty percent or less of the county gross median income based on family size or sixty percent or less of the county gross median income based on family size. The owner elects the income limit percentage to be used at the time of application. The allowable incomes based on family size can be found in the Income Limits chart. The owner must keep on file verification of the tenant's income.

The owner must retain on file DSHA's Annual Tenant Income Certification Form, documentation/verification to support all income sources, and a copy of the lease for each unit of the project. The form includes the following information:

- A) Tenant name, social security identification numbers
- B) Family dependents and ages
- C) Gross income
- D) Sources of income
- E) Full-time student status

The form must be signed by the tenant and accepted by the owner. By signing this document, the tenant is certifying that the information is true and correct. DSHA reserves the right to request this information at any time throughout the compliance or extended use period, whichever is longer. Please see DSHA's Compliance Monitoring Manual for proper documentation and certification procedures.

Recordkeeping Requirements

As required by the IRS, all LIHTC projects must maintain and have available for inspection the following information on each building in the project for each year in the compliance period:

- a) 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);
- b) The percentage of residential rental units in the building that are low-income units;
- c) The rent charged on each residential rental unit in the building (including the source and amount of any utility allowance calculations);
- d) The low-income unit vacancies in the building(s) and information that shows when and to whom the next available unit(s) was rented;
- e) The number of occupants in each low-income unit;
- f) The annual income certification of each low-income tenant per unit;
- g) Documentation to support each low-income tenant's income certification;
- h) The eligible basis and qualified basis of the building(s) at the end of the first year of the Credit period, IRS Form #8609 and all attachments;
- i) A list of all tenants of the building(s) at initial rent-up which includes the following: name of occupant, number of persons, and annual income;
- j) The character and use of the non-residential portion(s) of the building included in the building's eligible basis under Section 42(d) (e.g., tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project).

The records (listed above) for the first year of the Credit period must be retained for at least 6 years beyond the due date (with extensions) for filing the federal income tax return for the last year of the compliance period of the building. The records for each year thereafter must be retained for at least 6 years after the due date (with extensions) for filing of the federal income tax return for that year.

Annual Owners Certification for Continuing Compliance report and Review

The owner must annually certify to DSHA that, for the preceding 12-month period, the project has achieved the following requirements:

- a) The project met the required minimum set-aside or any higher set aside elected by the owner;
- b) There was no change in the applicable fraction (as defined in Section 42(c)(1)(B)) of any building in the project or that there was a change, and a description of the change;
- c) The owner has received an annual income certification from each low-income tenant and documentation to support that certification;
- d) Each low-income unit in the project was rent-restricted under Section 42(g)(2);
- e) All units in the project were for use by the general public and used on a nontransient basis (except for transitional housing for the homeless, provided under Section 42(i)(3)(B)(iii));
- f) Each building in the project was suitable for occupancy, taking into account local health, safety, and building codes;
- g) There was no change in the eligible basis (as defined in Section 42(d)) of any building in the project, or that there was a change, and the nature of the change (e.g. a common area has become commercial space, or a fee is now charged for a tenant facility formerly provided without charge);
- h) All tenant facilities included in the eligible basis under Section 42(d) of any building in the project, such as swimming pools, other recreational facilities, and parking areas, were provided on a comparable basis without charge to all tenants in the building;
- i) If a low-income unit in the project became 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 in the project were or will be rented to tenants not having a qualifying income;
- j) If the income of tenants of a low-income unit in the project increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project was or will be rented to tenants having a qualifying income.
- k) If a household consists of ALL full-time students, such households met one of the exceptions outlined in Section 42 (i)(3)(D) which prohibits households occupied entirely by full-time students in a low-income tax credit unit;
- l) The owner has not refused 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;
- m) No findings of discrimination under the Fair Housing Act, U.S.C. 3601-3619, occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616(a)(1), or an adverse judgement from a federal court

n) An Extended Low-Income Housing Commitment, as described in Section 42(h)(6) was in effect (for buildings subject to Section 7108(c)(1) of the Revenue Reconciliation Act of 1989) (e.g. Declaration of Land Use Restrictive Covenants relating to Low-Income Housing Tax Credits is in effect and was recorded with the Recorder of Deeds in the applicable county);

The owner must certify the above under penalty of perjury. In addition, it is a state crime punishable by fine of up to \$2,300 or up to 1 year in prison or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 11, Delaware Code, Section 1233.

The Annual Owners Certification for Continuing Compliance report form needs to be completed by the owner annually and forwarded to DSHA at 18 The Green, P.O. Box 1401, Dover, Delaware 19901 to the Attention of Cynthia L. Deakne, by January 15 of each year.

DSHA shall review the Annual Owners Certification for Continuing Compliance reports submitted as required above for compliance with the requirements of Section 42. In addition, as set forth on page 1 hereof, DSHA shall inspect at least 20% of low-income housing projects annually and shall inspect the low-income certification, the documentation the owner has received to support that certification, and the rent record for each low-income tenant in at least 20% of the low-income units in those projects.

DSHA shall determine which tenants' records are to be inspected or submitted by the owners for review. Furthermore, in connection with the inspection described in the preceding paragraph, the records to be inspected shall be chosen in a manner that will not give owners of low-income housing projects advance notice that their records for a particular year will or will not be inspected. However, DSHA may give an owner reasonable notice that an inspection will occur so that the owner may assemble records (for example, 30 days notice of inspection).

The certifications and reviews described in this section shall be made at least annually covering each year of the applicable 15-year compliance period.

Annual Site Inspection

DSHA shall have the right to perform an on-site inspection of any low-income housing project through the end of the compliance period or the extended use period, whichever is longer, of the buildings in the project. Through an on-site visit, DSHA will annually perform an inspection of the owner's record-keeping for compliance with 1) minimum low-income set aside requirements, 2) rent limitations, 3) tenant income requirements, 4) recordkeeping requirements, and 5) Annual Owners Certification for Continuing Compliance report. DSHA also reserves the right to perform a general physical inspection of the building(s), if it is deemed necessary. The owner must make available all the information required by DSHA to perform its inspection during normal business hours for the entire compliance period or until the end of the extended use period, whichever is longer.

Notice to Owner

DSHA shall provide prompt written notice to the owner of a low-income housing project if DSHA does not receive the Annual Owners Certification for Continuing Compliance report, or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records described above, or discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of Section 42.

Notice to Internal Revenue Service

DSHA is required to file Form 8823 "Low-Income Housing Credit Agencies Report of Noncompliance" with the IRS no later than 45 days after the end of the correction period specified in the written notice to the owner and no earlier than the end of the correction period (whether or not the

noncompliance or failure to certify is corrected.) DSHA must explain the nature of the noncompliance or failure to certify and indicate whether the owner has corrected the situation. Any change in either the applicable fraction or eligible basis that results in a decrease in the qualifying basis is an event of noncompliance.

Correction Period

Should DSHA find a project to be in noncompliance with Section 42 of the Code, the owner must supply any missing certifications, correct any findings, and bring the project into compliance with the provisions of Section 42 within 60 days of the date of DSHA notification to correct the violation, unless extended by DSHA in writing.

Compliance Monitoring Fee

DSHA will charge a monitoring fee on Tax Credit eligible units for performing the service of monitoring the LIHTC project. For new projects, DSHA will charge \$400 per unit. This fee must be paid prior to receiving an allocation of Tax Credits; at the issuance of IRS form 8609 or the Carryover Agreement, whichever is issued first. For all projects allocated credits after January 1, 1990 through December 31, 1996, the annual fee will be \$15 per unit and will be due January 15 each year for the remaining years of the compliance period or for as long as DSHA has LIHTC monitoring responsibility for the project.

Compliance Monitoring Manual

DSHA has developed a "Compliance Monitoring Manual" to be used as a guide and reference for LIHTC Compliance Monitoring Procedures. Upon reservation of Tax Credits, a copy will be forwarded.

APPENDIX C

Annual Owners Certification for Continuing Compliance report

DELAWARE STATE HOUSING AUTHORITY
 LOW INCOME HOUSING TAX CREDIT
Annual Owners Certification for Continuing Compliance report

In accordance with Internal Revenue Code Section 1.42-5(c)(1), the owner of a Low-Income Housing Tax Credit project is required to certify annually to the State Agency that, for the preceding 12-month period, the property met the provisions of the tax credit program. Please complete the following information and respond to each question on the certification and return it to DSHA by January 15.

Project Name: _____
 Project Address _____
 Total Number of Buildings _____

Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____
Building I.D. Number _____	# of units per building/# units of low-income per building	_____ / _____

(If you have additional buildings, please attach additional sheets)

Current Owner _____
 Current Owner Address & Phone Number _____

Check if new address

Owner Taxpayer I.D. No. _____

General Partner (if different from owner) _____

General Partner Address and Phone Number _____

General Partner Taxpayer I.D. No. _____

Management Agent _____

Management Agent Address and Phone Number _____

Management Agent Taxpayer I.D. No. _____

Please read the following statements. If you agree with the statement that the property is in compliance with the requirement check YES. If it is NOT in compliance check NO. Each question must be answered either YES or NO, with an explanation attached for any NO answers. **If there were any matters of noncompliance that you have knowledge of within this past calendar year, please attach an explanation to this certification.**

YES NO

a) The project meets the required minimum set-aside or a higher set-aside selected by the owner at the time of application; Please 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

b) There was no change in the applicable fraction (as defined below) of any building in the project or if there was a change, a description of the change is attached.

The applicable fraction is defined as the lesser of the unit fraction or the floor space fraction.

Unit fraction = The number of low income units in the building ÷ total number of all units

Floor space fraction = The total floor space of low income units ÷ total floor space of all units

YES NO

- c) The owner has received an annual income certification from each low-income tenant and documentation to support that certification;
- d) Each low-income unit in the project is rent-restricted under Section 42(g)(2);
- e) All units in the project are for use by the general public and are used on a nontransient basis, except for transitional housing for the homeless provided under Section 42 (i)(3)(B)(iii);
- f) If a household consists of ALL full-time students, such households met one of the exceptions outlined in Section 42 (i)(3)(D) which prohibits households occupied entirely by full-time students in a low-income tax credit unit;
- g) Each building in the project is 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 local health, safety, or building code inspections did not issue a violation report for any building or low-income unit in the project. If a violation report or notice was issued by the governmental unit, the owner must attach a statement summarizing the violation report or notice to the annual certification submitted to DSHA. In addition, the owner must state whether the violation has been corrected;
- h) The owner has not refused 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;
- i) No findings of discrimination under the Fair Housing Act, U.S.C. 3601-3619, occurred for the project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616(a)(1), or an adverse judgement from a federal court
- j) There has been NO CHANGE in the eligible basis (as defined in Section 42(d)) of any building in the project, or that there has been a change, as stated on attachment hereto, and the nature of the change, as shown on attachment (e.g. a common area has become commercial space, or a fee is now charged for a tenant facility formerly provided without charge);
- k) All tenant facilities included in the eligible basis under Section 42(d) of any building in the project, such as swimming pools, other recreational facilities, and parking areas, are provided on a comparable basis without charge to all tenants in the building;
- l) If a low-income unit in the project became 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 in the project were or will be rented to tenants not having a qualified income;
- m) If the income of tenants of a low-income unit in the project increases above the limit allowed in Section 42(g)(2)(D)(ii), the next available unit of comparable or smaller size in the project will be rented to tenants having a qualifying income; and
- n) An Extended Low-Income Housing Commitment was in effect for properties allocated Tax Credits in 1990 or thereafter (e.g. Declaration of Land Use Restrictive Covenants relating to Low-Income Housing Tax Credits is in effect and was recorded with the Recorder of Deeds in the applicable county).

I, _____ certify that ALL of the items described above have been met and the
Owner
information herein is true and correct to the best of my knowledge in connection with _____, as required by
Project Name
the Internal Revenue Service (IRS) for the calendar year ending December 31, _____ .

The above certification is signed under penalty of perjury that the project meets the requirement of Section 42, including any U.S. Treasury regulations pursuant thereto, the Qualified Allocation Plan and other applicable laws, rules, regulations and ordinances. It is a state crime punishable by fine up to \$2,300 or up to 1 year in prison or both, to knowingly make any false statements concerning any of the above facts as applicable under the provisions of Title 11, Delaware Code, Section 1233.

Owner's Signature

Date

Rev. (5/00)

APPENDIX D

**DSHA INCOME AND ASSET CHECKLIST AND APPLICABLE
SAMPLE VERIFICATION FORMS**

INTERVIEW/RECERTIFICATION CHECKLIST

YES NO NUMBER OF SOURCES

1. Do you or any of your household members receive income from the following sources?
- * Employment..... _____ * Public Assistance..... _____
 - _____ * Social Security/Social Security Insurance..... _____
 - _____ * Pensions..... _____ * Veteran Benefits..... _____
 - _____ * Alimony..... _____
 - * Child Support..... _____
 - * Unemployment..... _____
 - * Workmen's Compensation..... _____
 - * Military Pay..... _____
 - * Lottery Winnings..... _____
 - * Money Received from non-household members..... _____
 - * Income derived from a business or property owned... _____
2. Do you or any of your household members have any of the following types of assets?
- * Savings Account..... _____ * Checking Account..... _____
 - _____ * Cash at home or anywhere else..... _____ * Certificate of Deposits..... _____
 - _____ * Money Market/Trust Funds..... _____
 - _____ * Stocks, Bonds or Treasury Bills..... _____
 - * IRA's..... _____
 - * Lump Sum Receipts..... _____
 - * Real Estate Property..... _____
 - * "Whole Life" Insurance..... _____
 - * Other Investments..... _____
 - * Has any household member disposed of any assets within the last 2 years? _____
3. Are there any full-time students, 18 years of age or older, residing in the household?..... _____

APPLICANT/HOUSEHOLD STATEMENT

I hereby certify that the information listed above is true and correct.

Applicant/Resident Date

Agent Date _____ Owner/Management

PUBLIC ASSISTANCE VERIFICATION
 DIVISION OF SOCIAL SERVICES
REQUEST FOR CLIENT INFORMATION FOR HOUSING VERIFICATION

Client's Name _____
 Address _____
 Social Security No.: _____
 Date of Birth: _____
 DHSS I.D. No.: _____

I authorize release of the information below to _____ for the purpose of determining my eligibility. Management Agent/Owner

_____ Date _____ Signature _____

Information Needed: Period from ___/___/___ to ___/___/___
 # in Family _____

<u>Type of Assistance</u>	<u>Monthly Amount</u>
General Assistance	\$ _____
Aid to Families with Dependent Children	\$ _____
General Assistance	\$ _____
Child Support	\$ _____
Amount of Disregard Payment: (not to exceed \$50)	\$ _____
Food Stamps	\$ _____
Other Income: Source: _____	\$ _____
Total	\$ _____

REMARKS: _____
 NAME OF CASEWORKER: _____ TELEPHONE# _____

Date _____ Signature: _____
 Title: Social Worker Assistant
 Telephone# _____

After completing form, send to: _____

Phone _____

EMPLOYMENT VERIFICATION

Date _____

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify the incomes of all family members applying for admission to any Low Income Housing Tax Credit Program housing. The Delaware State Housing Authority monitors compliance for IRS requirements. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy.

Sincerely,

Title

Applicant/Resident _____ S.S.# _____
Address _____

I authorize the release of the information below to _____ for the purposes of
determining my eligibility. Management Agent/Owner

Date Signature

(1) Employed since ___/___/___ Occupation _____

(2) COMPLETE THE FOLLOWING APPLYING TO THE EMPLOYEE:

a) Hourly Wage: Basic Rate \$_____/hr. Average hr. per wk. _____
Overtime Rate \$_____/hr. Average hr. per wk. _____
Shift Differential \$_____/hr. Average hr. per wk. _____

b) Weekly Salary.....\$ _____

c) Monthly Salary.....\$ _____

d) Piece work, Aver. Earnings \$ _____ per wk.

(3) Other Compensation:

a) Bonus.....\$ _____

b) Tips (Average & Period)....\$ _____ / _____

(4) Is Employment: Permanent _____ Temporary _____ Full-Time _____

Part-Time _____ Seasonal _____

(5) Are any pay increases/decreases expected in the next 12 months? YES NO If yes, Anticipated Amount \$ _

(6) Is employee eligible for unemployment compensation? YES NO

If yes, how long _____ and how much _____

(7) If the party is no longer employed: a) Date terminated: _____

Employer: _____

Signature Title Telephone #

Printed Name: _____ Date: _____

Phone _____

PENSION VERIFICATION

Date _____

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify the incomes of all family members applying for admission to any Low Income Housing Tax Credit Program housing. The Delaware State Housing Authority monitors compliance for IRS requirements. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy.

Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident _____ S.S.# _____
Address _____

I authorize the release of the information below to _____ for the purposes of determining my eligibility.

Management Agent/Owner

Date _____ Signature _____

_____ S.S.# _____

Wage Earner

Beneficiary (Other than wage earner) Relationship to wage earner

Address

(1) Amount of Pension \$ _____ per month.

(2) Effective date payment commenced _____

Remarks _____

Date _____ Signature _____
Printed Name: _____

Title _____ Telephone # _____

_____ Phone _____

CHILD SUPPORT VERIFICATION

Date _____

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify the incomes of all family members applying for admission to any Low Income Housing Tax Credit Program housing. The Delaware State Housing Authority monitors compliance for IRS requirements. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy.
Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident _____ S.S.# _____
Address _____

Name of Contributor _____ S.S.# _____
Address _____

I authorize the release of the information below to _____ for the purposes of determining my eligibility.

Management Agent/Owner

Date _____ Signature _____

Name of Child Recipient _____
Address _____

Amount of Support Payment \$ _____ per _____

This person has been receiving support from _____
Name of Contributor

_____ since _____
Relation to Recipient _____ Date _____

Date _____ Signature _____

Printed Name: _____

Title _____ Telephone # _____

CHILD SUPPORT AFFIDAVIT

This is to state that I, _____ of _____
(name) (address)

being duly sworn make the following statement: (do) (do not) receive support
for my (child) (children).

Child (ren)'s <u>Name</u>	Father's <u>Name(s)</u>	State AMT. per wk. or <u>mo. rec'd</u>	How Long payment <u>rec'd</u>	Reason <u>not rec'd</u>
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

Special Remarks: _____

(Signature)

Sworn to and subscribed before me this _____ day of _____ 19__

(Notary Public)

Phone

SOCIAL SECURITY VERIFICATION

Date _____

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify the incomes of all family members applying for admission to any Low Income Housing Tax Credit Program housing. The Delaware State Housing Authority monitors compliance for IRS requirements. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy.

Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident _____ S.S.# _____
Address _____

I authorize the release of the information below to _____ for the purposes of determining my eligibility.

Management Agent/Owner

Date _____ Signature Applicant/Resident _____

Recipient _____ S.S.# _____
Address _____

Assistance Type: _____ Gross Monthly Amount _____

TOTAL..... _____

Medicare Deduction ___ Yes ___ No AMOUNT..... _____

Date _____ Signature _____
Printed Name: _____

Title Telephone # _____

Phone _____

VETERANS VERIFICATION

Veterans Administration Date _____
Regional Office
1601 Kirkwood Highway
Elsmere, Delaware 19805

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify the incomes of all family members applying for admission to any Low Income Housing Tax Credit Program housing. The Delaware State Housing Authority monitors compliance for IRS requirements. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy.

Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident _____ S.S.# _____
Address _____
Serial # _____ Date of Birth _____ Claim # _____

I authorize the release of the information below to _____ for the purposes of determining my eligibility.
Management Agent/Owner

Date Signature

1. Period of Duty: From _____ To _____ and From _____ to _____
2. Compensation (service connected) Disability _____ Death _____
Dependency _____ Indemnity _____
Pension (non-service connected) Disability _____
Death _____
Effective Date of Current Award _____
Monthly Amount \$ _____
3. Other Payments _____ Monthly Amount \$ _____
4. Changes: If any change is contemplated, explain below:

Remarks _____

Date Signature of Authorized Official
Printed Name: _____

Title Telephone #

Date: _____
TO: _____

WORKER'S COMPENSATION VERIFICATION

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify the incomes of all family members applying for admission to any Low Income Housing Tax Credit Program housing. The Delaware State Housing Authority monitors compliance for IRS requirements. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy.

Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident: _____ S.S. # _____
Address _____

I authorize the release of the information below to _____ for the purposes of determining my eligibility.

Management Agent/Owner

Date Signature

Name of Applicant _____ S.S. # _____
Address _____

(1) Total workmen's compensation received from _____ to _____
was \$ _____.

(2) Compensation payments were effective _____

(3) Amount of present workmen's compensation being received is \$ _____
per _____.

(4) Is any increase or decrease in amount of compensation payments
anticipated? ___ Yes ___ No If yes, \$ _____ of increase/
decrease. When? _____.

(5) Remarks _____

Date Signature
Printed Name: _____

Title Telephone #

Date: _____

TO:

MILITARY PAY VERIFICATION FORM

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify the incomes of all family members applying for admission to any Low Income Housing Tax Credit Program housing. The Delaware State Housing Authority monitors compliance for IRS requirements. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy.

Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident _____ S.S.# _____

Address _____

I authorize the release of the information below to _____ for the purposes of determining my eligibility.

Management Agent/Owner

Date _____ Signature _____

Name _____ Serial# _____

Branch of Service _____ Rank _____

Date of original enlistment _____ Date of current enlistment _____

_____ Pay grade _____ Total year of

service _____.

Base pay, including longevity.....\$ _____

Quarters Allowance.....\$ _____

Subsistence Allowance.....\$ _____

Uniform Allowance\$ _____

Sea Duty or Foreign Duty.....\$ _____

Hazardous or Special Duty Pay.....\$ _____

Other (Identify).....\$ _____

Total Salary per month.....\$ _____

Remarks _____

Date _____ Signature _____

Printed Name: _____

_____ Title Telephone # _____

BANKING VERIFICATION

Branch Address:

Date _____

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify the incomes of all family members applying for admission to any Low Income Housing Tax Credit Program housing. The Delaware State Housing Authority monitors compliance for IRS requirements. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy.

Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident _____ S.S.# _____

Address _____

I hereby authorize the release of the information below for use in determining eligibility.

 Date Signature

BANKING INFORMATION

<u>ACCOUNT TYPE</u>	<u>NUMBER</u>	<u>BALANCE</u>	<u>INTEREST RATE</u>	<u>INTEREST PAID WITHIN LAST 12 MONTHS</u>
Checking	_____	_____	%	\$ _____
		*Avg. 6 month		
Savings	_____	_____	%	\$ _____
		*Current		
Savings	_____	_____	%	\$ _____
		*Current		
Certificate of Deposit	_____	_____	%	\$ _____
		*Current		

Please list any other accounts and balances held by the above named person:

_____	_____	%	\$ _____
_____	_____	%	\$ _____
	*Current		

OTHER INFORMATION:

 Date Signature
 Printed Name: _____

_____ Title Telephone #

ZERO INCOME CERTIFICATION

Household Name _____ Date _____

Social Security # _____ Unit # _____

1. **I, _____, hereby certify that I do not individually receive income from any of the following income sources:**

- a. Wages from employment (including commissions, tips, bonuses, fees, etc).
- b. Income from operations of a business;
- c. Rental income from real or personal property;
- d. Interest on 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. **Check (a) or (b), as applicable:**

_____ (a) I have no income of any kind at this point in time and do not anticipate income from any source within the next 12 months.

_____ (b) I am not presently employed, but anticipate becoming employed within the next 12 months. I anticipate earnings of \$ _____ over the next 12 months.

3. **Please explain the source of funds you will be using to make your rent payments:** _____

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 Date

Signature of Applicant/Tenant Printed Name Date

ASSET CERTIFICATION

Complete only one form per household; include assets of children

Household Name: _____ Unit No. _____

Complete all those which apply for 1 thru 4:

1. My/our assets include:

STATEMENT OF UNEMPLOYMENT OF FAMILY MEMBER

Date _____

To: _____

This is to certify that _____, age _____

_____, who lives with me is unemployed.
(relationship)

The reason is _____

I further certify that this person is receiving no income from any source, and is entirely dependent upon me for support.

Name of Head of Household

Address _____

Date

Signature

NOTE:

This form is required for each unemployed adult. Providing false information can result in the termination of your lease.

Date: _____

SCHOOL ADDRESS:

SCHOOL ENROLLMENT VERIFICATION

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify the incomes of all family members applying for admission to any Low Income Housing Tax Credit Program housing. The Delaware State Housing Authority monitors compliance for IRS requirements. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy.

Your cooperation is appreciated.

Sincerely

Title

I hereby authorize the release of the information below for use in determining eligibility.

Date

Signature

1. Is he/she currently enrolled? Yes No If yes, Date Enrolled _____
2. Number of credit hours currently being taken: _____
3. Is he/she a full-time student Yes No If no, please describe status:

4. Anticipated graduation/completion date _____
5. To your knowledge, does he/she have part-time employment? Yes No
If yes, where? _____

Authorized Signature _____ Date _____

Title _____ Phone _____

Date: _____

Dear _____:

The Internal Revenue Service (IRS) requires that we periodically review your income and family composition to determine if you are still eligible for the Low Income Tax Credit Program.

An appointment has been scheduled for you at _____

_____ on _____.

If you cannot keep this appointment, please contact me at the above number. Please know and/or bring with you:

1. If retired - amounts of income per month or year from Social Security, Other Pensions, Veterans Award, and SSI amounts.
2. If you or any other member of the household is employed - either full-time or part-time and/or either permanent or temporary basis, know the name and address of employer (s) and the amounts earned during the past twelve (12) months. KNOW THE PRESENT HOURLY OR WEEKLY RATE OF PAY BEFORE DEDUCTIONS for each worker in the household.
3. The name and address of the agency you are receiving income from and the amounts of income per month or per year. (Public Assistance, Unemployment, Child Support, Alimony, Workmen's Compensation, etc.)
4. The name, address, and account numbers for all bank accounts to include checking, savings, certificates of deposits, stocks and bonds (name, type, and amount) and IRA's.
5. If possible, furnish a copy of all W-2 (Income Tax) forms for each working member of the household.

If you have any questions on the above, please contact the management office at _____.
We appreciate your cooperation.

Sincerely,

Date: _____

RE: SECOND RE-EXAMINATION NOTICE

Dear _____:

On _____, we sent you a notice for an appointment on _____ at _____ for your scheduled recertification interview. You have failed to keep your appointment. Another appointment has been assigned to you as follows:

DATE: _____

TIME: _____

PLACE: _____

Your failure to keep this appointment will result in the termination of your lease. If necessary court action will be taken to regain possession of your unit.

REMARKS: _____

If you have any questions, please contact the management office at _____.

Sincerely,

Manager

Date: _____

Dear _____:

As a result of your recent re-evaluation, the following action is required:

_____ Change Rent from \$ _____ to \$ _____
Effective _____.

_____ Change Unit size from _____ Bedroom(s)
to _____ Bedroom(s).

Your name has now been placed on the _____ Bedroom Transfer
Waiting List.

_____ No Change Necessary

_____ Execute a new Lease on _____.

REASON (if applicable): _____

We would like to thank-you for your time and cooperation. Please continue to report all changes in income and family composition as they occur throughout the next 12 months. If you have any questions on the above, please contact the management office.

Sincerely,

Manager

PUBLIC HOUSING AUTHORITY
SECTION 8 CERTIFICATE/VOUCHER PARTICIPANT
INCOME VERIFICATION

Date: _____

Section 8 & Leasing
Wilmington Housing Authority
1400 Todds Lane
Wilmington, DE 19802

Dear Director of Occupancy:

We are required by the Internal Revenue Service (IRS) to verify incomes of all family members applying for admission or continued occupancy in any Low Income Housing Tax Credit program housing. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy. Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident _____ S.S# _____ Address _____

I authorize the release of the information below to _____
for the purposes of determining my eligibility.

Date Signature

Annual Income: (before deductions)\$ _____ Source of Income: _____

Date of Last Certification/Recertification completed by your office _____

*Names of Household Members: _____

We have determined that the above participant's income does not exceed the applicable income limit as defined in Section 42 of the IRS Tax Code.

(Please check box:)

50% of median income

60% of median income

Title & Signature Date

* Please list the names of household members whose income is included in the above figure. Please include all adults as well as children even if their income is zero.

PUBLIC HOUSING AUTHORITY
SECTION 8 CERTIFICATE/VOUCHER PARTICIPANT
INCOME VERIFICATION

Date: _____

Delaware State Housing Authority
Att: Section 8 Certificate/Voucher Program
26 The Green
Dover, DE 19903

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify incomes of all family members applying for admission or continued occupancy in any Low Income Housing Tax Credit program housing. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy. Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident _____ S.S# _____
Address _____

I authorize the release of the information below to _____
for the purposes of determining my eligibility.

Date Signature

Annual Income: (before deductions)\$ _____ Source of Income: _____
Date of Last Certification/Recertification completed by your office _____
*Names of Household Members: _____

We have determined that the above participant's income does not exceed the applicable income limit as defined in Section 42 of the IRS Tax Code.
(Please check box:)

50% of median income
 60% of median income

Title Date

* Please list the names of household members whose income is included in the above figure. Please include all adults as well as children even if their income is zero.

PUBLIC HOUSING AUTHORITY
SECTION 8 CERTIFICATE/VOUCHER PARTICIPANT
INCOME VERIFICATION

Date: _____ Executive Director

Dover Housing Authority
76 Stevenson Drive
Dover, DE 19901

Dear Executive Director:

We are required by the Internal Revenue Service (IRS) to verify incomes of all family members applying for admission or continued occupancy in any Low Income Housing Tax Credit program housing. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy. Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident _____ S.S# _____
Address _____

I authorize the release of the information below to _____
for the purposes of determining my eligibility.

Date Signature

Annual Income: (before deductions)\$ _____ Source of Income: _____
Date of Last Certification/Recertification completed by your office _____
*Names of Household Members: _____

We have determined that the above participant's income does not exceed the applicable income limit as defined in Section 42 of the IRS Tax Code.
(Please check box:)

50% of median income
 60% of median income

Title Date

* Please list the names of household members whose income is included in the above figure. Please include all adults as well as children even if their income is zero.

PUBLIC HOUSING AUTHORITY
SECTION 8 CERTIFICATE/VOUCHER PARTICIPANT
INCOME VERIFICATION

New Castle County Community Services
Att: Section 8 Certificate/Voucher Program Date: _____
New Castle County Government Center
87 Reads Way
New Castle, DE 19720

Dear Sir/Madam:

We are required by the Internal Revenue Service (IRS) to verify incomes of all family members applying for admission or continued occupancy in any Low Income Housing Tax Credit program housing. Please complete the form below and return it to the address shown above as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy. Your cooperation is appreciated.

Sincerely,

Title

Applicant/Resident _____ S.S# _____
Address _____

I authorize the release of the information below to _____
for the purposes of determining my eligibility.

Date Signature

Annual Income: (before deductions)\$ _____ Source of Income: _____
Date of Last Certification/Recertification completed by your office _____
*Names of Household Members: _____

We have determined that the above participant's income does not exceed the applicable income limit as defined in Section 42 of the IRS Tax Code.
(Please check box:)

- 50% of median income
- 60% of median income

Title Telephone # Date

* Please list the names of household members whose income is included in the above figure. Please include all adults as well as children even if their income is zero.

SPECIAL INSTRUCTIONS
FOR
ROUNDING CERTIFICATIONS

When computing applicant eligibility, certifications and recertifications, the rules listed below must be followed for rounding to the nearest dollar.

1. Do not round off prior to the final figure.
2. Always round 1 cent to 49 cents down and 50 cents to 99 cents up. (e.g. \$95.49 = \$95.00; \$95.50 = \$96.00)
3. The final tenant income should always be rounded to the nearest dollar.

LOW-INCOME HOUSING TAX CREDIT - WAIVER PROJECTS
ANNUAL CERTIFICATION REVIEW

Household Name _____ Unit No. _____
Move-In Date: _____ Effective date of this Certification _____

Please complete the following:

1. Number of persons currently residing in the unit? _____
Has there been a change in the last 12 months in the number of persons residing in the unit? Yes No
If yes, list name, age, relationship and Social Security Number of each new person residing in the unit:

Occupant	Age	Relationship	Social Security Number	Student (Yes or No)
_____	_____	_____	_____	_____
_____	_____	_____	_____	_____

2. Are all the occupants of the household full-time students? Yes No

If yes, answer the following questions:

Are the occupants married and do they file a joint tax return for Federal Income Tax purposes? Yes No

Is the family comprised of a single parent with school age children all of who are not the dependents of a third party? Yes No

Does the household receive AFDC, JPTA, or Title IV funds? Yes No

3. List each person receiving income and estimate the total household gross annual income:

Household Member	Source	Annual Income
_____	_____	_____
_____	_____	_____
_____	_____	_____
_____	_____	_____
Asset Income		_____*
Gross Annual Income \$ _____		

* Does your household have any assets over \$5,000 at this time? Yes No

If yes, households with \$5,000 or more in assets, must complete the following:

- (A) The estimated value of assets owned by the household is: \$ _____
 (B) The actual interest or cash received from the assets is: \$ _____
 (C) If asset value is more than \$5,000 multiply the asset value by 2% \$ _____
 (D) The total annual income derived from assets is: \$ _____ (The greater of (C) or (D))

Please add this amount to the annual gross income listed under asset income.

Rent Restriction Test:

LIHTC Rent: \$ _____ Subtract Utility Allowance: \$ _____ = Maximum Allowable Rent: \$ _____ (C)

Current Tenant Rent: \$ _____ (D) Is (D) less than or equal to (C)? Yes No

NOTE: If NO is answered above, Unit is not considered Rent-Restricted and is not qualified for credit.

140% Rule Test:

Maximum Income Limit \$ _____ x 1.4 = \$ _____ (A) Gross Annual Income: \$ _____ (B)

Is (B) more than (A) Yes No

NOTE: If Yes, household is above the 140% rule. For 100% properties, unit remains qualified as long as unit remains rent restricted.

By signing this form, the tenant(s) certify that everything on this certification is true and correct and verification information has been filed with the owner or management agent of the project. Tenant(s) collectively acknowledges that any misrepresentation or falsification of this certification by any individual household member will be considered a material breach of the lease agreement.

_____ Tenant Signature	_____ Date	_____ Owner or Management Agent	_____ Date
_____ Tenant Signature	_____ Date	_____ Owner or Management Agent	_____ Date

APPENDIX E

ANNUAL TENANT INCOME CERTIFICATION FORM

&

ASSET CERTIFICATION FORM

APPENDIX F

INCOME LIMITS AND RENTS

APPENDIX G