

**NORTH CAROLINA HOUSING FINANCE AGENCY
MULTIFAMILY ASSET MANAGEMENT COMPLIANCE GUIDANCE RELATED TO COVID-19**

****UPDATED 4/2/2020** Compliance Training:** The North Carolina Housing Finance Agency (the Agency) has cancelled all trainings that were originally scheduled for March, April and May. These trainings will be rescheduled for a later date. If you are registered for one of these classes and unable to attend on the rescheduled date, you will be able to transfer to another session. Since workshops involve large numbers of people, and coordination of facilities and catering, we need to give the facility and caterers as much notice as possible so that food is not purchased in anticipation of our group.

Physical Inspections: The Agency has proactively cancelled inspections through April 30. We will cancel inspections in increments as deemed necessary to protect the health of our staff, partners and tenants. Cancelling incrementally will allow us to resume normal activity more quickly once the danger has passed, as opposed to cancelling inspections indefinitely. All inspections will be rescheduled unless federal relief is granted in regards to monitoring.

Tenant File Reviews: Management is required to enter unit activity into the Rental Compliance Reporting System (RCRS) within 30 days of the effective date of the event. The tenant file documents must be uploaded for move-in events within this same time frame. This being the case, we do not expect an immediate disruption to tenant file reviews as documents are already there and only need to be reviewed by management's compliance staff prior to our review. Since recertification documents are not uploaded until we request the file and management staff may not be able to upload recertification documents if they are working from home, we will not cite the file for missing recertification documents as long as the event is entered in RCRS in a timely manner.

Corrective action deadlines: If you are in the corrective action period and need an extension, please request one in writing to compliancehelp@nchfa.com.

Staff can grant extensions for up to six months if there is good cause. If the issue is related to noncompliance with the Housing Tax Credit Program and required to be reported to the IRS on form 8823 staff cannot provide a corrective action period of more than six months without federal guidance.

If the issue is not a matter that is required to be reported to the IRS on form 8823, staff may have some flexibility in extending corrective action deadlines further. Please explain in your request how COVID-19 is preventing the correction of the issue and the date that you believe you can resolve the matter and provide a response to the Agency.

Tenant files: The Agency has always permitted electronic records. Applications, leases, verification of income and assets and student status can all be completed electronically. Digital signatures on forms (both property management and household) are and have been acceptable. If you are not set up to complete paperwork electronically, please use appropriate social distancing to get signatures and forms completed. If you are not set up to complete paperwork electronically and have no method of converting to this

format presently, it is permissible to follow the guidance below on recertifications and to forgo new move-ins if the owner and other interested parties agree to allow the unit to be vacant.

****ADDED 4/2/2020** Treatment of stimulus payments and unemployment in the absence of additional guidance from HUD:** The stimulus rebate checks of \$1,200 per adult and \$500 per child are considered one-time payments and are not to be included in income. Unemployment benefits must be annualized in the manner prescribed in the HUD 4350.3 Handbook, which means multiplying the weekly benefit x 52 weeks, regardless of the fact there is an anticipated end date. If currently unemployed, future employment should not be anticipated since it is impossible to predict when employment will resume.

Verifications: The preferred verification method for employment is pay stubs. The Agency does not generally allow the Work Number to be used for verification purposes, however, in the interest of completing move-in documentation in a safe manner, the Agency will accept the Work Number as a valid verification method until 12/31/2020.

Recertifications: For properties that are required to complete recertifications of income, we are allowing you to delay the recertification for all tenants at the current time. Once physical inspections resume, you are expected to begin recertifying tenants where the recertification was delayed. You may use the current date as the effective date, or you may make the effective date retroactive to when the recert was originally due. Regardless of which date you use for the recertification, we will not issue a compliance finding. For example, for a move-in on 4/1/2019 where you can't complete the recertification until 7/1/2020:

- Option 1: You have the option of verifying income late for the period beginning 4/1/2020 and making the recert retroactive to 4/1/2020. (Note: Use current signature dates even if the recert is made retroactive. The Agency does not require 'True & Correct' language.) If you use this option, the 2021 recert is due on 4/1/2021. OR:
- Option 2: You may verify current income as of 7/1/2020, and make the recert effective on 7/1/2020. If you use this option, the 2021 recert can either be completed on 4/1/2021 or 7/1/2021.

Note: Please see the section on Targeting and Key for guidance on recertifications for Key households.

Reporting: Unit events are required to be reported in RCRS within 30 days of the effective date, with an allowance of up to 90 days for properties in lease-up. The current requirements are being suspended for the remainder of 2020. It is imperative that unit events and the move-in tenant file documents are uploaded to RCRS as soon as possible, however, given that compliance staff responsible for updating RCRS may not have access to the data and forms, we will not cite late reporting as noncompliance for unit events effective on or before December 31, 2020.

Utility Allowances: The Agency cannot think of any reason utility allowance requests, approvals or implementation of new allowances would be disrupted by COVID-19 at this time. If you need guidance about utility allowances related to COVID-19, please contact Susan Westbrook at sewestbrook@ncfa.com. Families will likely be using increased utilities as schools are closed and people are staying home more. This may impact rental income for next year. Please plan accordingly.

Revised April 2, 2020 - This document will be periodically updated as federal guidance is received.

****UPDATED 4/2/2020** Income and rent limits:** The U.S. Department of Housing and Urban Development (HUD) has released income limits with an effective date of April 1, 2020. The limits displayed in RCRS will be updated as soon as possible. Note: HOME income and rent limits have not been released yet. At this time, it is not clear what kind of long-term impact COVID-19 will have on the nation's economy, unemployment and future income and rent limits. However, keep in mind that through the Housing and Economic Recovery Act, once a project is placed in service, the income limits will not drop.

****UPDATED 4/1/2020** Evictions:** The CARES Act (Act) signed into law by the President imposes a 120-day moratorium on tenant eviction filings and charging late fees for much of the nation's affordable housing properties, including Housing Credit properties. Specifically, the Act applies the moratorium to properties:

- with a federally backed mortgage or loan or
- that participate in a covered housing program as defined in the Violence Against Women Act (VAWA)

All Housing Credit properties are included in the Act as a housing program under VAWA.

Therefore, between March 27, 2020 and July 24, 2020 owners of Housing Credit properties may not:

- make, or cause to be made, any filing to recover possession from the tenant for nonpayment of rent or other fees/charges; or
- charge fees, penalties or other charges to the tenant related to such nonpayment of rent

The Act does not place a prohibition on declaring a lease in default for nonpayment and does not affect eviction notices filed before March 27, 2020. However, the Governor of North Carolina has halted all eviction proceedings until at least April 17, 2020 under Executive Order No. 124.

Any Housing Credit property manager or owner with questions about this moratorium should seek advice from their attorney.

Other federal laws: At this time, the Agency is not aware of any waivers of the requirements of the Federal Fair Housing Act, the Violence Against Women Act, Section 504 of the Rehabilitation Act or the Americans with Disabilities Act. Your property must continue to make reasonable accommodations and process transfer requests related to disabilities or VAWA protections.

Vacant Units: Vacant program units must be leased to qualified households. At this time, there is no relief to use program units for any other purpose, even if it is related to COVID-19.

****ADDED 4/2/2020** Employee Units:** At the request of the owner, the Agency has granted permission for properties to take a low-income unit offline to house a full-time employee, without requiring the household to qualify, provided Agency guidelines are met. If the employee is laid off from their job at the property, it is possible to convert the unit back to low-income and qualify the prior employee as any other household in a low-income unit so that the household doesn't lose their employment and their housing at the same time. Please notify the Agency if this occurs. The property will be allowed to convert the unit back to an employee unit once the person is hired back.

Revised April 2, 2020 - This document will be periodically updated as federal guidance is received.

Occupancy Standards: We have received several inquiries on whether Management Companies of LIHTC properties can modify or relax their occupancy standards and policies on overnight guests so that tenants can better respond to their family needs related to stable temporary housing for family members or friends during this time of health crisis.

To the extent that the policies are addressed in the Agency-approved Tenant Selection Plan, lease or house rules, the agency has no objection to the relaxing of these standards on a temporary basis (not to exceed 120 days), since these issues do not impact LIHTC eligibility. However, properties do need to be mindful of local ordinances, the requirements of their investors and other lenders, as well as guidance issued by the CDC related to the current crisis.

We recognize the challenge property owners and landlords find themselves in trying to balance tenant and applicant requests for flexibility while being mindful of protecting their residents and staff.

****ADDED 4/2/2020** Mortgage Payment Relief:** The Agency has offered multifamily property owners with an active Agency loan a 90-day loan forbearance beginning May 1, 2020. No interest will accrue during the deferral. Year-end owner distributions will not be impacted by accepting the offer. The owner must respond to the offer by April 20, 2020.

****ADDED 4/2/2020** Operating Reserve Withdrawals:** The Agency is prepared to work with property owners to approve use of operating reserves to help cover operating deficits during this difficult period.

DHHS Targeting and Key Program Guidance: The Targeting Program serves very vulnerable populations, and this pandemic may be very distressing for them in the upcoming weeks. Please support these tenants that are isolated due to social distancing by offering them contact information to seek assistance if they are in distress, fearful or anxious. Contact information for tenants, as well as practical tips to take care of your own mental health, are available in a supplemental document provided by DHHS and posted on our website. A toll-free Hope Line has been established for older adults experiencing isolation from social distancing. Call 1-866-578-4673 or 1-866-578-HOPE.

Additionally, during this time DHHS is making some exceptions to policies and procedures to decrease barriers for applicants/tenants and cost burden for properties.

1. During COVID-19 and any future natural disasters in which social distancing is implemented DHHS will allow for hold payments starting at the 91st day if participant has been approved but cannot sign lease and if the hold will not jeopardize the owner's obligation to lease each unit by required date (typically end of CY two years post award). Tenant can sign lease and take possession of the unit at any time during the hold period. The management company will not charge the tenant his/her rent share between move-in date and end of hold period.
2. If properties implement social distancing during a natural disaster, DHHS asks that they provide emergency maintenance numbers and instructions on how to pay rent and make reasonable accommodation request.
3. During COVID-19 and any future natural disasters that require social distancing, management companies are asked to allow mailing of applications and lease agreements to decrease barriers for people participating in the Targeting Program only.

Revised April 2, 2020 - This document will be periodically updated as federal guidance is received.

For questions related to COVID-19 and DHHS policies, please contact Stephanie Williams at stephanie.williams@dhhs.nc.gov.

Key Recertifications: Key households are allowed the same option as regular households. Hopefully, you have completed the recertifications in advance, and you will not be prevented from completing recertifications for more than 30 days, so as not to interrupt the flow of subsidy to the property. Currently, RCRS allows you to collect subsidy for one month following the required recertification date, after which the system takes the subsidy back for the extra month. The Agency will wait 30 days to see how severely the recertification process is affected. Should the process be interrupted for more than 30 days, we will issue further guidance on how to handle recertifications. If the recertification process is interrupted for 30 days or less, it is anticipated that you should be able to recertify all Key program participants timely, given you can start the process 120 days in advance.

For questions related to Key payment issues connected to COVID-19, please contact Sandy Harris at ssharris@nchfa.com.