Mississippi Home Corporation
("MHC")
Understanding the Affordable Housing Disposition Program
("AHP")
Compliance Monitoring

QUICK REFERENCE GUIDE

Present By:
Mississippi Home Corporation (MHC)
Compliance Monitoring Division

Understanding AHP

Module:

1. The Basics of AHP
2. Establishing Tenant Eligibility
3. Reaching Compliance
4. Maintaining Compliance
5. Rent and Leases
6. Recording Keeping
7. Reporting (Computer Simulation)

Understanding AHP

Goals for the Day

- Get to know AHP requirements
- Learn and understand compliance procedures
- Practice implementing AHP program

AHP Compliance Training

Module 1

The Basics of AHP

The Basics
A HP Program

▸ Properties offered for sale by RTC through a special program to enhance the supply of affordable housing

▸ Purchased by:
– private developers
– nonprofit organizations
– public agencies

▸ A portion of the units are made available to lower income families at affordable rents

▸ Purchasers agree to keep the properties affordable for 40 to 50 years

Chapter 1.2

OVERVIEW
AHP Basic Program Requirements

1.   Low-Income ("LI") Occupancy
Two types of LI Occupancy:
    (1)   Total Set-Aside
    (2)   Very Low Income ("VLI")
2.   Restricted Rents
3.   Compliance Period
4.   Resale Requirement

Chapter 1.2

The Basic of AHP
Principle Players & Roles

▸ Owners/Property Mgrs. - Designate qualifying units (Qus)needed to meet set asides, provide safe, decent, and affordable units, maintain proper record, report to MHC (Monthly or annually), certify compliance, and pay monitoring fees.

▸ MHC - Monitoring AHP properties and property owners for compliance: Provide guidance and technical assistance training: Notify FDIC and the owner of all noncompliance.

▸ FDIC - Sets AHP program requirements, provide guidance on program procedures, provide enforcement support to restore compliance.

▸ Residents - Provide information about household composition, income and assets, and receive affordable housing.
Chapter 1.3

The Basic of AHP
Key Programs Documents

▸ **Land Use Restriction Agreement (LU RA)**

▸ **AHP Owner's Compliance Manual**

▸ **Program Documents and Tools**

▸ **Memorandum of Understanding (MOU)**   Chapter 1.4

Notes:

The Basics of
AHP Program

Occupancy Set-Asides

35% of total units in project = Total Set-Aside

20% (generally) of total units in project = Very Low Income (VLI)

Total Set-Aside: The portion of the total units in the property that must be designation for occupancy by low income tenants. To qualify as a low income tenant, a household's annual (gross) income must not exceed 80 percent of the median income.

Very Low Income(VLI) Set-Aside: The number of units in the property that the owner must designate for occupancy by very low income tenants. A very low income household must have an annual (gross) income equal to or less than 50 percent of the area median income.

Other Restrictions:
- proportionality
- treatment of in-place tenants

Note: Each AHP project must adhere to two set-asides: failure to meet one set-aside is a noncompliance event.

Notes:

The Basic of AHP

Administrative Fees

- Annual fee paid to MHC
- Fee = total set-aside required by the LURA X $50.00
- Subject to Change
- Fee covers the upcoming 12-month period
- Additional fees may be charge if properties are out of compliance

The Basics of AHP

Ensuring Program Compliance

- Partnership between owner/manager & MHC

- MHC will provide compliance material, review record and perform onsite monitoring

- Enforce actions taken only when to restore compliance

AHP Compliance Training

Module 2

Establishing Tenant Eligibility

Establishing Tenant Eligibility
Program Fundamentals

KEY IDEAS

Some Program Fundamentals:

- ✓ Know your total "Low Income" Set-Aside (including VLI)
- ✓ Know and understand the miniumum set-aside requirements
- ✓ Know initial LI occupany per building
- ✓ Affordability Period

Consider:

- ✓ Develop a waiting list for the AHP program
- ✓ Qualify a vacant unit before re-occupying an exixtiong QU

Establishing Tenant Eligibility
5 Step Program

Key Steps:

Step 1: Household completes an **APPLICATION**

Step 2: **EVALUATE HOUSEHOLD POTENTIALLY ELIGIBILITY** based on HH Size and disclosed income

Step 3: Document HOUSEHOLD INCOME

Step 4: ANNUALIZE INCOME

Step 5: Complete TENANT INCOME CERTIFIATION (TIC) & household sign

Chapter 2.2

Establishing Tenant Eligibilty
Step 1- Gathering Information

Gathering Income Information

- No required form
- Rental application is generally most effective
- Conventional rental application WILL NOT gather sufficient information

Reminder!   *Gather income information during re-certification, as well as during initial certification.*

Chapter 2.3

Establishing Tenant Eligibility
Step 1 (continued)

Determining Household Size

AHP specifies how to establish HH size

Do Count:

- ✓ Year-round occupants
- ✓ Absent Children (pending adoption/custody)
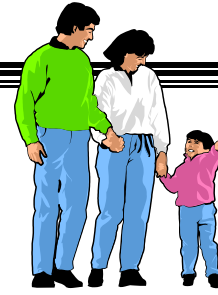- ✓ Temporarily absent family members
- ✓ Students (Full/Part-time)

Do <u>NOT</u> Count:

- ☒ Unborn Children
- ☒ Absent children under 18
- ☒ Live-in aides or nurse

Chapter 2.3

Establishing Tenant Eligibility
Step 2 (Ineligible HH)

Does the Household Look Eligible?

If no**:**

- Offer the tenant an unrestricted unit, if available
- Offer to put the applicant on a waiting list if unrestricted unit are not available

Good Practice!

Develop a standard procedures for handling applicants who are <u>NOT</u> eligible

Chapter 2.6

Establishing Tenant Eligibility
Step 2 (Eligible HH)

Does the Household Look Eligible?

If yes:

- Obtain Tenant Consent & Release Form
- Owners/manager will need written authorization to verify a HH;s income and assets
- Keep copies in applicant/tenant file

Chapter 2.7

Notes:

Anticipated Annual Income

What count as Income?

    Common Sources:
- Income from earnings
- Income from Assets
- Self employment
- Social Security

Note:
- Income from earning includes overtime, commissions, fees, tip, and bonuses
- Be sure to include the gross amount of each source of income
- Include salaries received from a family owned business
- If the Social Security Administration is reducing a families benefit to adjust for a prior overpayment, count the amount that is actually provided after the adjustment
- Include Social Security payment received for all HH members regardless of age

Chapter 2.8

Notes:

Anticipated Annual Income

What count as Income (continued)?
Don't Forget....
- Child Support*
- Workman's Compensation
- Unemployment
- Welfare
- Recurring monetary on contributions
- Military pay
- Retirement funds and pensions

Notes:
*Include court order child support unless 3rd party documentation is obtained that show payment not being received

**Count unemployment as if the HH will receive the benefit for the entire year
   Welfare payment are called AFDC or TANF

Notes:

Establishing Tenant Eligibility
Step 3 - Annual Income (Students)

What count as income (continued)?
Student Income

- In the case of a full-time student living apart from his or her family, include amounts of educational scholarships and grants above and beyond the cost of tuition, fees, books, equipment, materials, supplies, transportation and miscellaneous personal expenses

- If another person (e.g. parent, family member) pays tuition directly to the educational institution, include the entire amount as the income of the student

FYI:
The income inclusion pertains only to the AHP program

Chapter 2.10

Establishing Tenant Eligibility
Step 3 - Annual Income (Exclusions)

What is excluded from income?

- **Employment earning from children under the age of 18**
- **Payments under Section 8 of the United States Housing Act of 1937 or any comparable rental assistance program**
- **Food Stamps**
- **Deferred periodic payment from Social Security that are received in a lump sum**
- **Earning in excess of $480 for each full time student 18 years of age or older (excluding the head of HH, co-head and spouse)**
- **Adoption assistance payments in excess of $480 per adopted child**
- **Income of a live-in aid**

Establishing Tenant Eligibility
Step 3 - Calculating Asset Income

♦   Income from asset is also counted
♦   calculation depends on amount of assets

0 - $5,000

Use
Actual income
(e.g. interest dividends)

$5, 000 & Over

Use
Actual income
Or
Imputed income

FYI
Refer to Attachment "C" of Owner's Manual for additional information on asset income

Notes:

Establishing Tenant Eligibility
Step 3 - (Documenting Income)

Verifications:

A.   Methods of Verification

✓   Third-party written (Most Preferred)
✓   First-hand (i.e., check stubs, etc.,)
✓   Oral verification

B.   Effective Term of Verification

✓   When TIC is executed, verification should not be more than 90 days old
✓   Once certified,, verification documentation is valid for one year

Documenting Verifications

✓   Document all attempts to verify information by:
   •   maintaining copies of all form letters mailed
   •   maintaining telephone logs
   •   making appropriate notation in tenant files

Good Idea: ***Start early with verification process!***

Chapter 2.17

Notes:

Establishing Tenant Eligibility
Step 3 -Section 8 (Continued)

Household Receiving Section 8 Assistance:

- Property may obtain 50058 from the local PHA or,
- Use MHC's form "Income Verification for Households with Section 8 Certificates

** Either of these will satisfy step 3 of determine eligibility/verification of income.

Establishing Tenant Eligibility
Step 4 - Annualize Income

Annualize Income

- **Calculate annual income**
    - **Hourly   X   2080**
    - **Weekly   X   52**
    - **Bi-weekly   X   26**
    - **Bi-monthly X   24**
    - **Monthly   X   12**

- **Compare annual income to applicable AHP income limits for that HH size**

Chapter 2.21

Notes:

Establishing Tenant Eligibility
The FINAL Step - Certify Compliance

Step 5

- Completing Tenant Income Certification (TIC's)
- Department approved form (Appendix E)
- Owner/manager completes TIC
- Income verification cannot be more that 90 days old
- Complete TIC signed by:
- Head of Household
- Owner/Manager

Common TIC Problems:

- **Failure to list all household members**
- **Assets not listed or calculated correctly**
- **TIC not signed by tenant or owner representative**
- **Failure to complete entire TIC**
- **No backup documentation to support income of TIC**
- **Tenant and owner/manager must initial any changes**
- **Date of signature missing**

Chapter 2.23

Notes:

Establishing Tenant Eligibility
Common On-site Findings

Common Compliance On-site Findings

- TIC incomplete or missing
- Late recertification
- Failure to screen each household members for income
- Failure to screen for household income at recertifictaion examination
- Income documentation missing, incomplete or unclear
- Incorrect calculation of annualize income

Chapter 2.24

Establishing Tenant Eligibility
Recertification Steps

Recertification Procedures Key Steps:

Step 1   Household completes an *APPLICATION* (optional)

Step 2   Apartment manager *DOCUMENTS* HH income

Step 3   Apartment manager *ANNUALIZE INCOME*

Step 4   Apartment manager completes a TENANT INCOME CERTIFICATION ans HH sign

Chapter 2.26

Establishing Tenant Eligibility
Recertification Procedures

Recertifications

- **Required at least annually**
- **Follow same steps as initial certification**
- **Change in HH, size or annual income reported at time of recertification**
- **If HH size or income changes during the 12 months certification period, it is not a program requirement to recertify**

Start 60 to 90 days prior to expiration of most recent Tenant Income Certification

Recertification Procedure:

- **New income limits may be in effect**
- **Recertification limits is current LI limits multiplied by 140%**
- **Tenant with certified income over the recertification limits can be counted as OI (Over Income) tenant and must be replaced**
- **The next available unit of comparable or smaller size must be leased as a QU to replace the OI unit**

Chapter 2.25

Notes:

AHP Compliance Training

Module 3

Reaching Compliance

Reaching Compliance
Designating QU's

When designating QU's

- Identify VLI and LI household
- Document their eligibility
- Set rent that comply with limits for your area
- Record the appropriates designation (VLI or LI)
- Vacant units count as qualifying units only if previously occupied by an eligible household
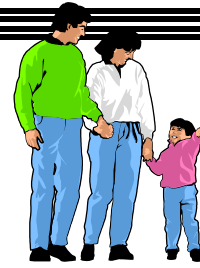
Do _NOT_ designate units
- By location
- By size

Reaching Compliance
Designating QU's - Four Key Steps

Four Key Steps in properly designating Qualifying Units
- ▸ Making sure eligibility documentation is valid
- ▸ Establishing unit rent that complies with A.P. rent limits
- ▸ Executing a proper dwelling lease
- ▸ Specifying the correct unit designation (VLI or LI) on:
    - monthly unit listings
    - each compliance report submitted

Remember: Re-check eligibility documentation to:
    Designate unit, Owners/managers must have:
        Valid certification
        Valid Verification
    Timing requirements apply to new and existing tenants

Good Idea: _Keep a reserve of Qualifying Tenant!_ **WATCH THE CALENDAR**, _expired documentation must be replaced_

Reaching Compliance
Identifying Qualified Tenant

There are two (2) options available for identifying qualified tenants:

Option 1: Attract New VLI & LI Tenants

- Contract Local Section 8 office and get their landlord list
- Contract local service organizations
- Develop relationships with local employers

Good Practice!

Develop a marketing strategy to attract VLI tenants, it will also work for LI tenants

Chapter 3.7

Option 2: Surveying Existing Tenants

- Must attempt to survey all unrestricted households
- Do Not have to designate all VLI & LI units
- Develop a fair system for selecting tenant to receive affordable units
- Develop waiting list

Chapter 3.8

Reaching Compliance
VLI Set-Aside

Meeting the VLI Set-Aside

- Rent limits for VLI may be below market
- Program forces property to meet the VLI Set-Aside
- If the LI Set-Aside has been met, all available units must be leased as VLI
- May want to designate only the number of VLI units required by the LURA

Reaching Compliance
Vacant Units

Holding Vacant Units Available

- GENERAL RULES: Vacant units may only be rented to qualifying households. All paperwork required for designation must be completed prior to move-in

- EXCEPTION: If unrestricted vacancies exceed the number of units needed to meet the set asides, extra unites may be rented to any tenant

Good Practice!
Track the number of units need to reach the set-asides

Reaching Compliance
Next Available Unit Rules

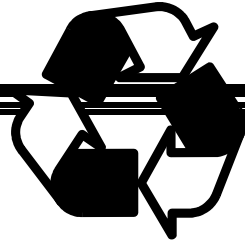| Property Summary Number of Units					
UNIT Type	Occupied	Vacant	Over Income	Total	Required
Lowe Income	2	8	0	10	
Very Low Income	18	2	0	20	20
Total Qualifying Units	20	10	0	30	35
Unrestricted Units	68	2		70	
TOTAL ALL UNITS	88	12	0	100	
Percent				100%	

AHP Compliance Training

Module 4

Maintaining Compliance

Maintaining Compliance
Changes in QU Status

Tenant Recertifications
- At least once every 12 months
- If HH eligibility changes, the unit designation must change accordingly

Possible Changes:

VLI or LI $\Rightarrow$ **Over Income**

Next Available Qualifying Unit (NAU of comparable or smaller size held for VLI or LI tenant

VLI $\Rightarrow$ **LI**

Next Available Qualifying Unit (NAQU) held for VLI tenant

LI $\Rightarrow$ **VLI**

Unit does not have to be replaced
(Rent may need to be reduced)

Notes:

Maintaining Compliance
Vacated QU's

Replacing Vacated QU;s (Two Options)

- Recent vacated QU to HH of comparable income
- Designate an unrestricted unit occupied by a tenant of comparable income

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Maintaining Compliance
Transferring Tenants

When transferring tenant from one QU to another unit,an owner/manager must keep in mind that:

- QU unit designations can shift from one unit to another unit (QU designation is not permanently tied to a unit)
- QU status cannot be removed from a properly designated unit as long as the tenant remains eligible
- Once designated, unit remains QU until the tenant:
     -moves out of the property: or
        -is no longer income eligible

- If a QU tenant moves to another unit, the QU designation follows the tenant to the new unit

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Notes

▸ Documentation of transfer must be clearly noted in file; new or interim certification is suggested but not mandatory

▸ Household income may exceed move-in limits by up to 140%

▸ The newly occupied unit assumes the designation of the vacant units

Maintaining Compliance
Removing QU Designations

Managers / Owner cannot remove LI/VLI designations from households

- All designated households must be recertified on an annual basis unless

  They are moving within 30 days of the recertification deadline
  They refuse to participate

- **Only MHC can remove LI/VLI designations**

Warning! Communicate with MHC if you are having difficulty recertifying households.
Property must maintain occupancy requirements.

Chapter 4.10

Maintaining Compliance
Reporting

Reporting to MHC- Ongoing Compliance

- Report submitted annually
- Follow the same format
- Include TIC's and Owner Compliance Certification

Reminder!

Owner /manager who stay in compliance avoid having to pay additional administrative fees!

Chapter 4.11

Maintaining Compliance
Noncompliance

Properties that fall out of Compliance:

- **Monitoring agencies will examine records and reports** **to**
  check compliance with program requirements
  - office
  - on-site reviews

- **Failure to follow AHP procedures can result in compliance violations**
  If violation occurs, monitoring agency will:
  – advise owner/manager how to restore compliance
  _ provide technical assistance,if needed

- **Failure to take required corrective actions will result in administrative and/or**
  judicial sanction against the owner

Common Violations:

- ✔ *Failure to follow pre-compliance leasing procedures*
- ✔ *Incorrect eligibility determinations*
- ✔ *Charging rents that exceed AHP rent limits*
- ✔ *Failure to properly replace QU's*
- ✔ *Not following record-keeping reporting procedures*

Chapter 4.12

AHP Compliance Training

Module 5
Rent & Lease

Rent and Leases
Maximum "Allowable" Rents

Establish Acceptable Unit rents for QU's

- Rent charged for shelter must not exceed AHP limits
- Tenant paid rent plus Section 8 payment cannot exceed the AHP rent limits

Chapter 5.2

Rent and Leases
 Establishing Acceptable Rents

Establish Acceptable Rents for QU's by:

☐ Unit rent shown on the lease must not exceed the applicable AHP rent limits
☐ LI (or VLI) tenants with different incomes may have the same rent
☐ Surcharges for utilities or other services used be documented in the dwelling lease and be comparable to charge for unrestricted units

Notes:

Rent and Leases

"Required" Language

Required Lease Language:

- Lessee certifies the accuracy of the information on the TIC
- Lessee agrees to respond promptly to request for certification information
- Failure to provide information is grounds for eviction

Chapter 5.5

Prohibited Lease Language:

- Agree to be sued
- Treatment of property
- Excusing the owner of responsibility
- Waiver of notice
- Waiver of legal proceedings
- Waiver of jury trail
- Waiver of the right to appeal court decision
- Tenant chargeable with cost of legal actions regardless of outcome

Not Negotiable

FYI

REVIEW PAGES 5-6 THROUGH 5-8 OF THE A.P. OWNER'S MANUAL FOR A COMPLETE LISTING OF PROHIBITED LEASE LANGUAGE

Chapter 5.6

Notes:

AHP Compliance Training

Module 6

Record Keeping

Required Documentation for Designated Households

1. Rental Application
2. Tenant Release and Consent Form
3. Tenant Income Certification (TIC)
4. Income/Asset Documentation/Verification
5. Lease/Lease Addendum (No required term/must be valid)
6. Notes to file

FILE
COPY

Good Idea: *Develop a standard method for organizing files!*
Have tenant sign TIC when they sign lease!   Chapter 6.2

Record Keeping

Reporting the QU

- Specify appropriate designation on back of TIC
- Record designation on each monthly unit listing/report

Chapter 6.3

Notes:

Recording Keeping

Compliance Reports

COMPLIANCE REPORTS

There are two reporting forms owners must regularly submit to MHC:

    ✓ Compliance Reports
- Monthly (typical submitted during pre-compliance)
- Annually (date establish by MHC)
  Includes:
  > Tenant Certification Forms for each new QU

    ✓   Owner Compliance Certification
- Certifies compliance with all the terms and provisions of the LURA
- Generally submitted once project meets full compliance and at the time annual reports are submitted

TECHNICAL ASSISTANCE

AVAILABLE TWICE A MONTH

SUBMIT WRITTEN REQUEST TO MHC FOR APPROVAL

MISSISSIPPI HOME CORPORATION ("MHC")
MULTIFAMILY PROGRAM OPERATIONS

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