

**LOW INCOME HOUSING TAX CREDIT
MONITORING AND
COMPLIANCE MANUAL**

Revised 06/11

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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.

Effective January 2007, the IRS released its Guide for Completing Form 8823, Low-Income Housing Credit Agencies Report for Noncompliance or Building Disposition (8823 Guide). The 8823 Guide was not intended to change any Section 42 rules or policies, but to provide definitions of what IRS considers “in compliance” and for consistency in reporting “out of compliance” and “back in compliance” on IRS Form 8823. IRS did not include an effective date for state agencies to make any needed adjustments to policies and procedures to the extent DSHA existing policy and procedure do not conform to the instructions in the 8823 Guide.

Most of DSHA’s compliance monitoring and reporting policy and procedures are reflective of instructions in the 8823 Guide. Some additional adjustments have been made to DSHA’s compliance monitoring procedures and manual to incorporate some IRS guidance that was not in our manual previously.

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.

Prepared by: Cynthia L. Deakyne
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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 the LIHTC program 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 administered by this section. The allocation, underwriting, monitoring and compliance aspect of the LIHTC Program is also the responsibility of this section. In addition, the section performs asset management, financial monitoring and inspections of HDF/HOME financed rental housing and is responsible for enforcing the State Housing Code in those communities that 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 in Kent and Sussex Counties, and DSHA's eight Public Housing sites. The Management Section directly manages 445 units of Public Housing, 209 units of Section 8 New Construction, and 24 units of public housing in New Castle County.

Asset Management oversees over 2700 units of Section New Construction financed with DSHA multi-family tax-exempt revenue bonds and is the Project Based Contract Administer (PBCA) for HUD of an additional 1700 units statewide. This section performs asset management duties for properties financed with DSHA tax-exempt financing properties as well as the PBCA HUD portfolio and is responsible for overseeing the HUD subsidy through the TRACS program.

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 compliance manuals so owners are aware of the proper and most current IRS regulations though the compliance period.
5. As of the HERA law signed July 30, 2008, DSHA is required to report tenant data to HUD annually, including tenant race, ethnicity, family composition, age, income, use of rental assistance or other similar assistance, disability status and monthly rental payments.

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 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 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 judgment from a federal court.
- n) No tenants in low-income units were evicted or had their tenancies terminated **other than for good cause** and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.

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.

Revenue Ruling 2004-82, published August 30, 2004, clarifies that owners may comply with the record retention provisions under IRS Section 1.42-5(b) by using an electronic filing storage system instead of maintaining hard copy (paper) books and records, provided that the electronic storage system satisfies the requirements of Revenue Procedure 97-22.

The **ORIGINAL** tax credit tenant file and the **ORIGINAL** support documentation (including the Tenant Income Certification, verification forms, application, lease, etc) must be available for DSHA's compliance monitoring review. Failure to provide said documents will result in the issuance of IRS Form 8823.

5. **DSHA ELECTRONIC REPORTING (MITAS)**

MITAS Multifamily Software is a comprehensive and fully integrated system that DSHA utilizes to manage the Low Income Housing Tax Credit and Asset Management Programs. All Tax Credit properties and affordable housing properties financed by DSHA will now use the web-based software system for tenant data collection and financial reporting.

All tax credit properties are required to provide tenant data to DSHA **on a monthly basis**. When DSHA schedules a LIHTC compliance review and inspection, the owner and/or their manager will complete additional reports electronically through DSHA's MITAS website.

Internet Property Management Training is available for all owners and managers on DSHA's website either by Video, Adobe Acrobat PDF or MS Word.

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: BUILDINGS PLACED IN SERVICE AFTER 7/30/09, ARE NOT SUBJECT TO THIS PROVISION.

NOTE: HUD publishes Rents and Income Limits yearly.

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 owner chooses the PISD.

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).

For buildings placed in service on or before July 30, 2008, the increase in the adjusted basis of any building that includes the community service facility cannot exceed 10 percent of the eligible basis of the qualified low-income housing project of which it is a part.

For buildings placed in service after July 30, 2008, the allowable community service facility cannot exceed (1) 25 percent of the eligible basis of the qualified low-income housing project of which it is a part and does not exceed \$15,000,000 plus (2) 10 percent of the eligible basis of the project in excess of (1) above.

Additional and Special Set-Asides

In addition to the minimum set-aside, buildings and projects may have been awarded points in the scoring of their tax credit applications for setting aside additional units as low-income (at or below 50% of median income) or targeting very low-income (at or below 30% of median income). These units are considered additional low-income units or special set-asides low-income units. Most tax credit properties have additional low-income units that make up 100% of the property. The income requirements for these units must also be met during the entire compliance period.

2. Rent Limitation/Rent Restriction

For projects that were allocated Tax Credits in 1990 and subsequent years, the maximum rent is based on the number of bedrooms, while assuming 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 \$33,120 living in a 3-bedroom unit could not be charged more than \$861, **including utilities.**

Bedroom Size	1	2	3
New Castle	\$835	\$1,003	\$1,158
Kent	\$660	\$792	\$915
Sussex	\$621	\$745	\$861

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).**

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. **See Section XXIV, DSHA Post –15 Monitoring Procedures for details on requirements in the extended use period.**

D. The Applicable Fraction

The applicable fraction represents the percentage of a building intended for qualified low-income units. The applicable fraction is assigned to a building at the time of final credit allocation (issuance of the IRS form 8609). However, a final determination of the maximum applicable fraction is made on the last day of a building's initial tax credit year. The maximum credit an owner can claim on a building is based on the lesser of the targeted applicable fraction or the actual applicable fraction on the last day of the initial tax credit year. The applicable fraction is calculated as the lesser of:

- i. Low income units divided by total units (whether or not occupied) in a building; or
- ii. Total square footage of low-income units divided by total square footage of all units (whether or not occupied) in a building, with the exception of the manager's unit. The manager's unit may or may not be included depending whether it was part of the common space. If the manager's unit is part of common space, the unit is excluded from both the numerator and the denominator of the applicable fraction in determining the building's qualified basis. If the manager's unit is considered a qualified low-income unit, the unit is counted in the applicable fraction.

When determining which units to include in the numerator (low income units), and in the denominator (total units) of the applicable fraction, please note:

- Units that have never been occupied cannot be included in the numerator, but must be included in the denominator;
- Units that are vacant at the end of the initial tax year which previously were qualified as low income units can be considered to be low income for determining the amount of credits claimed only if the units were occupied for a minimum of one month;
- If a qualified low-income household becomes an ineligible household prior to the end of the initial tax credit year, that unit cannot be counted in the first year toward the minimum set-aside or the determination of the qualified basis.

IRC §42(b)(1)(B)* provides that a new building that is not federally subsidized is eligible for an Applicable Percentage equal to a 70 percent present value credit (the 9% credit) while a new building that is federally subsidized and an existing building are eligible for a 30 percent present value (the 4% credit).

E. Qualified Basis

Qualified basis is the portion of the eligible basis applicable to the Tax Credit units in a building. Qualified basis is the product of a project's Eligible Basis multiplied by the Applicable Fraction. The original qualified basis is determined as of the last day of the first year of the credit period and is reported to the IRS on Part II of Form 8609.

F. Eligible Basis

In general, the eligible basis of a building is equal to the building's cost for acquisition, rehabilitation or construction costs for the entire building, subject to certain conditions and modifications set forth in Section 42 (d). Some of the special provisions for determining eligible basis under Section 42 (d) are:

- a. The eligible basis is increased for new buildings and substantial rehabilitation to existing buildings, which are located in designated qualified census tracts and difficult development areas.
- b. If non-tax credit units or market rate units are of a quality standard greater than that of rent-restricted tax credit units in the building, the costs of the non-tax credit or market rate units generally are not included in eligible basis.
- c. The cost of depreciable property used in common areas or provided as comparable amenities to all residential units (e.g. carpeting and appliances) is included in determining eligible basis. The cost of tenant facilities (e.g. parking, garages, swimming pools) may be included in eligible basis if there is no separate charge for use of the facilities and they are made available on a comparable basis to all tenants in the project.

- d. Eligible basis is reduced by federal grants, non-tax credit units with higher standards and amenities, land costs, historic rehabilitation credits and non-residential rental property.

The eligible basis, as of the end of the first year of the credit period, is reported to the IRS on Part II of the IRS form 8609, and does not change from year to year.

e. Claiming Credits

The credits may be taken annually for 10 years and are based on a percentage of the qualified costs of the building. For 1987 projects, the applicable rates were 9 percent for new construction and substantial rehabilitation and 4 percent for buildings with federal subsidies and for acquisition and rehabilitation of existing buildings. (In order for an existing building to qualify for the credit in connection with substantial rehabilitation, there must be a period of at least 10 years between the date of acquisition and the date the building was placed in service. In addition, DSHA's QAP requires the property to have completed its initial compliance period).

After 1987, the credit percentage is based on the Applicable Federal Rate (AFR) for the month the project is placed in service, or at the owner's election, the month in which a carryover/commitment is entered into by the owner and DSHA.

Owners of qualified residential rental projects must satisfy the minimum set aside and gross rent requirements for a minimum 15-year period and in many cases a 30-year period, depending on the Declaration of Land Use Restrictive Covenants or Extended Use Agreements. Developments with allocation in 1990 and each year thereafter are required to comply with these requirements for a minimum of 30 years.

V. IRS Reporting Requirements

The IRS and DSHA require owners to file specific forms for compliance and reporting purposes. Failure to submit required forms to either the IRS or DSHA as appropriate will result in non-compliance and may make the owner subject to recapture or ineligible for credit.

A. Low Income Housing Allocation Certification (IRS Form 8609)

The IRS Form 8609, Low Income Housing Allocation Certification (“8609”) is issued by DSHA for each building within a project. If the property received acquisition and rehabilitation credits, a separate 8609 is issued for the acquisition and rehabilitation for each building (there will then be two Form 8609’s for each building).

Part I of the 8609 is completed by DSHA and will be sent to the owner when the project is placed in service and all documentation (cost certification, certificates of occupancy, etc) required by DSHA is reviewed and approved. DSHA files the original with the IRS for their records to compare with the taxpayer’s tax return. Part I of the 8609’s is to be prepared by DSHA only. If DSHA becomes aware that an owner or management agent has filed a self-prepared 8609 with the IRS, DSHA reserves the right to determine that all parties involved will not be eligible for future participation in DSHA’s Tax Credit program for a period of 10 years. DSHA will also file an immediate notice with the IRS as a fraud issue.

Part II must be completed by the owner in the first Taxable Year for which the credit is claimed.

DSHA recommends that the owner make fifteen (15) or thirty (30) copies (whichever is needed) of Form 8609 – one for each of the tax credit compliance years for audit purposes.

The owner files a copy of the IRS Form 8609, with an original signature in Part II, with his/her personal or partnership tax returns for the first Taxable Year in which the credit was taken and each year thereafter in the Compliance Period. **A copy of the 8609 Part I & II and Schedule A for each building for the first taxable year in which the credit was taken must be filed with DSHA. DSHA will request that this information be received prior to the first tax credit monitoring review. If the applicable fraction/qualified basis is increased in any year following the first year of the tax credit period, DSHA requires a copy of IRS Form 8609A to be submitted by May 31 of the year following the year for which the additional credit was taken.**

If the credit claimed on IRS Form 8586 is a flow-through credit from a partnership, S corporation, estate or trust, the entity will complete the forms and attach it its return. See the instructions on IRS Form 8609 and Schedule A for details.

Owners should consult with their legal and/or tax advisors for advice on completing and filing tax returns and all IRS forms. DSHA cannot give legal or tax advice on the filing or completion of tax forms.

B. Low Income Housing Credit (IRS Form 8586)

Low Income Housing Credit (IRS Form 8586) must be completed to claim credits for the first taxable year in which credit is taken and every year thereafter in the compliance period. If the owner is claiming credits on IRS Form 8586 from a flow-through entity, (such as a partnership, S corporation, estate or trust) the individual investor must complete only Part I of Form 8586. Attach this to the entity’s income tax return along with Form 8609 and Schedule A when filing.

C. Declaration of Land Use Restrictive Covenants

Prior to claiming the tax credits, the building owner must record an approved DSHA Declaration of Land Use Restrictive Covenants (extended use agreement) which must be in effect as of the end of the first taxable year credits are claimed. This agreement is typically recorded at the construction closing. Failure to timely and properly record this instrument is an event of noncompliance and must be reported to the IRS.

Owners receiving tax credits in 1990 or later years are required to continue to maintain the low income units for an additional 15 years beyond the initial compliance period. The Declaration of Land Use Restrictive Covenants is a recorded document that commits the owner to all the IRS requirements stated in Section 42 as well as their commitment to maintain the units as low income for the extended use period. The Declaration also commits the owner to any additional use or income requirements of the project that the owner agreed to at allocation and award of the tax credits. DSHA recommends that a copy of this agreement is kept on file with the project records and is reviewed by the management agent.

D. Recapture of Low Income Housing Credit Form 8611

IRS Form 8611 is used by taxpayers who must recapture tax credits claimed in previous years. A copy of Form 8611 must be filed with the IRS upon completion by the owner.

VI. UTILITY ALLOWANCES

Both HUD and the Internal Revenue Service are cognizant of the stresses that utility allowances have placed on affordable housing. The Internal Revenue Service published a final rule on July 29, 2009 that gives state housing finance agencies more discretion in determining utility allowances for tax credit properties.

The Maximum Allowable Gross Rent that can be charged a resident includes both rent for the unit and tenant paid utilities.

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:

$$\begin{aligned} \text{Gross Rent} &= \text{Maximum LIHTC rent plus utility allowance and non-optional fees} \\ &\qquad \qquad \qquad \text{or} \\ \text{Gross Rent} &= \text{Maximum LIHTC rent (with all utilities and non-optional fees paid by owner)} \end{aligned}$$

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 gross rent the owner must subtract from the rent the appropriate utility allowance calculation.

The Internal Revenue Service (IRS) published final regulations regarding utility allowances for low-income housing tax credit (LIHTC) properties. There are five (5) possible methods for obtaining and documenting a utility allowance.

1. **PHA Allowance** - The utility allowance established by the applicable Public Housing Authority. If the applicable PHA allowances list flat fees for any utility, those flat fees must be included in the calculation of the utility allowance if the resident is responsible for that utility.

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 and 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.

2. **Estimate from Utility Provider** - A written estimate from a local utility provider; the utility provider's estimate must be in writing and any costs incurred to receive this estimate are 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.
3. **Actual Usage** – A building owner may obtain a utility estimate for each unit in the building from DSHA provided DSHA agrees to provide the estimate. DSHA does not agree to providing estimates to building owners at this time.
4. **HUD Utility Schedule Model** – Owner may use the HUD Utility Schedule Model that can be found on the Low- Income Housing Tax Credits page at <http://www.huduser.org/datasets/lihtc.html>. The HUD Utility Schedule Model is based on data from the Residential Energy Consumption Surveys (RECS) conducted by the Department of Energy. This data provides energy consumption by structure for heating, air conditioning, cooking, and water heating and other electric (lighting and refrigeration). The Model incorporates building location and climate.
5. **Energy Consumption Model** (Estimate from an Engineering Firm) – All Engineering firms must be properly licensed and approved by DSHA. This method uses engineering calculations and technical data (including actual data) to estimate a utility allowance. First, owners develop categories of dwelling units based on the factors that affect utility consumption. Next owners determine the consumption requirements for each type of end-use to be covered by the allowance. Depending on the end-use, the consumption requirement may be estimated based on engineering formulas, standardized consumption tables, actual data, in-house information on equipment used or the physical condition of the developments. The engineering firm must not be a related party of the building owner.

In addition, the estimate from the engineering firm for existing properties, should consider actual data, when estimating a utility allowance. The following data should be included in the engineering firm's estimate:

- a. The actual use of similarly constructed and sized units in the building using actual utility data and rates.
- b. Provide a minimum sample size of usage data for at least 5 continuously occupied units of each Unit Type or 20% Unit Type whichever is greater.
- c. A copy of the request to the utility provider or billing entity to provide usage data. If utility data is used directly from residents, a release from the resident is required.

- d. An Excel spreadsheet listing every unit on the property, number of bedrooms, bathrooms and square footages for each unit, and the billing history by month for each unit for which data was obtained (the sample).
- e. The rent roll of the property showing occupancy as of the end of the month for the month in which the data was requested from the utility provider.

Changes in Utility Allowances. An owner may choose to change the utility allowance calculation after the credits have been reserved. If, at any time during the building's extended use period, the applicable utility allowance for units changes, the new utility allowance must be used to compute gross rents of the units due 90 days after the change (the 90-day period). For example, if rent must be lowered because a local utility company estimate is obtained that shows a higher utility cost than the otherwise applicable PHA utility allowance, the lower rent must be in effect for rent due at the end of the 90-day period.

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. 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. **The owner will have 90 days to reduce the rent amount charged to households and notify DSHA of the change.**

Notice. - A building owner using a Utility Company estimate, the HUD Utility Schedule Model, or an Energy Consumption Model must submit copies of the utility estimates to DSHA and **make the estimates available to all tenants** in the building at the beginning of the 90- day period before the utility allowances can be used in determining the gross rent of rent-restricted units.

Use of the Energy Consumption Model is limited to the building's consumption data for the twelve-month period ending no earlier than 60 days prior to the beginning of the 90-day period.

Utility rates. - For the Energy Consumption Model, rates must be no older than the rates in place 60 days prior to the beginning of the 90-day period. In the case of newly constructed or renovated buildings with less than 12 months of consumption data, the qualified professional may use consumption data for the 12-month period of units of similar size and construction in the geographic area in which the building containing the units is located.

Here is an IRS example:

On September 1, 2008, an owner decided it will implement new utility allowances 90 days later for rents due on December 1st.

1. For CONSUMPTION DATA, the 12-month period can end no earlier June 30, 2008. So the 12-month period can be July 1, 2007 to June 30, 2008 or any subsequent 12-month period up to September 1, 2007 through August 31, 2008.

2. The UTILITY RATE used must be not be older than the rate in place 60 days before September 1, or July 1, 2008.

If the average electrical use is 45 kilowatts per month and the utility rate on July 1, 2008 is \$1.00 per kilowatt, then the utility allowance would \$45 each month.

3. Notice to the residents must be given by September 1.

Utility Allowance Estimate Costs. The building owner must pay for all costs incurred in obtaining the estimates and providing the estimates to DSHA and the residents. Operation funds of the project cannot be used to pay for the costs in obtaining utility estimates. The building owner is not required to review the utility allowances, or implement new utility allowances, until the building has achieved 90 percent occupancy for a period of 90 consecutive days or the end of the first year of the credit period, whichever is earlier.

Annual review. A building owner must review at least once during each calendar year the basis on which utility allowances have been established and must update the applicable utility allowance. The review must take into account any changes to the building such as any energy conservation measures that affect energy consumption and changes in utility rates.

DSHA Approval. For properties financed by DSHA, with Housing Development or HOME funds, DSHA must approve all rent increase requests and utility allowances prior to implementation (beginning of the 90 day period).

Record retention. The building owner must retain any utility consumption estimates and supporting data as part of the taxpayer's records for the compliance period.

Low income housing projects are considered out of compliance when:

1. The appropriate utility allowance is not used.
2. The utility allowance is not properly calculated.
3. Rents are not reduced for a utility allowance when utilities are paid directly by the tenant to the utility provider.
4. The owner did not review the basis on which the utility allowance is established at least once during the calendar year.
5. The owner failed to update rents for a revised utility allowance after the 90-day period. (if necessary)
6. The owner failed to maintain adequate documentation regarding the computation of utility allowances; without proof of the amount of the allowance and how it was estimated, there is no way to correctly compute the rent.

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 Re-certification 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. For those properties that have been allocated credits beginning in 2002 and forward, or receive HUD and/or RD assistance, Affirmative Action Policies must be followed in addition to, Fair Housing, and ADA regulations. Copies of advertisements as well as community outreach letters must be submitted annually.

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 temporarily waive minimum family size eligibility for multiple bedroom units or on a project level when it is satisfied that market conditions exist that indicate difficulties in finding qualified households to rent 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 20% of the total number of two-bedroom units in property to be occupied by single individuals. Request for the waiver will only be accepted 12 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. A DSHA Occupancy Waiver form to waive DSHA's minimum occupancy standards is required when household size no longer meets DSHA's minimum occupancy requirements during any lease period. (see page 126)

Please note, the following determination of household size was made in the HUD 4350.3 handbook, Chapter 3, Section 3-7, page 3-8: "Children temporarily absent due to placement in a foster home, children in joint custody arrangements who are present in the household 50% or more of the time, children away at school but who live with the family during school recesses; unborn children of pregnant women, children who are in the process of being adopted, temporarily absent family members who are still considered family members, children who are in the process of being adopted (who do not live in the unit), family members in the hospital or rehabilitation facility for periods of limited or fixed duration, and persons permanently confined to a hospital or nursing home (the family decides if such persons are included) are considered household members for purposes of determining unit size and income limits. As an example, if a pregnant single woman applies for housing, the two-person income limit should

be used for income limit eligibility.

2. Determining Household Size:

In order to determine the proper size of unit and who is part of the household, the owner needs to determine and count the number of family members as follows:

- a. The owner must count all full-time members of the family.
- b. The owner must also count all anticipated children. Anticipated children include the following:
 - (1) Children expected to be born to a pregnant woman;
 - (2) Children in the process of being adopted by an adult family member;
 - (3) Children whose custody is being obtained by an adult family member;
 - (5) Children who are temporarily in a foster home who will return to the family;
 - (6) Children in joint custody arrangements who are present in the household 50% or more of the time. If disputed, determine which parent claimed the children as dependents for purposes of filing a federal income tax return;
- c. The owner may count children who are away at school and who live at home during recesses. ****NOTE:** Owners should not count children who are away at school who have established residency at another address or location as evidenced by a lease agreement. The new address or location is considered the student's principle place of residence.**
- d. The owner may establish reasonable standards for counting family members that are temporarily in a correctional facility. For example, it is reasonable for an owner to count a teenager who will return to the family in six months from a detention center. It is not reasonable to count an adult member who may return to the family in two years following incarceration.
- e. Temporarily absent family members who are still considered family members if approved to live in the unit;
- f. Family members in the hospital, or rehabilitation facility, for periods of limited or fixed duration;
- g. Persons permanently confined to a hospital or nursing home. If the family chooses to include the permanently confined person as a member of the household, the owner must include income received by the confined person in calculating family income.

For LHC purposes, all occupants of a unit are considered in the determination of family size except the following:

- a. Live-in aides. The owner must count live-in aides for purposes of determining appropriate unit size only.

The owner must verify the need for the live-in aide. Verification that the live-in aide is needed to provide supportive services to the resident must be obtained from the person's physician, psychiatrist, or other medical practitioner or health care provider. The owner must approve and verify whether the live-in aide is necessary and to document that applicants or tenants who have requested a live-in aide have a disability related need for the requested accommodation. The owner may not require applicants or tenants to provide access to confidential medical records or to submit to a physical examination. A spouse may not be considered a live-in aide.

- b. Foster children and foster adults. Foster children are in the legal guardianship or custody of a State, county or foster care agency currently under a foster care arrangement. A foster adult is usually an adult with a disability who is unrelated to the tenant family and who is unable to live alone.
- c. The owner must not count non-family members, such as adult children on active military duty, permanently institutionalized family members (see 2g above), visitors and guests.

Deployment of Military Personnel to Active Duty

Owners are encouraged to accommodate the unique circumstances of household where a member is called to active duty in the Armed Forces. Specific actions that owner can take and remain in compliance include, but are not limited to:

1. Allow a guardian to move into the low-income unit on a temporary basis to provide care for any dependents the military person leaves in the unit. The guardian's income is not included in the household's income.
2. Allow a tenant living in a low-income unit to provide care for any dependents of person called to active duty in the Armed Forces on a temporary basis as long as the head and /or co-head of the household continues to service in active duty. Income of the dependent (e.g., SSI benefits, military benefits) is not included in the household's income.
3. Allow leases to remain in effect for a reasonable period of time without recertification (if required) depending on the length of deployment beyond that required by the Soldiers' and Sailors' Civil Relief Act of 1940, 50 U.S.C. §§501-591, even though the adult members of the military family are temporarily absent from the assisted unit.

3. Maximum Income Limits and Rents

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

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.

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 (noted "by size" on the chart). For 1990 through 2005 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 (noted "by bedroom" on the chart).

Due to the Housing And Economic Recovery Act of 2008 (HERA), income limits for projects funded with tax credits and/or financed with tax exempt housing bonds are now calculated and presented separately from the Section 8 income limits. Beginning with the publication of FY2009 Median Family Income estimates and income Limits, the section 8 income limits can no longer be used for tax credit or tax exempt bond properties.

To avoid noncompliance, be sure you are using the correct income limits. There are now two sets of income and rent limits and according to HERA, the Placed in Service (PIS) date for a project determines which set of limits to use. HERA Income Limits is for properties placed in service before 1/1/2009 (see below) and HUD Income Limits is for properties placed in service after 1/1/2009. The earliest PIS date for a building governs the property.

- **Tax Credit Only – Use HERA Limits**
- **Tax Credit/HDF – Use HERA Limits**
- **Tax Credit/HOME – Use HUD Limits**
- **HOME/HDF – Use HUD Limits**
- **Tax Credit/RD – Use HERA Limits**
- **Tax Credit/Sec 8 – Use HUD Limits**

(Kent and Sussex Counties ONLY)

4. 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. Landlord history
2. Home visits, when applicable
3. Credit checks
4. Criminal background check
5. Sex Offender Registry

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, race, ethnicity and income type should always be included on every application. The application should also include at least the following:

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);

1. 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;
2. Full-time student status;
3. Section 8 Certificate or Voucher participation;
4. 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.

***Helpful Tip for Child Support:** We recommend that you have the following questions on your checklist or questionnaire for the applicant/resident.

The first question would be: Do you have a child support order? If yes, what State is the order from? If the applicant/resident states YES, send the verification to that State Child Support Office. In Delaware, if there is a court order, those verifications will usually be processed first. If time is of the essence, if there is a court order, the applicant/resident can get a print out from child support office themselves (very quickly) and bring it to the manager.

The second question is: Do you receive child support? If the applicant/resident states YES, but does not have a court order, the support is received through a different manner and you can verify the support through a statement of the payee and/or a self-affidavit.

The third question is: Do you plan to pursue child support? If the applicant/resident states YES, please include anticipated monthly amount of child support supported by a self-affidavit from the applicant/resident. Follow up with the Division of Child Support within 90 Days of move-in date.

C. WAITING LISTS / PROCESSING 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 or processing 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.

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

A. Certifications Forms

Owners must verify the income of low-income tenants occupying set-aside units at move-in. Tenants may report changes in income and household composition that occur between annual re-certifications and/or self-certifications. The following forms are required by DSHA for the initial move-in (for all properties):

1. DSHA's Tenant Income Certification form.
2. Asset Certification form.
3. 3rd Party Income Verifications.
4. Student Certification form.
5. Income/Asset Checklist

No other forms for the above can be substituted or are acceptable for initial move-in (for all properties, including Section 8 and RD).

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, driver's license, legal alien card, etc) and placed in the applicant/tenant file.
2. At the appointment, use the checklist as a guide (Appendix D) and ask the applicant(s)/tenant(s) questions on income, assets etc. The checklist is valid for 120 days and should include a statement that the applicant certifies that the information given on the application is true and correct. Have each adult applicant/tenant sign income/asset checklist and all applicable verification forms.
3. Send out third party verification forms (Appendix D) to all applicable 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 next 12 months following anticipated move-in. If third party verification forms cannot be obtained in a timely manner, the second party (i.e. paystubs, bank statements) 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. There must be proper documentation in the tenant file of all management attempts of obtaining third party verification forms.
5. Complete an Annual TIC Form (See Below or Appendix E). Place all back-up verification/documentation with the Tenant Income Certification form. The Annual TIC and Student Certification must be completed along with the lease agreement and move-in inspection. It is preferred that all certification forms, lease agreement and move-in inspection be signed on the day of move-in (but not more than 5 days before move-in). Each adult household must fully execute the TIC, Asset Certification form and Student Certification form. Place all information in an individual tenant file.

Acceptable Certification Forms after initial move-in:

HUD Section 8 Properties - HUD 50059 form – see special instructions below

RD Section 515/514/516 - FmHA 1944 form – see special instructions below

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

For properties with HUD or RD subsidy, a DSHA TIC must be completed and signed at move –in along with HUD's 50059 for and RD 1944 form. The effective date of the initial Tax Credit TIC should be the move-in date. Thereafter, the HUD 50059 or RD 1944 form may be used for recertification, self-certification and interim purposes. All new move-ins must have a DSHA TIC completed, signed and dated by ALL adult household members for eligibility purposes during the compliance period. If DSHA TIC is not completed at move-in, the owner will be in violation and the project will be in noncompliance with the IRS.

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.)

B. Tenant Income Verification

Term of Verification

Verification of income is valid for 120 days prior to move-in or re-certification date.

An oral verification should be used when information is missing or is incomplete **on 3rd party verifications.** When verifying by phone, the owner must record and include in the tenant's file the following information: third-party's name, position, and contact information; information reported by the third party; name of the person who conducted the telephone interview and date and time of the telephone call. An oral verification should not be used in lieu of a 3rd party verification **nor should it contradict information provided by a 3rd party.** Oral testimony alone cannot be substituted for necessary written documentation.

Confidentiality of Applicant and Tenant Information

Federal law limits the information owners call collect about an applicant or tenant to only information that is necessary to determine eligibility and level of assistance. Federal privacy requirements also establish the responsibility of owners and their employees to use information provided by applicants and tenants only for specified program purposes and to prevent the use or disclosure of this information for other purposes. Owners must comply with Delaware privacy laws concerning the information they receive from third-part sources about applicants and tenants. These laws generally require confidentiality and restrict the uses of this information.

C. 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.

Do not use a blanket release authorization as this entitles the owner or manager to obtain information to which it is not entitled or needed for eligibility determination. The HUD Data Practices Act Disclosure Statement is not a verification release for tax credit purposes.

- 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.**

The owner may obtain accurate third-party written verification by facsimile, e-mail, or Internet, if adequate effort is made to ensure that the sender is a valid third-party source.

Facsimile. Information sent by fax is most reliable if the owner and the verification source agree to use this method in advance during a telephone conversation. The fax should include the company name and fax number of the verification source.

E-mail. Similar to faxed information, information verified by e-mail is more reliable when preceded by a telephone conversation and/or when the e-mail address includes the name of an appropriate individual and firm.

Internet. Information verified on the Internet is considered third party verification if the owner is able to view web-based information from a reputable source on the computer screen. Use of a printout from the Internet may also be adequate verification in many instances.

D. 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. 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 **current amount of pay**, frequency of pay, **year-to-date earnings including start and ending dates** and the effective date of any anticipated increase during the next 12 months. If information is available on changes expected to occur during the year, use that information to determine the total anticipated income from all sources during the year;
- b. Check stubs or earnings statements (minimum of 4 weeks) showing the employee's gross pay per pay period and frequency of pay;
- 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 re-certification. If necessary, the owner can ask the potential applicant or resident to provide a signed Form 8821, which will allow the owner to verify the information with the IRS.

2. Self-Employment Income

- a. Accountant 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** corporate/business tax returns, if household is sole proprietor). The tax return received as documentation should always be complete, signed and have all attachments required including the following: Schedule C (Small Business), Schedule E (Rental Property Income), Schedule F (Farm Income).

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 **or printout** provided 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.

In many cases, child support has been court ordered but the full amount is not being received. If this is the case, **a printout from the child support enforcement agency showing zero or sporadic payments received will be sufficient.** If printout shows zero payments received, a statement from the tenant attesting to the fact that no support payments are being received and the likelihood of support payments will not be reactivated within the next 12 months. **(See page 29-30)**
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. **Zero Income Applicants/Tenants**
 - a. 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 a **Zero Income Affidavit** **and** providing a signed copy of the prior year's federal income tax return. If the applicant/tenant state they do not file a return, owners and managers may request that the applicant/tenant complete IRS form 4506(T) Request for Transcript of Tax Return for documentation that a return was not filed.

E. Annual Income

Annual income is the amount of income that is used to determine a household's eligibility for the LIHTC program. 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. In all instances owners and managers are expected to make a reasonable judgment as to the most reliable approach to estimating what the resident will receive during the year.

1. Whose Income is Counted - Income of Adults and Dependents

Adults - Count the annual income of the head, spouse or co-head, and other adult members of the household. In addition, persons under the age of 18 who have entered into a lease under state law are treated as adults, and their annual income must also be counted. These persons will be either the head, spouse, or co-head; they are sometimes referred to as emancipated minors. NOTE: If an emancipated minor is residing with a household as a member other than the head, spouse, or co-head, the individual would be considered a dependent and his or her income handled as a dependent.

Dependents - A dependent is a household member who is under 18 years of age, is disabled, or is a full-time student. The head of the household, spouse, co-head, foster child, or live-in aide are never dependents. Some income received on behalf of household dependents is counted and some is not. Earned income of minors (household members under 18) is not counted. Benefits or other unearned income of minors is counted.

When more than one household member shares custody of a child and both families live in a LIHTC property, only one household at a time can claim the dependent. The household that counts the dependent also counts the unearned income of the child. The other household cannot claim the dependent or unearned income of the child.

Although full-time students who are 18 years of age or older are considered as dependents, a small amount of their earned income will be counted. Count only earned income up to a maximum of \$480 per year for full-time students, age 18 or older, who are not the head of the household or spouse or co-head. If the income is less than \$480 annually, count all the income. If the annual income exceeds \$480, count \$480 and exclude the amount that exceeds \$480.

The income of full-time students 18 years of age or older who are members of the household but away at school is counted the same as the income for other full-time students. The income of minors who are members of the household but away at school is counted as the income for other minors.

All income of a full-time student, 18 years of age or older, is counted if that person is the head of the household, spouse, or co-head.

Income of Temporarily Absent Household Members

Owners must count all income of household members approved to reside in the unit, even if some members are temporarily absent. If the owner determines that an absent person is no longer a household member, the individual must be removed from the lease and the Certification. A temporarily absent individual on active military duty must be removed from the household, and his or her income must not be counted unless that person is the head of the household, spouse, or co-head. However, if the spouse or a dependent of the person on active military duty resides in the unit, that person's income must be counted in full, even if the military member is not the head, or spouse of the head of the household. The income of the head, spouse, or co-head will be counted even if that person is temporarily absent for active military duty.

Income of Permanently Confined Household Members

An individual permanently confined to a nursing home or hospital may not be named as household head, spouse, or co-head but may continue as a household member at the household's discretion. The household has a choice with regard to how the permanently confined individual's income will be counted. The household may elect *either* of the following:

Include the individual's income and receive allowable deductions related to the medical care of the permanently confined individual; or Exclude the individual's income and not receive allowances based on the medical care of the permanently confined individual. The permanently confined member is listed on the Certification as an adult who is not the head, spouse, or co-head, even when the permanently confined household member is married to the person who is or will become the head of the household. The owner should consider extenuating circumstances that may prevent the confined member from being able to sign the TIC. If the owner determines the confined member is unable to sign the TIC, the owner must document the file why the signature was not obtained.

Annual income is defined as follows:

1. All amounts, monetary or not, that go to or are received on behalf of the household head, spouse or co-head (even if the household member is temporarily absent), or any other household member; or
2. All amounts anticipated to be received from a source outside the household during the 12-month period following admission or annual recertification effective date.

Annual income includes all amounts that are not specifically excluded by regulation. Income Inclusions and Exclusions, provides the complete list of income inclusions and exclusions published in the regulations and Federal Register notices.

Annual income includes amounts derived (during the 12-month period) from assets to which any member of the household has access.

2. 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;

When calculating annual income, owners must include the net income from operation of a business or profession including self-employment income. Net income is gross income less business expenses, interest on loans, and depreciation computed on a straight-line basis. In addition to net income, owners must count any salaries or other amounts distributed to family members from the business, and cash or assets withdrawn by family members, except when the withdrawal is a reimbursement of cash or assets invested in the business.

When calculating net income, owners must not deduct principal payments on loans, interest on loans for business expansion or capital improvements, other expenses for business expansion, or outlays for capital improvements. If the net income from a business is negative, it must be counted as zero income. A negative amount must not be used to offset other family income.

- Gross amounts, before deductions for Medicare, of social security payments. This includes payments received by adults on behalf of minors for their support;
- Military employment may include (but is not limited to) base and longevity pay, all regular pay, special pay, proficiency pay, sea and foreign duty pay, hazardous duty pay, subsistence and clothing allowances of a member of the Armed Forces, except hostile fire pay.
- Note: Until January 1, 2012, Basic Pay Allowance for housing is disregarded for properties located in a county that contains a qualified military installation to which the number of members assigned to units based out of the military installation as of June 1, 2008, has increased by 20% or more from December 31, 2005. This applies to the county that contains the military installation and also to adjacent counties. A qualified military installation is a military installation or facility with 1,000 or more members as of June 1, 2008. **(This does not apply to Dover Air Force Base, Dover, Delaware or New Castle County Reserve Base, New Castle, Delaware)**

- Periodic Payments from Long-Term Care Insurance, Pensions, Annuities, and Disability or Death Benefits;

The full amount of periodic payments from annuities, insurance policies, retirement funds, pensions, and disability or death benefits is included in annual income. Payments such as Black Lung Sick Benefits, Veterans Disability, and Dependent Indemnity Compensation for the Widow of a Killed in Action Serviceman are examples of such periodic payments. Withdrawals from retirement savings accounts such as Individual Retirement Accounts and 401K accounts that are not periodic payments do not fall in this category and are not counted in annual income.

Example - Withdrawals from IRAs or 401K Accounts

Isaac Freeman retired recently. He has an IRA account but is not receiving periodic payments from it because his pension is adequate for his routine expenses. However, he has withdrawn \$2,000 for a trip with his children. The withdrawal is not a periodic payment and is not counted as income.

If the tenant is receiving long-term care insurance payments, any payments in excess of \$180 per day must be counted toward the gross annual income.

Federal government, any state, local government, social security, or private pension funds paid directly to an applicant's/tenants former spouse pursuant to the terms of a court decree of divorce, annulment, or legal separation are not counted as annual income.

If an agency is reducing a family's benefits to adjust for a prior overpayment (e.g. social security, SSI, TANF or unemployment benefits), **count the amount that is actually provided AFTER the adjustment for the period of adjustment.**

- 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;
- Income includes, but is not limited to, earned and unearned income from all household members age 18 and older (adults, including foster adults), unearned income of minor children and foster children under the age of 18, and income from assets. Emancipated minors, persons under the age of 18 who have entered into a lease under state law, are treated as adults;
- 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;

Owners must count alimony or child support amounts awarded by the court unless the applicant certifies that payments are not being made *and* that he or she has taken all reasonable legal actions to collect amounts due, including filing with the appropriate courts or agencies responsible for enforcing payment. **Only if the tenant/applicant states they receive child support should it be verified. Otherwise, a child support affidavit of no support being received is sufficient.**

The owner may accept printouts from the court or agency responsible for enforcing support payments, or other evidence indicating the frequency and amount of support payments actually received. **If sporadic payments were received over the past 12 months,** DSHA will allow support payments received to be averaged when calculating child support income.

If the applicant/tenant states there is a child support order in place and it has been verified with the Division of Child Support Enforcement Agency that the support payments are clearly not being received, no amount of child support should be included in the annual income calculation and an affidavit should be completed by applicant/tenant.

Child support paid to the custodial parent through state child support enforcement or welfare agency may be included in the household's monthly welfare check and may be designated in different ways. In some states these payments are not identified as separate from the welfare grant. The payment may be listed as child support or as pass-through payments. These amounts must be counted as annual income.

- 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;

Owners must count as income any regular contributions and gifts from persons not living in the unit. These sources may include rent and utility payments paid on behalf of the family, and other cash or noncash contributions provided on a regular basis.

Examples Regular Cash Contributions

The father of a young single parent pays her monthly utility bills. On average he provides \$100 each month. The \$100 per month must be included in the family's annual income or
The daughter of an elderly tenant pays her mothers \$175 share of rent each month. The \$175 value must be included in the tenant's annual income.

Groceries and/or contributions paid directly to the childcare provider by persons not living in the unit are excluded from annual income.

Groceries provided by persons not living in the household are excluded from annual income.

- Temporary, nonrecurring, or sporadic income is not counted.
- 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.
- Resident services stipends are generally modest amounts of money received by residents for performing services such as hall monitoring, fire patrol, lawn maintenance, and resident management. If the resident stipend exceeds \$200 per month, owners must include the entire amount in annual income. If the resident stipend is \$200 or less per month, owners must exclude the resident services stipend from annual income.
- Withdrawal of Cash or Assets from an Investment; the withdrawal of cash or assets from an investment received, as periodic payments should be counted as income. Lump sums receipts from pension and retirement funds are counted as assets.

3. **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 all minors, including foster children 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 aide.
- 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.
- Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
- The treatment of educational scholarships or grants is dependent on whether the student is receiving Section 8 assistance. 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. For Tax Credit properties, all forms of student financial assistance, no matter how it is used, are excluded from annual income unless the student receives Section 8 assistance

NOTE: In accordance with the Federal Register dated 12/30/05 Volume 70, Number 250, HUD further defines eligibility of student income as, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph, "financial assistance" does not include loan proceeds for the purpose of determining income.

- 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. Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS). Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program.

Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment-training program.

- Principal portion of the payments received on mortgages or deeds of trust held as assets.
- Hostile Fire pay to a family member in the military. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm).
- 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).
- Deferred periodic amounts from Department of Veterans Affairs disability benefits that are received in a lump-sum amount.
- 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.
- Resident 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:

Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the *Federal Register* and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:

The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7

U.S.C. 2017 [b]);

Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);

Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c])

Income derived from certain sub marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);

Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);

Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552[b]); (effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998 [29 U.S.C. 2931], e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs, AmeriCorps);

Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L-94-540, 90 Stat. 2503-04);

The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U. S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408);

Amounts of scholarships funded under title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);

Payments received from programs funded under Title V of the Older Americans Act of 1985 (42 U.S.C. 3056[f]), e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program;

Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in *In Re Agent-product liability litigation*, M.D.L. No. 381 (E.D.N.Y.);

Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);

The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);

Earned income tax credit (EITC) refund payments received on or after January 1, 1991, including advanced earned income credit payments (26 U.S.C. 32[j]);

Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);

Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637[d]);

Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran (38 U.S.C. 1805);

Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602); and Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).

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 farm workers, 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, and 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.

F. **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;
 - Year-to-date calculations*;
 - 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.

- For other income types, periodic payments should be calculated on the actual payments received over a period of 12 months. Generally the owner must use current circumstances to anticipate income. The owner calculates projected annual income by annualizing current income. Income that may not last for a full 12 months (e.g., unemployment compensation) should be calculated assuming current circumstances will last a full 12 months.
- If the household's income cannot be determined based on current information because the household reports little to zero income, or income fluctuates, income may be determined based on actual income received or earned within the last twelve months.
- Annual wages should always reflect a full 12-month period, regardless of the pay schedule. For example, if a schoolteacher 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.
- If the verification form or wage stub, indicates a year-to-date amount, this amount should be annualized. We recommend that both types of calculations be completed, when applicable, and the higher income calculation be used for income eligibility purposes.
- For subsidized properties (Section 8 and RD), DSHA will accept the income calculation methodology used by the Section 8 and RD programs. The initial Tax Income Certification and the Section 8 or RD Income Certification income calculation should match on both forms.
- Income includes, but is not limited to, earned and unearned income from all adult household member age 18 and older (adults, including foster adults), unearned income of minor children and foster children under the age of 18, and income from assets.

*** When annualizing year-to-date, the number of weeks should be rounded, (i.e, January 1-February 15 = 46 Days /7 days a week = 6.5 weeks round to 7 or January 1 – February 14 = 45 Days/7 days = 6.4 round to 6 weeks)**

G. 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 self-certify to this and no third party 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 re-certification. 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.

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 cannot 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.

For more information on trusts, please refer to HUD 4350.3 Occupancy Handbook, Chapter 5, Section 5-7, page 5-26 thru 5-29.

- 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 Keoghs accounts, 401 (k) accounts, Retirement or Pension Funds. Balances held in retirement accounts are counted as assets if the money is accessible to the household member. For individuals still employed, accessible.

- Annuities.

- a. Annuity facts and terms.

- (1) An annuity is a contract sold by an insurance company designed to provide payments, usually to a retired person, at specified intervals. Fixed annuities guarantee a certain payment amount, while variable annuities do not, but have the potential for greater returns.
- (2) – A hybrid annuity (also called a combination annuity) combines the features of a fixed annuity and a variable annuity.
- (3) – A deferred annuity is an annuity that delays income payments until the holder chooses to receive them. An immediate annuity is one that begins payments immediately upon purchase.
- (4) – A life annuity continues to pay out as long as the owner is alive. A single-life annuity provides income benefits for only one person. A joint life annuity is issued on two individuals, and payments continue in whole or in part as long as either individual is alive.
- (5) Generally, a person who holds an annuity from which he or she is not yet receiving payments will also be earning income. In most instances, a fixed annuity will be earning interest at a specified fixed rate similar to interest earned by a CD. A variable annuity will earn (or lose) based on market fluctuations, as in a mutual fund.
- (6) Most annuities charge surrender or withdrawal fees. In addition, early withdrawal usually results in tax penalties.
- (7) Depending on the type of annuity and the current status of the annuity, the owner will need to ask different questions of the verification source, which will normally be the applicant or tenant's insurance broker.

- b. Income after the holder begins receiving payments.

- (1) When verifying an annuity, owners should ask the verification source whether the holder of the annuity has the right to withdraw the balance of the annuity. For annuities without this right, the annuity is not treated as an asset.
- (2) Generally, when the holder has begun receiving annuity payments, the holder can no longer convert it to a lump sum of cash. In this situation, the holder will receive regular payments from the annuity that will be treated as regular income, and no calculations of income from assets will be made. **

- c. Calculations when an annuity is considered an asset.

- (1) When an applicant or tenant has the option of withdrawing the balance in an annuity, the annuity will be treated like any other asset. **It will be necessary to determine the cash value of the annuity in addition to determining the actual income earned.
- (2) In most instances, an annuity from which payments have not yet been made is earning income on the balance in the annuity. A fixed annuity will earn income at a fixed rate in the same manner that a CD earns income. A variable annuity will earn (or lose) based on current market conditions, as with a mutual fund.
- (3) The owner will need to verify with the insurance agent or other appropriate source:
 - The right of the holder to withdraw the balance (even if penalties are involved).
 - The basis on which the annuity may be expected to grow during the coming year.
 - The surrender or early withdrawal penalty fee.
 - The tax rate and the tax penalty that would apply if the family withdrew the annuity.

- (4) The cash value will be the full value of the annuity, less the surrender (or withdrawal) penalty, and less any taxes and tax penalties that would be due.
- (5) The actual income is the balance in the annuity times the percentage (either fixed or variable) at which the annuity is expected to grow over the coming year. (This money will be reinvested into the annuity, but it is still considered actual income.)
- (6) The imputed income from the asset is calculated only after the cash value of all family assets has been determined. Imputed income from assets is calculated on the total cash value of all family assets.

d. Lump sum receipts counted as assets.

a. Commonly, when a family receives a large amount of money, a lump sum payment, the family will put the money in a checking or savings account, or will purchase stocks or bonds or a CD. Owners must count lump sum payments received by a tenant as assets. Examples of lump sum payments include the following:

- (1) Inheritances;
- (2) Capital gains;
- (3) Lottery winnings paid in one payment;
- (4) Cash from the sale of assets;
- (5) Insurance settlements (including health and accident insurance, workers compensation, and personal and property losses); and
- (6) Any other amounts that are received in one-time lump sum payments.

For more information on annuities, please refer to HUD 4350.3 Occupancy Handbook, Chapter 5, Section 5-7, page 5-31

- Lump sum receipts should include inheritances, capital gains, one-time lottery winnings, settlement on insurance and other claims.
- Balances held in retirement accounts are counted as assets if the money is accessible to the family member. For individuals still employed, accessible amounts are counted even if withdrawal would result in a penalty. However, amounts that would be accessible only if the person retired are not counted. IRA, Keogh, and similar retirement savings accounts are counted as assets, even though withdrawal would result in a penalty. Include contributions to company retirement/pension funds:

While an individual is employed, count only amounts the family can withdraw without retiring or terminating employment.

After retiring or terminating employment, count as an asset any amount the employee elects to receive as a lump sum.

Include in *annual income* any retirement benefits received through periodic payments.

- 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.

In the case of real estate that is in the process of being foreclosed, satisfactory documentation would be 1) a copy of the most recent property tax statement showing the current market value of the home, and 2) a copy of the most recent mortgage statement or foreclosure notice showing the balance owed.

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;
 - 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.

Applicants and tenants must declare whether an asset has been disposed of for less than fair market value at each certification and recertification. Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount actually received.

Any asset that is disposed of for less than its full value is counted, including cash gifts as well as property. To determine the amount that has been given away, owners must compare the cash value of the asset to any amount received in compensation.

However, the rule applies only when the fair market value of all assets given away during the past two years exceeds the gross amount received by more than \$1,000.

- When the two-year period expires, the income assigned to the disposed asset also expires. If the two-year period ends in the middle of a recertification year, then the tenant may request an interim recertification to remove the disposed asset(s).

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 more than one person owns assets, 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. Copy of most current tax assessment or statement from real estate broker.
 - 1. If under contract of sale, a copy of the contract.
 - 2. 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
 - 1. Copy of an amortization schedule relating the specific term and interest rate of the mortgage.

X. TENANT INCOME CERTIFICATION/RE-CERTIFICATION PROCEDURES

INITIAL TENANT CERTIFICATION

After all the income and asset information has been obtained and computed, a DSHA Annual Tenant Income Certification (TIC) form should be completed. (See Appendix E). The Certification must be signed and dated by all household members over age 18 and by the owner or owner's agent at initial move-in and upon annual recertification, if applicable. The effective date of the initial certification should be the move-in date (except for acquisition/rehab. properties). The Certification form is a legal document which, when fully executed along with the lease, qualifies the applicants to live in the tax credit 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.

Special instructions for newly placed in service properties with existing residents:

Acquisition/Rehab properties: For households occupying a unit at the time of acquisition, an initial TIC may be completed with 120 days after the date of acquisition using the income limits in effect on the day of acquisition. The effective date and move-in date on the TIC is the acquisition placed in service date. In the event that a household occupies a unit at the time of acquisition, but the income certification is completed more than 120 days after the date of acquisition, the household is treated as a new move-in. The effective date will be the date the first adult member of the household signs the certification. Note that all verifications must be no older than 120 days from the effective date and all verifications must be complete prior to the effective date.

For Rehab. only properties, the initial TIC may be completed any time on or after the rehab. placed in service date. The move-in date on the TIC must be no earlier than the rehab. placed in service date. The effective date may be any date the owner chooses on or after the placed in service date. Note, all verifications must be no older than 120 days from the effective date.

In many cases, the effective date and the move-in date will be the same. **The TIC and all support documentation must be completed within 120 days of the placed in service date.** Therefore, it is very important to communicate with the contractors and/or owners to receive the placed in service date.

NOTE: In each case above, the verifications must be not be older than 120 days from the effective date and all verifications must be completed prior to the effective date.

For properties with HUD or RD subsidy, for tax credit placed in service purposes, a DSHA TIC must be used for the effective date of the initial tax credit TIC. Thereafter, the HUD 50059 or RD 1944 form may be used for recertification and interim purposes. All new move-ins must have a DSHA TIC completed for eligibility purposes during the compliance period.

It is important to note that even if a unit is occupied by a household that appears to be qualified, until the TIC is properly completed in full, signed and dated, the unit is treated as non-qualifying and tax credits are not available.

Previously Income-Qualified Households:

Beginning with allocations of credit after 1989, owners of LIHTC buildings are required to enter into extended use agreements with the state agency allocating the credit. Owners make a long-term commitment to maintain the buildings as low-income housing for at least 30 years beginning with the first day of the 15-year compliance period. The owner must maintain the specified number of low-income units (Applicable Fraction) based on the income limit elected under IRC §42(g)(1).

Households determined to be income-qualified for purposes of the IRC §42 credit during the 15-year compliance period are concurrently income-qualified households for purposes of the +30-year extended use agreement. As a result, any household determined to be income qualified at the time of move-in for purpose of the extended use agreement is a qualified low-income household for any subsequent allocation of IRC §42 credit. This does not apply to current vacant units previously occupied.

RECERTIFICATIONS

Mixed Income Properties: Owners of mixed income properties are required to recertify annually as to the gross annual income of tax credit households. Income recertification should be performed in accordance with the verification requirements for an initial certification. **NOTE: If the property has only one unit that is not a Tax Credit unit, the property is considered Mixed Income.**

The recertification process should begin 120 days prior to the anniversary date of the previous certification. The residents must complete a recertification application/questionnaire to disclose income, assets, family composition, and student status and also complete the top portion of relevant verification forms for release of information. In addition, the Annual Student Certification must be completed at the time of recertification. Third party verification should then take place. Any incomplete, inconsistent or missing information on the verifications must be followed up with the verification source and a notation made to the resident file. Finally, calculate income and income from assets based on information provided on the verification forms, and complete a TIC. The TIC is to be signed after all verifications are received and management has completed the form, but it must be effective on or before the anniversary date of the previous certification.

The income recertifications must be completed on or prior to the anniversary of the effective date of the initial TIC. All recertifications must be completed within 120 days of the effective date of the initial TIC. For example: Move-in date: 5/15/08, must be recertified by 5/15/09. It is acceptable to do a recertification before the anniversary date (to conform to the annual recertification date for a Section 8 or RD household).

Recertifications that are done after the anniversary date can cause a noncompliance issue. However, if an owner sends timely notice informing a tenant that annual recertification is due, but the household vacates the unit, the unit will not be considered out of compliance. Owners must document attempts to timely obtain the recertification and the date the tenant actually moves out of the unit. In addition, if an owner takes action to remove a noncompliant household by initiating an eviction action, the unit will not be considered out of compliance. If the owner loses in court and does not win possession and resident remains in the unit, a recertification will be required within 120 days of the court determination.

100% Housing Tax-Credit Properties: Effective 1/1/2009, annual income recertifications are not required for 100% low-income properties. A property is 100% low-income when the allocation was based on all units in the property and all units (common space units are not part of the equation) are in compliance. It is absolutely essential that each initial certification in a 100% low-income property be done very carefully and thoroughly. DSHA will now be conducting 100% file reviews to make certain all units are in compliance.

Annual Self-Certification: The IRS requires the Student Status of the Household as well as the Change in Household Status be certified annually. In addition, there are other housing programs (HOME, HDF, FHLB, etc) that still require an annual certification of the household (not verification) of household income, rent and utilities. DSHA is therefore requiring an Annual Self-Certification for all households in 100% Tax Credit Properties (See Appendix E). The Annual Self-Certification will be sufficient to the IRS's requirements for Change in Household Status and update DSHA's electronic tenant database on income and rents. The Self-Certification will also suffice for all HOME funded properties. **No written verification of information is required.**

The Household should be requested to complete the form once a year on or before the anniversary of the household's move-in date. **The effective date of each self-certification will be the anniversary date of move-in.**

Under IRC §142(d)(3)(A) and IRC §42 (per IRC §42(g)(4)), owners of 100 percent low-income *projects* are no longer required to complete annual income recertifications. DSHA, however, has the authority to impose additional requirements upon IRC §42 projects and may require income recertifications after completing the initial income certification at the time the household moves into the low-income unit.

During any period during the household's occupancy, if an owner or manager suspects or finds Tenant Fraud, the owner manager should report any suspected or known deliberate misrepresentation of income to the Internal Revenue wither by filing IRS Form 211 Application for Award for Original Information or by calling the Service's Suspected Tax Fraud Hotline at 1-800-829-0433. When calling the Hotline, the following information should be provided:

1. Tenant's name,
2. Tenant's social security number if possible,
3. Explain association with LIHC program,
4. What the tenant did that misrepresented their income or documentation (the owner may be asked to provide evidence of the tenant's fraudulent acts),
5. Amount of tenant income as reported by the tenant and the amount actually verified, and
6. The difference between the market rate and restricted rent for the unit, and how long the tenant was in the unit. This is the amount of economic benefit the tenant may be deemed to have received as taxable income.

NOTE: If tenant income certifications have insufficient documentation of gross annual household income or it is determined for any reason that one or more households do not qualify, the property may be subject to resuming annual recertifications until 100% of the units are back in compliance at DSHA's discretion.

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
 - A determination must be made as to whether the income requirement is jeopardized by adding an additional occupant (140% rule) – See Changes in Household size below.
 - We recommend that no adult members of the household be added to the lease or move into a unit until the first full year of occupancy.
 - 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 re-certification procedures approximately 90-120 days prior to the anniversary month of their original move-in date in order to give proper notice.

Changes in Household Size

Residents who reasonably believe they will be adding members to their household are required to disclose this information at initial certification so that all relevant income sources can be considered. The addition of a new member(s) to an existing low-income household requires an income certification for the new member of the household, including third party verification. The treatment will depend on whether the building is a mixed-use or 100% LIHC building:

For 100% Tax Credit properties, if there is a change in household composition at any time during the original household's occupancy, a new certification should be created to include the new member's total annual income and the total annual income stated on the household's original certification (TIC). The new member's income must be verified by third party documentation. The effective date and signature date on the new certification should be the same. The move-in date will not change. The only signature required is the new household member. (Please note, the new household member should also sign a Student Certification)

For Mixed-Income properties, the addition of a household member to an existing low-income household requires the income certification for the new member of the household, including third party verification. The new tenant's income is added to the income disclosed on the household's current tenant income certification (TIC). The household continues to be considered income-qualified; however, if the combined income exceeds 140%, owners must apply the available unit rule. Note: A certification done in conjunction with adding a household member does not change the due date for the annual recertification. The annual recertification will be due on its regular anniversary date.

DSHA strongly recommends owners and managers screen subsequent household members in the same manner as any new household (i.e., credit check, landlord reference, etc.) prior to allowing them to occupy a unit and to add them to the lease at the time they move-in.

Decreases in family size do not trigger an immediate income certification.

For all properties, a household may continue to add and remove members as long as at least one member of the original low-income household continues to live in the unit. Once all the original tenants have moved out of the unit, the remaining tenants must be certified as a new income-qualified household unless the remaining tenants were income qualified at the time they moved into the unit. For this reason, managers must document all decreases in household composition even where an annual recertification is not required.

If an owner takes action to remove a noncompliant household by initiating an eviction action due to no response to recertification requirements, the unit will not be considered out of compliance. If the household does not vacate the unit (i.e., court does not grant possession), a recertification will be required within 120 days of the determination.

- **We recommend that no new adult members be added to the lease or move into a unit until after the first full year of occupancy.**
- The tenant file should be documented when any household member vacates the unit.

Original Household No Longer Occupies Unit

A household may continue to add members as long as at least one member of the original low-income household continues to live in the unit. Once all the original tenants have moved out of the unit, the remaining tenants must be certified as a new income-qualified household unless:

1. For mixed-used projects, the newly created household was income qualified, or the remaining tenants were independently income qualified at the time they moved into the unit.
2. For 100% LIHC buildings, the remaining tenants were independently income qualified at the time they moved into the unit.

If DSHA determines that the tenant manipulated the income limitation requirement, then the unit will not be treated as a low-income unit as of the date the household initially occupied the unit.

SAFE HARBOR RULE - NOTE: All owners and management agents are advised to read IRS Revenue Procedure 2003-82, effective November 24, 2003, which provides safe harbors under which the Internal Revenue Service will treat a residential unit in a building as low income if the household income has been certified as eligible in the year before the first credit year but their incomes exceed the income limit at the beginning of the first taxable year of the credit period. The Revenue Procedure was issued as a result of questions from taxpayers regarding when individuals must satisfy the applicable income limit when they move into an existing building (or are existing residents) on or after the date a taxpayer acquires a building to be rehabilitated, but before the beginning of the first credit year. Because of those questions, some taxpayers required that the household income not exceed the applicable income limit at the beginning of the first credit year, even though the household income was below the income limit when the household moved into the unit (or was initially certified). This has resulted in some households being evicted, where permissible under local law, from tax credit properties.

Please note, that the purpose of this Revenue Procedure is to provide taxpayers protection from challenge by the Internal Revenue Service on this issue. DSHA is not required to monitor for compliance with Revenue Procedure 2003-82.

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 re-certification, 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 re-certification.

This ruling does apply to projects with 100% low-income set-aside units. However, the 140% income unit must remain rent-restricted to continue to count as tax credit eligible. (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 100% low-income projects, Under IRC §142(d)(3)(A), as amended by the Housing Assistance Tax Act of 2008, owners are not required to complete annual income recertifications if the building is part of a 100% low-income project. For purposes of applying the Available Unit Rule *only*, all households documented as initially income-qualified households are treated as initially income-qualified as long as the owner demonstrates due diligence when completing the initial income certification.

If an over-income unit is vacated, it will be treated as an over-income unit subject to the Available Unit Rule until the effective date of the tenant income certification for the new income-qualified household that moves into the unit.

In mixed-use projects (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. The household consists of single parents(s) with children and such parents and children are not dependents (as defined in Section 152) of another individual*; or
4. Students married and filing a joint return or who are eligible to file jointly.
5. At least one member of the household was previously in foster care or received foster care*.

***"Previously" means within five (5) years of the effective date of the initial income tenant certification. "Foster care" means substitute care for children placed away from parents or guardians and for whom the state agency has placement and care responsibility. This includes, but is not limited to, placement in foster family homes, foster homes of relatives, group homes, emergency shelters, residential facilities, childcare institutions, and pre-adoptive homes. A child is in foster care in accordance with this definition regardless of whether the foster care facility is licensed and payments are made by the state or local agency for the care of the child, whether adoption subsidy payments are being made prior to the finalization of an adoption, or whether there is a Federal matching of any payments that are made.

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. Unlike changes in income, it appears that a unit occupied by a student household that does not meet or no longer meets one of the above exceptions ceases to count as a tax credit unit immediately.

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 an individual who attends an educational organization during each of five (5) calendar months during the calendar year in which the taxable year begins. The five (5) calendar months need not be consecutive. An educational organization includes elementary schools, junior and senior high schools, colleges, universities and technical trade and mechanical schools. It does not include on the job training courses. The determination of student status as full or part-time should be based should be based on the criteria used by the educational institution the student is attending.

NOTE: In accordance with 24 CFR Part 5, Subpart 5.609 c, HUD amended its' regulations which defines the type of income that is to be included when determining eligibility. For Section 8 projects, financial assistance (in excess of amounts received for tuition) that individual receives from private sources or from an institution of higher education, MUST be considered income. The only exception is if a person is 23 years of age or older and has dependent children, any difference can then be excluded as income.

*On December 20, 2007, as part of the Mortgage Forgiveness Debt Relief Act of 2007 into law, this included a change and clarification of the LIHTC student eligibility rules. As long as the single parent isn't a dependent of someone else and no one other than a parent claims the children, the unit is eligible.

Divorce decrees, custody agreements, student's and/or other parent's tax returns are acceptable forms for verification to prove the tax benefit is taken by one of the parents. If you cannot obtain this type of verification, a signed verification statement from the other parent that he/she claims the children would be acceptable if tax return is not available. Other verifications documentation attempts in the file to explain the reason the documentation is not available (i.e. resident and/or other parent does not file a tax return, no divorce decree/custody agreement, no established paternity, domestic situation, etc). is needed.

Please note, when there are multiple other parents, documentation must be provided for every family member.

XIII. TRANSFERS

A household may move to another unit within the low-income property. If there is a larger or smaller unit within the property, that would accommodate the household, a transfer may occur.

Same Building: When a household moves to a different unit within the same building, the newly occupied unit swaps the status of the vacated unit (see Treas. Reg. 1.42-15(d)). Thus, if a current household whose income exceeds the applicable income limitation moves from an over-income unit to a vacant unit in the same building, the newly occupied unit is treated as an over-income unit. The vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident.

Different Building: As noted in Rev. Rul. 2004-82, a similar rule applies when a household whose income is no greater than 140% of the income limit moves to a low income unit in a different building within the property during any year of the initial compliance period (see IRC§42(g)(1) and IRC §142(d)(4)(B)). The vacated unit assumes the status the newly occupied unit immediately before it was occupied by the current resident. Mixed income properties can rely on the most recent income certification. Properties that are exempt from income recertification requirements must perform an income recertification prior to the unit transfer to assess whether household income exceeds 140% of the income limit.

Note that IRS considers buildings that are not part of a multiple building project as separate projects. Therefore, transfers between buildings that are not part of a multiple building project will be considered a move-out and in order to treat the newly occupied unit as a qualified tax credit unit the household must meet initial eligibility requirements. Owners make the election for multiple building projects on Part II, line 8b of IRS form 8609. Until DSHA becomes aware of an owner's election, for purposes of unit transfers, DSHA will treat the property as if all buildings are part of a multiple building project.

Households that have incomes exceeding 140% of the income limit are not allowed to transfer **to a different building** unless the request is connected to a reasonable accommodation under Fair Housing.

An Annual Tenant Income Certification with supporting verification of income (if older than 120 days), a new lease and move-in inspection should always be completed regardless if the transfer was within the building or to a different building.

The effective date and signature date on the new certification should be the date of the transfer and the household's annual recertification or self-certification date will remain the anniversary date of move-in.

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

A. VACANT UNITS

DSHA will be monitoring vacant units and will be inspecting all vacant units at the time of DSHA's Monitoring Review and Inspection. 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. Only units that have been previously occupied by an eligible household may be included as a qualifying low-income unit for compliance and credit purposes. If a unit has never been occupied by an eligible household or has been vacated by a market rate household, that unit is not counted as a qualifying low-income unit.

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.

B. MARKETING

Owners must make reasonable attempts to make vacant low-income units available to the public for rent. Owners should advertise the availability of vacant units using advertising methods designed to be accessible to all prospective tenants.

"Reasonable attempts" will vary depending on factors such as size and location of the project, tenant turnover rates, and market conditions. Advertising can include printed and electronic media, banners and classified ads in local newspapers.

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.

The Vacant Unit Rule is the subject of Revenue Ruling 2004-82, Answering 12 Questions about the Low-Income Housing Credit under I.R.C. Section 42 (see questions #8, #9, and #10), published August 30, 2004. The Revenue Ruling clarifies that an owner may not move a household from building to building to qualify more than one unit in a property; (question #8) "that reasonable attempts" are customary methods of advertising vacancies in the area of the property for identifying prospective tenants may include, but are not limited to: displaying a banner and for-rent signs at the entrance to the property, placing classified advertisements in local newspapers, and contacting prospective low-income tenants on a waiting list for the property and on a Section 8 public housing waiting list with the local public housing authority; (question #9); and that a unit is not an available vacant unit if the unit is no longer available for rent due to contractual arrangements that are binding under local law such as a reservation entered into between the owner and a prospective tenant (question #10).

C. CASUALTY LOSS UNITS OR BUILDINGS

When a unit or building has been placed out of service due to a fire, flood or other types of casualty loss, the incident must be reported to DSHA immediately. DSHA must report these losses to the IRS after the correction period has expired. Credits should not be taken on units that are not in service for a casualty loss.

A casualty loss form must be submitted to DSHA when a casualty loss occurs at a tax credit property.
See Appendix D-

D. 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. This includes units occupied by a part-time manager, caretaker, or maintenance person. These units must either be treated as a qualified low-income rent restricted unit or as a market rate unit.

A full time manager or maintenance person must occupy an employee unit. Full-time is considered to be whatever is reasonably required to make operations run smoothly at the development. According to revenue ruling 2004-82 dated August 30, 2004, a unit may also be occupied by a full-time security officer and be treated as common space, if reasonably required.

DSHA requires notification of a change in the designation of an employee unit. While moving an employee unit from one building to another may be permitted, if a change would result in a reduction in the applicable fraction of the building, the change will not be permitted.

E. 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.

F. 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. Owners cannot designate a portion of the development that was allocated tax credits or included in eligible basis and convert it to commercial space. 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 television.
3. 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.

G. OFFICE IN THE HOME

A low-income tenant may use a portion of a low-income unit exclusively and on a regular basis as a principle place of business, and claim the associated expenses as tax deductions, as long as the unit is the tenant's primary residence. If the tenant is providing daycare services, the tenant must have applied for (and not have been rejected), be granted (and still have in effect), or be exempt from having a license, certification, registration, or approval as a daycare facility or home under state law.

A tax return must be filed for all self-employed individuals who operate sole proprietorship business or otherwise report income on Schedule C, regardless of whether the taxpayer is reporting a profit or a loss.

H. COMMON AREA/SPACE

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. Common areas can only be counted for tax credits if they are available to all residents on a nondiscriminatory 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. Changes in common area uses may be a violation of the Declaration of Land Use Restrictive Covenants.

I. 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.

J. ALLOWABLE FEES AND CHARGES

Application fees may be charged to cover the actual cost of checking a prospective tenant's income, credit history, and landlord references. The fee is limited to recover of the actual out-of-pocket costs of checking applicants qualifications of the property. Customary fees, normally charged, such as damage deposits and pet deposits are permissible. However, an eligible applicant or tenant cannot be charged a fee for the work involved in completing the additional forms or documentation required, such as the TIC.

Please note, as stated above, resident facilities (i.e. parking, garages, swimming pools, etc), where included in eligible basis, they must be made available to all residents on a comparable basis and a separate fee can not be charged for their use.

Charges for non-optional services such as a washer and/or dryer hookup and built in storage sheds or lockers (paid month to month or in a single payment) must always be included within the gross rent. In addition, IRS clarified that month-to-month lease fees and mandatory renter's insurance are considered rent. The fees are allowable, but the gross rent must include these amounts and must be below the applicable tax credit limit. When completing the TIC, this amount must be included with tenant paid rent.

Decorating fees or fees for preparing for occupancy must not be charged; owners are responsible for physically maintaining units in a manner suitable for occupancy.

K PHYSICAL REQUIREMENT FOR LIHTC UNITS

Qualified LIHTC units must have substantially the same equipment and amenities as other units in the project. Units must be substantially the same size as other units in the project and cannot be geographically segregated from other units in project. Units intended for eligible tenants must be comparable in size, location, and quality to those rented to other tenants. In the event that units rented to non-qualifying households are above the average quality standards of the units rented to LIHTC households, then the basis in the project, which is used to determine the amount of tax credits must be reduced by the portion, which is attributable to the excess costs of the above-standard units. This reduction in eligible basis need not occur if an election is made to exclude such excess costs pursuant to Section 42 (d) (3) of the Code.

LIHTC units must be suitable for occupancy under local health, safety and building codes and the Uniform Physical Condition Standards (UPCS). Units that are not suitable for occupancy, including previously qualified low-income units that are being routinely renovated, are considered “out of compliance” if they are not “ready for occupancy” within or after a thirty-day (30) day period of being vacated. The UPCS does not supersede or preempt local health, safety and building codes. An LIHTC property/ unit must also satisfy the local standards.

To ensure consistent evaluation of the property’s physical condition, the definitions of physical deficiencies used for the REAC system, by the Department of Housing and Urban Development (HUD) will be used to determine whether noncompliance has occurred. There are six (6) sections:

1. Site Inspection
2. Building Exterior Inspectable Items
3. Building Systems Inspectable Items
4. Common Areas Inspectable Items
5. Unit Inspectable Items
6. Health and Safety Inspectable items

Each section identifies specific components. All levels of deficiencies must be reported. DSHA will use the Uniform Physical Condition Standards (UPCS) to report all deficiencies.

Please Note: DSHA will be monitoring vacant units and will inspect all vacant units at the time of DSHA’s Monitoring Review and Inspection.

Please Note: IRS Chief Counsel Advisory released October 22, 2010, indicates that a low-income housing tax credit building can be deemed unsuitable for occupancy without an inspection of every unit. It is stated that the exterior of a building can be in such poor condition that all units could be considered unfit for occupancy.

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:

7. 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 HUD, 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 judgment from a federal court. Any finding of discrimination, adverse final decision by HUD, adverse final decision by the State of Delaware Division of Human Relations, or an adverse judgment from a federal court is a violation that DSHA must report to the IRS.

Tax Credit properties are subject to Title VII of the Civil Rights Act of 1968, also known as the Fair Housing Act. The Fair Housing Act prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability. The Fair Housing Act mandates specific design and construction requirements for multifamily housing built for first occupancy after March 13, 1991, in order to provide accessible housing for individuals with disabilities. The failure of housing tax credit properties to comply with the requirements of the Fair Housing Act will result in the denial of housing tax credit on a per unit basis. In addition, Delaware tax credit properties must also meet the requirements of the American Disabilities Act (ADA) and all tax credit design plans must be approved by the Delaware Accessibility Board.

The Department of Housing and Urban Development (HUD) enforces the Fair Housing Act. DSHA will refer complaints to either HUD or the State of Delaware Division of Human Relations for follow-up or investigation.

IRS also requires LIHTC properties be otherwise available to the general public. Under Treasury Reg. 1.42-9(b) if a residential unit is provided only for a member of a social organization (for example, artists) or provided by an employer for its employees, the unit is not for use by the general public and is not eligible for credit under Section 42. Residential rental units either designated for a single occupational group, or through a preference for an occupational group also violate the general public use requirement.

Note that the General Public Use Rule was clarified on July 30, 2008, to allow occupancy restrictions or preferences that favor tenants 1) with special needs, 2) who are members of a specified group under a federal or state program or policy that supports housing for such specified group, or 3) who are involved in artistic or literary activities.

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 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.

If after occupying a unit, an eligible tenant cannot pay the rent or is otherwise in violation of the lease provisions, the owner has the same legal rights in dealing with the eligible tenant as with any other tenant. Note, however, that during the compliance period, extended use period and for three years after the expiration of the Declaration of Land Use Restrictive Covenants, households in qualified tax credit units may not be evicted or tenancy terminated for other than for good cause.

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 owner's 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. Residents may share bathrooms, cooking facilities, and dining areas.

* 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.

Customary fees that are normally charged, such as damage deposits, cleaning deposits, pet deposits and/or application fees are permissible. However, an eligible tenant cannot be charged a fee for the work involved in completing the additional forms or documentation required, such as the Tenant Income Certification.

As described in Question and Answer #5 of [Revenue Ruling 2004-82](#), Section 42(h)(6)(B)(I) requires that eviction and rent increase restrictions apply throughout the extended use period and not simply for the three years after that period. Additionally, the ruling prevents the eviction or termination of tenancy other than for good cause of an existing tenant of any low-income unit (no-cause eviction protection) and any increase in the gross rent with respect to the unit not otherwise permitted under Section 42.

The requirements of Revenue Ruling 2004-82, 2005-37 and Section 42(h)(6)(B)(I) must be complied with at your tax credit property. In addition, the project owner must also certify annually on the Owners Certification of Continual Compliance that in the prior 12 months no tenants in low-income units were evicted or had their tenancies terminated other than for good cause and that no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.

We recommend that a “good cause” provision be included in your lease. DSHA defines “good cause” as follows:

“Good Cause” means (1) serious or repeated violation of material terms of the lease or (2) the failure or refusal to vacate the premises when there is an effective condition or damage that is so substantial that it is economically infeasible to remedy the defect with the tenant in possession.

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, which includes any and all buildings, common areas and vacant units in the project.

The IRS revised compliance monitoring regulations also included a requirement for housing credit agencies to conduct physical inspections consistent with the standards governed by HUD's Uniform Physical Condition Standards. These standards require properties to be in "decent, safe, and sanitary condition and in good repair" and require agencies to inspect the following five major areas:

1. Site – The site includes components such as fencing and retaining walls, grounds, lighting, mailboxes, signs (such as those identifying the development or areas of the development), parking lots/driveways, play areas and equipment, refuse disposal, roads storm drainage and walkways. The site must be free of health and safety hazards and be in good repair.
2. Building exterior – Each building on the site must be structurally sound, secure, habitable, and in good repair. The building's exterior components such as doors, fire escapes, foundations lighting, roofs, walls and windows, where applicable, must be free of health and safety hazards, operable, and in good repair.
3. Building systems - The building's systems include components such as domestic water, electrical system, elevators, emergency power, fire protection (including fire extinguishers and smoke detectors), HVAC, and sanitary system. Each building's systems must be free of health and safety hazards, functionally adequate, operable, and in good repair.
4. Dwelling units – (i) Each dwelling unit within a building must be structurally sound, habitable, and in good repair. All areas and aspects of the dwelling unit (for example the unit's bathroom, call for aid, ceiling, doors electrical systems, floors, hot water heater, HVAC, (where individual units are provided), kitchen, walls and windows) must be free of health and safety hazards, functionally adequate, operable, and in good repair. (ii) Where applicable, the dwelling unit must have hot and cold running water, including an adequate source of potable water. (iii) If the dwelling unit includes its owner sanitary facility, it must be in property operating condition, usable in privacy, and adequate for personal hygiene and the disposal of human waste. (iv) The dwelling unit must include at least one battery-operated or hard-wired smoke detector, in proper working condition, on each level of the unit.

5. Common areas – The common areas must be structurally sound, secure and functionally adequate for the purposes intended. The common areas include components such as basement/garage/carport, restrooms, closets, utility mechanical, community rooms, day care, halls/corridors, stairs, kitchens, laundry rooms, office porch, patio, balcony, and trash collection areas, if applicable. The common areas must be free of health and safety hazards operable, and in good repair. All common area ceilings, doors, floors, HVAC lighting, outlets/switches, smoke detectors, stairs, walls and windows, to the extent applicable, must be free of health and safety hazards, operable, and in good repair.

All areas and components of the housing must be free of health and safety hazards. These areas include, but are not limited to: air quality, electrical hazards, elevators, emergency/fire exits, flammable materials, garbage and debris, handrail hazards, infestation, and lead based paint. For example, the buildings must have fire exits that are not blocked and have handrails that are undamaged and have no other observable deficiencies. The housing must have no evidence of infestation by rats, mice, or other vermin, or garbage and debris. The housing must have no evidence of electrical hazards, natural hazards or fire hazards. The dwelling units and common areas must have proper ventilation and be free of mold, odor (e.g. propane, natural gas, methane gas) or other observable deficiencies. The housing must comply with all regulations and requirements related to the ownership of pets, and the evaluation and reduction of lead-based paint hazards and have available proper certifications of such.

Notwithstanding the above inspection requirements, a LIHTC project, under Section 42, must continue to satisfy local health, safety, and building codes. DSHA may rely on local code inspections for reporting non-compliance.

XVIII **SALE, TRANSFER OR DISPOSITION OF THE PROJECT AFTER THE PLACED-IN SERVICE DATE**

DSHA is required to notify the IRS via Form 8823 in the event of sale (including change in ownership or ownership interest – general and limited partners), foreclosure, abandonment, casualty loss, and/or destruction; owners must notify DSHA of such events.

Generally, any change in the ownership of a building or a partnership interest is considered to be a recapture event. Recapture can be avoided if the owner selling the building or the partnership interest posts a bond satisfactory to the IRS, and IRS determines that the project is expected to remain in compliance for the balance of the compliance period. Recapture amounts are reported using the IRS form 8823.

When a sale or transfer occurs after the placed-in-service date, the owner must notify DSHA by letter advising DSHA of the transfer of ownership. The letter should include the following: current name of owner (to whom the credits were allocated), address, taxpayer I.D.#, contact person and phone number, the new or updated owner information of name of owner, address, contact person and phone number, taxpayer I.D. #, name of all partners and percentage of ownership and their taxpayer I.D. #'s or Social Security numbers. The new owner must also include the following documents: a copy of the recorded deed indicating the change of ownership or a copy of the title policy indicating the owner as the vested owner of the property, copy of the amended or new partnership agreement or copy of the articles of incorporation and By-Laws, copy of the organizational documents, copy of the good standing certificate, attorney's opinion, copy of the purchase agreement, and copy of the low income housing tax credit disposition bond.

DSHA will recognize a new owner or ownership only after all of the required documentation has been submitted. Until such time, all compliance requirements will be the responsibility of the owner of record and any compliance violations will be reported to the IRS under the name of the owner on record.

The IRS has suggested in Reg. 1.42-5 that if a building is sold or otherwise transferred by the owner, the transferee should obtain from the transferor all information related to the first year of the credit period so the transferee can substantiate credits claimed.

Under 42(j)(6), revised 7/30/2008, there is no recapture on dispositions as long as a) it is reasonably expected the building will continue to be operated as a qualified low-income building; and b) the taxpayer elects to be subject to the new longer statute of limitations. Owners are no longer required to post a Credit Disposition Bond or pledge Treasury Securities to avoid recapture.

XIX. GENERAL AND PREVENTATIVE MAINTENANCE

Part of the owner's 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 plan 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.

XX. 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 – may include 100% of all initial households;
- 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 and inspection, 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, social 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
- **Affirmative Marketing Plan with copies of advertisement and community outreach letters**

NOTE: Corrections to Documents

Sometimes it is necessary to make corrections or changes to documents. A document with correction fluid or “white-out” will not be accepted by DSHA. It is recommended that when a change is needed on a document for the LIHTC program, the person making the correction should draw a line through the incorrect information, write or type the correct wording or number, and have the person making the change sign their initials.

XXI. 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. This correction period can be extended up to a total of 6 months with DSHA's approval.

Noncompliance that is identified and corrected by the owner prior to notification of an upcoming compliance review or inspection need not be reported to the IRS.

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 \$500 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 and a new qualified household moves into 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:

- Re-verify 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:

Once a unit is determined to be out of compliance with the rent limits, the unit ceases to be a low-income unit for the remainder of the owner's tax year. A unit is back in compliance on the first day of the owner's next tax year if the rent charged on a monthly basis does not exceed the limit. An owner cannot avoid the disallowance of credit by rebating excess rent or fees to the affected tenants.

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 or a fire extinguisher was not properly tagged, not charged properly or missing. Under Section 42, this is a major violation of health, safety and building codes, UPCS violation 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.

F. Recapture of Credit

Generally, during the Compliance Period a project is out of compliance and recapture applies if:

- You dispose of a building or an ownership interest in it; or
- There is a decrease in the qualified basis of the building from one year to the next; or
- The building no longer meets the minimum set-aside requirements of Section 42(g)(1), the gross rent requirements of Section 42(g)(2), or the other requirements for the units which are set-aside.

Note: The Compliance Period applies to all projects. The Extended Use Period applies to projects issued tax credits in 1990 or later.

Vacant units that were previously occupied by qualified tax credit residents can continue to be counted for minimum eligibility as long as the owner has made reasonable attempts to rent the unit to an eligible resident and no other unit of comparable or smaller size is rented to a non-qualified resident.

If the project is out of compliance, a penalty will apply to all units in the Project (IRS Form 8611). Penalties may include:

- Recapture of the accelerated portion of the tax credits for prior years;
- Disallowance of the credit for the entire year in which the non-compliance occurs; and
- Assessment of interest for the recapture year and previous years.

If the non-compliance is due to a reduction the qualified basis and the minimum eligibility requirements of twenty (20%) or forty percent (40%) are still met, recapture and disallowance of credit will apply only to units in compliance.

If there is a minimal reduction in the floor space fraction or number of qualified units, no recapture will occur, provided the building remains a qualified tax credit building.

Recapture will not occur if, within a reasonable time after the non-compliance was discovered, the situation is corrected.

In the event of a casualty loss, recapture will not occur if the property is restored or replaced within a reasonable period of time.

The Internal Revenue Service is responsible for determining whether a building owner has claimed the correct amount of credit each year and whether a building owner is subject to recapture. DSHA is only responsible for determining whether or not a specific event of non-compliance and reporting it to the IRS.

XXII. 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 is 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. NOTE: BUILDINGS PLACED IN SERVICE AFTER 07/30/09, ARE NOT SUBJECT TO THIS PROVISION.**

The HOME income requirements only apply at the time of initial occupancy. However, **tenant incomes must be re-verified every six (6) years from the tenant's move-in date.** This rule would apply for 100 percent low-income LIHTC projects that have received HOME funds.

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 re-certification 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.

HOME CERTIFICATIONS

The income of each resident in a HOME unit must be determined initially in accordance with § 92.203(a)(1)(i) and DSHA's LIHTC Compliance and Monitoring manual. DSHA is allowing an owner of LIHTC multifamily project with HOME funds with an affordability period of 10 years or more to re-examines tenant's annual income through a statement and certification in accordance with § 92.203(a)(1)(ii). The one page Annual Self-Certification in Appendix E and an Asset Certification will suffice the annual HOME certification requirement. However the owner must third party verify the income of each tenant, in accordance with § 92.203(a)(1)(i), every sixth (6) year of the affordability period (on the date of the resident's move-in anniversary date).

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 Land Use 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, etc., 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 (i.e., 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.

XXIII TAX CREDIT PROPERTIES WITH TAX EXEMPT BONDS

A residential property financed with tax-exempt bonds may also receive tax credits. The property must then maintain compliance with both the tax-exempt bond rules and the tax credit program. While certain rules overlap, such as the property meeting either the 40/60 or 20/50 minimum set-aside test, the rules do not exactly match and the Owner is responsible for being aware of and complying with both sets of requirements. Usually there will be two separate regulatory documents for the property, one for the bond requirements and one for the tax credit requirements.

Properties financed with tax-exempt bonds may obtain an allocation of tax credits without going through the competitive tax credit allocation process. Owners must still submit a tax credit application to DSHA and meet threshold criteria and score the minimum points prior to an allocation of credits. The property owner will also be required to record the Declaration of Land Use Restrictive Covenants or extended use agreement on the property.

The rules for determining income are the same for both programs. The primary difference is that compliance with tax-exempt bond requirements is determined on a property-wide basis, while federal low income tax credit requirements are determined on a building-by-building basis. Owners must comply with both sets of requirements, which may result in maintaining more affordable units than originally planned in order to maintain compliance with both programs.

Many bond-financed properties are mixed income and many of the more complicated tax credit rules will apply to these properties. The Available Unit Rule is applied property-wide whereas it is applied on a building-by-building basis for tax credit compliance.

It is strongly recommended the management plan, including detailed strategies for lease-up, filling vacancies and addressing over-income units on recertification be developed with the advice of qualified tax credit advisors.

Properties with tax-exempt bond financing have additional requirements that must be met. Some of the minimum requirements are listed below:

- Meet the selected federal set-aside (20/50 or 40/60) at bond closing on acquisition/rehabilitation properties.
- For new construction, report monthly beginning at 10% occupancy. Continue to report monthly during lease-up to the bond holder until the later of all buildings placed in service or the property is 90% leased/rented.
- At 90% rent-up, annual reporting to the bond issuer or trustee.
- Follow same tax credit reporting requirements after buildings are placed in service.
- Property must meet all selected bond set-asides. Bond set-asides are income restricted only, tax credit set-asides are income and rent restricted.
- The most restricted set-aside (either federal or state) should always be used.
- Issues of non-compliance for bond requirements are reported to the bond trustee rather than the IRS.
- Bond documents and bond regulatory agreements should be obtained for the management agent for all requirements.

Owners will provide reporting requirements to the bond issuer and/or bond trustee.

XXIV DSHA POST-15 MONITORING PROCEDURES

Background

Tax Credit properties allocated credits in 1990 and after, were required to record a commitment (Declaration of Land Use Restrictive Covenants) for an affordable housing period of a minimum of thirty years. The first fifteen years is called the compliance period. During the compliance period, DSHA is responsible for monitoring tax credit properties and reporting noncompliance to the IRS. The remaining 15 years (after the compliance period has expired) are referred to by the IRS as the extended use period. During the extended use period DSHA must continue to monitor tax credit properties for the low-income housing commitment, but is no longer required to report noncompliance matters to the IRS. IRS officials and other tax credit experts have indicated verbally that state agencies may not report noncompliance to the IRS after the compliance period is over. The tax benefit to the owner is exhausted and the IRS can no longer recapture or disallow credits. Therefore, DSHA has established a policy on how tax credit properties will be monitored during the extended use period.

The purpose of these procedures is to ensure compliance with the Declaration of Land Use Restricted Covenants while allowing for the waiving of certain requirements during the extended use period. DSHA believes these changes will prove to be beneficial to owners and managers of tax credit properties by streamlining reporting requirements and other tax credit eligibility criteria during the extended use period.

To qualify, owners must be in good standing (continue to comply with the monitoring requirements and/or terms of the Declaration of Land Use Restrictive Covenants) within three years of the end of the compliance period. DSHA's goal is to preserve all tax credit properties for the benefit of the residents while maintaining a reasonable level of monitoring requirements.

Compliance Period – means with respect to any building the period of 15 taxable years, beginning with the first taxable year of the credit period. The first year of the Compliance Period is the first year in which the owner claimed credits. The first year must either be the year the buildings(s) are placed in service, or at the owner's election the year following placed in service.

Extended Use Period – means the beginning of the last day in the compliance period on which such building is part of a qualified low-income housing project and ending on the later date specified by DSHA in the Declaration of Restrictive Covenants or the date which is 15 years after the close of the compliance period.

Continued Resident Eligibility and Criteria

1. Tenant Income Certification (TIC) – the initial Tenant Income Certification (TIC), Asset Certification and third party verifications will still be required (consistent with all requirements of DSHA's Tax Credit Compliance Monitoring Manual). The properties must continue to meet the income set-asides and all additional income restrictions as defined in the Declaration of Land Use Restrictive Covenants. Any change in set-aside restrictions must be approved by DSHA. (Properties with Rural Development (RD) or HUD Section 8 subsidy must continue to meet the requirements of those programs.)
2. The unit must continue to be rent restricted so that the tenant paid portion of rent plus the utility allowance does not exceed the tax credit applicable rent.
3. All DSHA financed developments, must continue to seek DSHA's approval on all rent increases. All of the rent limits elected in the Declaration of Land Use Restrictive Covenants will continue to apply.
4. Annual Recertifications and Student Certifications will no longer be required. A Self-Certification of income will be necessary for reporting purposes only. RD, HUD Section 8 or tax-exempt bond properties must continue to follow all of the applicable requirements of each program.
5. Households who add adult members during occupancy must continue to add the household member to the initial certification using the current income limit. (Consistent with all requirements of DSHA's Tax Credit Compliance Monitoring Manual).

6. Households may now be comprised entirely of income eligible full-time students with no exception necessary. However, if Section 8 property, the HUD student rules will now apply.
7. All management/owner screening and application process will continue. In addition, a waiting list must also be continued to be maintained.
8. Each low income unit will remain suitable for occupancy under the Uniform Physical Condition Standards (UPCS).
9. Owners must continue to comply fully with the requirements of the Fair Housing Act as it may from time to time be amended.
10. Unit transfers from building to building are allowed without having to re-determine whether the household's income is over the 140% of median income at the time of transfer.
11. Next Available Unit Rule no longer applies.
12. Vacant Unit Rule no longer applies.
13. Utility allowances will be updated annually. Revised utility allowances must continue to be implemented within 90 days of their published effective date. It is no longer necessary to obtain DSHA's approval on revised utility allowances.
14. All minimum occupancy requirements will be waived.
15. Social Services will continue to be required if an Extended Use Declaration of Restrictive Covenants for Social Service commitments were made. All Social Service contracts will continue to be updated and provided to the residents at no cost.
16. Properties with the HOME project rule of at least 40% of the units must be occupied by households at or below 50% of the median income limit per building are no longer subject to this provision. (with DSHA approval)
17. All other requirements of the Declaration of Restrictive Covenants will continue to apply.
18. Transfer of Ownership – a transfer agreement is required in the event of a transfer of ownership or ownership interest. Such transfer agreement will put the new owner or partner on notice that it is subject to the terms of the Declaration of Land Use Restrictive Covenants including all compliance restrictions and annual compliance monitoring. Documentation of signatory authorization for the new owner may be requested. Owners contemplating transfers of ownership or ownership interest should notify DSHA.
19. Expiration of Termination of Extended Use Period – During the three year period after the extended use period expires or is terminated pursuant to IRSC Section 42(h)(6)(E)(ii), owners are required to annually submit to DSHA that no low-income residents have been evicted or displaced for other than good cause. This certification will be due January 15 each year for three years after the extended use period has expired.

Reporting and Monitoring

1. Owners Annual Certification for Continuing Compliance – Owners will continue to submit a certification of compliance due January 15 each year. This includes all RD, HUD Section 8 and tax-exempt properties.
2. Annual Reporting – Owners/management agents must continue to submit monthly or annual financial reports (if required) as well as submitting monthly tenant data to the MITAS database. This includes all RD, HUD Section 8 and tax-exempt properties.
3. DSHA will perform a physical inspection and monitoring review for LIHTC purposes every 5 years from the last inspection date. A minimum of 5 units or 10% will be chosen for the physical inspection. DSHA will reduce the file review to 10%. DSHA reserves the right to review additional files or inspect additional units to ensure compliance. Inspection frequency may be increased if necessary, or if DSHA has financing in the property.
4. Annual monitoring fees – DSHA will charge \$15 per unit during the extended use period. DSHA reserves the right to adjust the fee due to changing circumstances, rules or regulations. Fees are due January 15 with the Owners Annual Certification. This includes RD or HUD Section 8 properties.
5. Record Retention – owners will need to maintain the original documents of initial move-in certifications, verifications, applications and leases for three years from the date of move-in.
6. Properties monitored and found to have noncompliance matters must follow the same correction period requirements and procedures as outlined in DSHA Tax Credit Compliance Monitoring manual.

Noncompliance

DSHA will use remedies allowed by local and federal law and the Declaration of Land Use Restrictive Covenants to enforce compliance. Owners and/or management agents that have material noncompliance with the Declaration of Land Use Restrictive Covenants may no longer be eligible to participate in the Post-Year 15 Monitoring Procedures and will be deemed no longer in good standing with DSHA. Owners and/or management agents that are deemed not in good standing will not be allowed to participate in future tax credit applications.

Reservations

DSHA reserves the right to modify the Post 15 Year Procedures as needed.

08/13/10

XXV. 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 120 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.

LIVE-IN AIDE - A person who resides with one or more elderly persons, near elderly persons, or persons with disabilities, and who is determined to be essential to the care and well being of their person(s).

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.

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.

MAXIMUM TAX CREDIT RENT – Maximum LIHTC rent as calculated by the U.S. Department of Housing and Urban Development for bedroom size.

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 PROCEDURES

DSHA has implemented monitoring regulations for the LIHTC program as required by the 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 project certification requirements.

DSHA will perform annual on-site inspections of at least twenty percent (20%) of all LIHTC developments, including RHS Section 515 and tax-exempt bond financed properties.

DSHA will conduct on-site inspections of all the buildings in the development by the end of the second calendar year following the year the last building in the development is placed in service and, for at least 20% of the development's low-income housing units, inspect the low-income certification, the documentation the owner has received to support that certification, and the rent record for the tenants in those units.

In addition, at least once every three years, DSHA will conduct on-site inspections of all the buildings in each low-income housing developments and, for at least 20% of the development's low-income units, inspect the units, the low-income certifications, the documentation the owner has received to support the certifications, and the rent record for the tenants in those units. DSHA will determine which low-income housing developments will be reviewed in a particular year and which tenants' records are to be inspected.

DSHA will request an owner of a low-income housing development not selected for the review procedure in a particular year to submit to DSHA for compliance review and annual compliance report, which will include but is not limited to, copies of the annual income certifications, the documentation such owner has received to support those certifications and the rent record for each low-income tenant of the low-income units in their development.

All low-income housing developments may be subject to review at any time during the compliance period.

DSHA has the right to perform an on-site inspection of any low-income housing development through the end of the compliance period of the development. Each owner of a development receiving credits must permit the performance of DSHA inspections. The owner of a low-income housing development should notify DSHA when the development is placed in service. DSHA reserves the right to inspect the property prior to issuing IRS Form 8609 to verify that the development conforms to the representations made in the Application.

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 (20%) of the residential units in a project shall be both rent-restricted and occupied by individuals whose income is fifty percent (50%) or less of the area median gross income, or
- B) Forty percent (40%) of the residential units in a project shall be both rent-restricted and occupied by individuals whose income is sixty percent (60%) 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 (40%) of the units in a building must be occupied by households at or below fifty percent (50%) of the median income limit. NOTE: BUILDINGS PLACED IN SERVICE AFTER 7/30/09, ARE NOT SUBJECT TO THIS PROVISION.

Rent Limitations

LIHTC units are rent-restricted. The maximum rent that can be charged for a low-income unit cannot exceed thirty percent (30%) 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 (50%) or less of the county gross median income based on family size or sixty percent (60%) 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 and asset information
- 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.

Record keeping 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).
- 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 judgment from a federal court.

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 Project Certification 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 non-transient 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 (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of violation for any building or low income unit in the project.
- 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 judgment from a federal court; and
- 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 Project Certification 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 Alice M. Davis, by January 15 of each year.

DSHA shall review the Annual Project Certifications 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) record keeping requirements, 5) annual project certification 6) physical inspection of at least 20% of the units reviewed, and 7) all extended use restrictions/agreements. 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 Project Certification, 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 \$500 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
OWNER'S CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

Certification Dates:		From:	to	
Project Name:			Project No: DE-	
Project Address:		City:	ST:	Zip:
Owner Address:		City:	ST:	Zip:
Owner Phone:	Owner E-Mail Address:			
Tax ID # of Ownership Entity:				

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

The undersigned _____ on behalf of
 (the "Owner"), hereby certifies that:

1. The project meets the minimum requirements of: (check one)
 - 20 - 50 test under Section 42(g)(1)(A) of the Code
 - 40 - 60 test under Section 42(g)(1)(B) of the Code
 - 15 - 40 test for "deep rent-skewed" projects under Section 42(g)(4) and 142(d)(4)(B) of the Code
2. There has been **no change** in the applicable fraction (as defined in Section 42(c)(1)(B) of the Code) for **any** building in the project:
 - No Change** **Change**
3. The owner has received an annual Tenant Income Certification from each low-income tenant and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income tenant, and documentation to support the certification at their initial occupancy.
 - Yes** **No**
4. Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code:
 - Yes** **No**
5. No tenants in low-income units were evicted or had their tenancies terminated **other than for good cause** and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42.
 - Yes** **No**
6. All low-income units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42 (j)(3)(B)(iii) of the Code):
 - Yes** **No** **Homeless**
7. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court:
 - No Finding** **Finding**
8. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project:
 - Yes** **No**

If "No", state nature of violation on page 3 and attach a copy of the violation report as required by 26 CFR 1.42-5 and any documentation of correction. (Note: Violations other than those discovered at DSHA inspections.)

9. There has been **no change** in the eligible basis (as defined in Section 42(d) of the Code) of any building in the project since last certification submission:
 No Change **Change**
 If "**Change**", state nature of change (e.g., a common area has become commercial space, a fee is now charged for a tenant facility formerly provided without charge, or the project owner has received federal subsidies with respect to the project which had not been disclosed to the allocating authority in writing) on page 3.
10. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings:
 Yes **No**
11. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income:
 Yes **No**
12. If the income of tenants of a low-income unit in any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to tenants having a qualifying income:
 Yes **No**
13. An extended low-income housing commitment as described in section 42(h)(6) was in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a voucher or certificate of eligibility under Section 8 of the United States Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely on their status as a holder of a Section 8 voucher and the project otherwise meets the provisions, including any special provisions, as outlined in the extended low-income housing commitment (not applicable to buildings with tax credits from years 1987-1989):
 Yes **No** **N/A**
14. The owner received its credit allocation from the portion of the state ceiling set-aside for a project involving "qualified non-profit organizations" under Section 42(h)(5) of the code and its non-profit entity materially participated in the operation of the development within the meaning of Section 469(h) of the Code.
 Yes **No** **N/A**
15. There has been no change in the ownership or management of the project:
 No Change **Change**
 If "**Change**" complete page 4 detailing the changes in ownership or management of the project.
16. If a household consists of ALL full-time students, such households met one of the exceptions outlined in Section 42 (j)(3)(D) which prohibits households occupied entirely by full-time students in a low-income tax credit units.
 No Change **Change**
17. The owner, if required by Declaration of Land Use Restrictive Covenants Relating to Low Income Housing Tax Credits, has not refused to provide social and support services as an integral part of any development to improve the quality of life of the residents of the Development:
 Yes **No**
 If "**Yes**", list all social services currently provided to the residents of the Development on page 3.

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

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

Ownership Entity Signature: _____ Date: _____

Completed By/Title: _____ Date: _____

QUESTION 14 ONLY: IF ANSWERED "CHANGE" COMPLETE ALL SECTIONS THAT ARE APPLICABLE

Transfer of Ownership

DATE OF CHANGE:	
TAXPAYER ID NUMBER:	
LEGAL OWNER NAME:	
GENERAL PARTNERSHIP:	
STATUS OF PARTNERSHIP (LLC, ETC.):	

Change in Owner Contact

DATE OF CHANGE:	
OWNER CONTACT:	
OWNER CONTACT PHONE:	
OWNER CONTACT FAX:	
OWNER CONTACT EMAIL:	

Change in Management Contact

DATE OF CHANGE:	
MANAGEMENT COMPANY NAME:	
MANAGEMENT ADDRESS:	
CITY, STATE, ZIP:	
MANAGEMENT CONTACT:	
MANAGEMENT CONTACT PHONE:	
MANAGEMENT CONTACT FAX:	
MANAGEMENT CONTACT EMAIL:	

APPENDIX D

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

DELAWARE STATE HOUSING AUTHORITY
OWNER'S CERTIFICATE OF COMPLIANCE DURING EXTENDED USE PERIOD

Certification Dates:		From:	to	
Project Name:			Project No: DE-	
Project Address:		City:	ST:	Zip:
Owner Address:		City:	ST:	Zip:
Owner Phone:		Owner E-Mail Address:		
Tax ID # of Ownership Entity:				

The undersigned _____ on behalf of
 (the "Owner"), hereby certifies that:

1. The required applicable fraction has been met for each building by leasing units to individuals or families whose income is 50% or 60%, as irrevocably elected by the owner at the time of allocation, or less of the area median gross income (including adjustments for family size) as determined in accordance with Section 42 of the Internal Revenue Code:
 Yes No

2. The owner has received an annual Tenant Income Certification from each low-income tenant and documentation to support that certification, and if the property contains both low-income and market units, the owner has also received an annual Tenant Income Certification from each low-income resident:
 Yes No

4. Each low-income unit in the project has met rent restriction(s):
 Yes No

5. No tenants in low-income units were evicted or had their tenancies terminated **other than for good cause** and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Section 42:
 Yes No

6. All low-income units in the project are and have been for use by the general public:
 Yes No

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

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

9. All tenant facilities included in the eligible basis under Section 42(d) of the Code of any building in the project, such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings:
 Yes No

10. If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income:
 Yes No

11. The owner, if required by Declaration of Land Use Restrictive Covenants Relating to Low Income Housing Tax Credits, has not refused to provide social and support services as an integral part of any development to improve the quality of life of the residents of the Development:

Yes No

If "Yes", list all social services currently provided to the residents of the Development on page 3.

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

Yes No N/A

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

(Note: Answer N/A if allocation was NOT received from non-profit set-aside.)

Yes No N/A

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

No Change Change

If "Change" complete page 4 detailing the changes in ownership or management of the project.

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

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

Ownership Entity Signature:

Date:

Completed By/Title:

Date:

QUESTION 14 ONLY: IF ANSWERED "CHANGE" COMPLETE ALL SECTIONS THAT ARE APPLICABLE

Transfer of Ownership

DATE OF CHANGE:	
TAXPAYER ID NUMBER:	
LEGAL OWNER NAME:	
GENERAL PARTNERSHIP:	
STATUS OF PARTNERSHIP (LLC, ETC.):	

Change in Owner Contact

DATE OF CHANGE:	
OWNER CONTACT:	
OWNER CONTACT PHONE:	
OWNER CONTACT FAX:	
OWNER CONTACT EMAIL:	

Change in Management Contact

DATE OF CHANGE:	
MANAGEMENT COMPANY NAME:	
MANAGEMENT ADDRESS:	
CITY, STATE, ZIP:	
MANAGEMENT CONTACT:	
MANAGEMENT CONTACT PHONE:	
MANAGEMENT CONTACT FAX:	
MANAGEMENT CONTACT EMAIL:	

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: _____

EMPLOYMENT VERIFICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: (Name & address of employer) Date:
Signature of Applicant/Tenant Date

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

I hereby authorize release of my employment information.

Signature of Applicant/Tenant Date

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

Project Owner/Management Agent Return Form To: [Empty Box]

THIS SECTION TO BE COMPLETED BY EMPLOYER

Employee Name: Job Title:

Presently Employed: Yes No Date First Employed Last Day of Employment

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

Average # of regular hours per week: Year-to-date earnings: \$ From through

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

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

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

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

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

Additional remarks:

Employer's Signature Employer's Printed Name Date

Employer [Company] Name and Address

Phone # Fax # E-mail

NOTE: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

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 #

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).

<u>Child(ren)'s Name(s)</u>	<u>Father's Name(s)</u>	<u>State Amt. per wk. or mo. rec'd</u>	<u>How Long Payment rec'd</u>	<u>Reason 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 _____

VETERAN'S BENEFITS VERIFICATION

TO: (Name & Address)

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

I hereby authorize release of the requested information.

Signature of Applicant / Tenant Date

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

MAIL OR FAX THIS FORM TO:

THIS SECTION TO BE COMPLETED BY VETERANS ADMINISTRATION

Compensation (Service Connected):

() Disability \$ _____ () Death \$ _____ () Dependency and Indemnity \$ _____

Pension (Non-Service Connected):

() Disability \$ _____ () Death \$ _____

Effective date of current award: _____

Other Payments _____ Monthly Amount _____

Changes: If any change is contemplated, explain below:

VETERAN'S ADMINISTRATION CENTER

Signature: _____
Print your name: _____
Title: _____
Address: _____

Date: _____
Tel. #: _____

Warning: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

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 #

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 # _____

ANNUITIES VERIFICATION

To: (Name and address of Pension/Annuity Administrator)

Date:

RE:

assigned)

(Applicant/Tenant)

Social Security Number

Unit Number (if

I hereby authorize release of my asset/income information.

 Signature of Applicant/Resident

 Date

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

 Property Owner/Management Agent

RETURN FORM TO:

THE FOLLOWING IS TO BE COMPLETED BY AUTHORIZED PERSONNEL:

Type of Annuity:	Fixed	?	Variable	?
Does owner have the right to withdraw the balance of the annuity?			Yes	?
			No	?
If Yes, are there any penalties?	YES	?	Est. Penalty	\$ <input style="width: 50px;" type="text"/>
Date of Initial Award Payment:				<input style="width: 100px;" type="text"/>
Date Account Opened:				<input style="width: 100px;" type="text"/>
Current Monthly Gross Payment Amount:			\$	_____
Estimated Annual Growth Rate/Return on the Annuity:				_____
Amount Received in a Lump Sum:			\$	_____
Total Amount Initially Invested:			\$	_____
Current Account Balance in Annuity:			\$	_____

 Authorized Representative

 Title

 Date

 Telephone

Warning: Section 1001 of Title 18 of the U.S. code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

CERTIFICATION OF ZERO INCOME

(To be completed by adult household members only, where applicable.)

Resident Name: _____

Unit No. _____

Development Name: _____

City: _____

**Do you receive income from any of the following sources? Answer YES or NO for each item.
All information is subject to verification from third party source.**

- | | |
|---|---|
| _____ Wages (including bonus/commissions, tips, fee, etc. | _____ Income from operation of a business |
| _____ Unemployment Benefits | _____ Interest/dividends from assets |
| _____ Worker's Compensation | _____ Annuities, insurance policies, stocks, etc. |
| _____ Disability Payments | _____ Pensions, IRA, 401K |
| _____ Alimony | _____ Rental Income |
| _____ Child Support | _____ Sales from Mary Kay, Tupperware, etc. |
| _____ Regular cash or non-cash contributions from persons | |
| _____ Not living in your household (i.e. regular gifts of money, assistance with paying bills, etc. | _____ Any other source not identified above |

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

**In addition to the above claim of no income, please provide a written explanation as to how your household intends to pay for living expenses, certain services and/or necessities.
Complete all that apply (write /NA if not applicable):**

Rent: _____

Utilities: _____

Food: _____

Family clothing: _____

Children's school supplies: _____

Telephone and/or cable expense: _____

Cell Phone and /or personal expenses: _____

Medical care: _____

Prescription and/or over-the-counter drug expense: _____

Personal care products (toilet paper, toothpaste, etc.): _____

Vehicle insurance, gasoline, maintenance and up-keep: _____

Other transportation needs: _____

Garage rental: _____

Under penalty of perjury, I certify that the information presented in this certification is true and accurate to the best of my knowledge. The undersigned further understand(s) that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of a lease agreement.

Signature of Applicant/Tenant

Printed Name of Applicant/Tenant

Date

CASH CONTRIBUTION VERIFICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY TENANT

TO: _____

Date: _____
Phone: _____
Fax: _____

RE: _____
Applicant/Tenant Name

_____ Social Security Number

I hereby authorize release of my information to the MANAGEMENT COMPANY.

Signature of Applicant/Tenant

Date

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 development. The State Housing Finance Agency monitors compliance for these IRS requirements. Please complete the form below and return it in the self addressed stamped envelope as soon as possible. This information will only be used to determine the family's eligibility for admission or continued occupancy. Your prompt response is crucial and greatly appreciated.

Project Owner/Management Agent

Return Form To:

THIS SECTION TO BE COMPLETED BY AN AUTHORIZED INDIVIDUAL

Purpose of Cash Contribution: _____

Amount anticipated to be contributed in the next **12 months**? \$ _____

Contributor's Signature

Title/Relationship

Date

Telephone

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 re-certification 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 _____

.....
Date of Last Certification/Re-certification completed by your office _____

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. ___ 50% of median income ___ 60% of median income

Please complete:

Name of Household*	Source of Income	Annual Income before deductions

Type of Asset	Cash Value of Asset	Annual Income from Assets

_____ Title, Signature, 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.

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

Date of Last Certification/Re-certification completed by your office _____

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. ___ 50% of median income ___ 60% of median income

Please complete:

Name of Household*	Source of Income	Annual Income before deductions

Type of Asset	Cash Value of Asset	Annual Income from Assets

Title, Signature,

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.

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

Date of Last Certification/Re-certification completed by your office _____

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. ___ 50% of median income ___ 60% of median income

Please complete:

Name of Household*	Source of Income	Annual Income before deductions

Type of Asset	Cash Value of Asset	Annual Income from Assets

Title, Signature and 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.

PUBLIC HOUSING AUTHORITY
SECTION 8 CERTIFICATE/VOUCHER PARTICIPANT
INCOME VERIFICATION

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

Date: _____

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 _____

Date of Last Certification/Re-certification completed by your office _____

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. ___ 50% of median income ___ 60% of median income

Please complete:

Name of Household*	Source of Income	Annual Income before deductions

Type of Asset	Cash Value of Asset	Annual Income from Assets

_____ Title, Signature, _____ 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 re-certifications, 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.

4. Example – Rounding Procedures

Amount Rounded Amount

\$49.49 \$49.00

\$49.50 \$50.00

Carry decimals from one step to another on calculations made before a entry is made.

5. Examples of Rounding

In computing an individual tenant's income, an hourly wage should be computed as follows:

** $(40 \text{ hours per week} \times 52 \text{ weeks} = 2,080 \text{ hours per year})$

Example:

$33.25 \text{ hours per week} \times 52 \text{ weeks} \times \$5.11/\text{hour}$

$33.25 \times 52 = 1,729 \text{ hours per year}$

$1,729 \times \$5.11 = \$8,835.19^{**}$

REAL ESTATE VERIFICATION

TO: _____ RE: _____
Name

Social Security Number

FROM: _____ Thank you for your prompt response. All information is confidential.

Please contact _____
_____ at () _____ if you have any questions.

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 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.

Release: I hereby authorize the release of the requested information. Information obtained under this consent is limited to information that is no older than 12 months.

Signature Date

THIS SECTION TO BE COMPLETED BY REALTOR, MORTGAGEE OR CLOSING COMPANY

Description of Property: (acreage, type of structures, etc.)

Address or location: (street address or legal description)

Market Value \$ _____

If this property were sold, please estimate expenses below:

Broker Fees \$ _____ Settlement Costs: \$ _____
Legal Fees \$ _____ Other (Specify) \$ _____

Balance on Loan/Mortgage \$ _____ Cash value \$ _____

Signature of Agent or Broker/Company Name:

Print your name: _____ Date: _____

Address: _____ Tel. #: _____

Warning: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

STOCKS / BONDS VERIFICATION

TO: (Name & address)

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

I hereby authorize release of the requested information.

Signature of Applicant/Tenant Date

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 below 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.

Property Owner/Management Agent

MAIL OR FAX THIS FORM TO:

STOCKS:

Name of Stock Company: _____

Current Market Value minus broker/legal fees for conversion to cash:
\$ _____

Total dividends paid in previous 12 months (included even if reinvested):
\$ _____

Name of Stock Company: _____

Current Market Value minus broker/legal fees for conversion to cash:
\$ _____

Total dividends paid in previous 12 months (included even if reinvested):
\$ _____

BONDS:

Name of Issuing Agent _____
Current Market Value minus broker/legal fees for conversion to cash:
\$ _____

Total interest paid in previous 12 months:
\$ _____

Name of Issuing Agent: _____
Current Market Value minus broker/legal fees for conversion to cash:
\$ _____

Total interest paid in previous 12 months: \$ _____

Signature of Broker or Authorized Official
Signature: _____ Date: _____

Print your name: _____ Telephone #: _____

Title: _____

Company Name _____

Address _____

Warning: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

FOSTER CARE VERIFICATION FORM
(For use in verifying full time student eligibility)

TO: (Name & address)

_____ County of Foster Care Placement:

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

Applicant/Tenant Address/ City / State / Zip Code

I hereby authorize release of the requested information.

Signature of Applicant/Tenant Date

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 below 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

Project Owner/Management Agent

MAIL OR FAX THIS FORM TO:

THIS SECTION TO BE COMPLETED BY PUBLIC AUTHORITY

For purposes of determining the eligibility of full time students formerly in out-of-home placement in a foster care system governed by Title IV, part B or E of the Social Security Act Foster Care Eligibility Program, the above referenced individual:

Check box:

- Has previously been in foster care from _____ to _____
- Has not previously been in foster care

Dept of Social Services/ Human Services

Signature: _____ Date: _____

Print your name: _____ Tel#: _____

Title: _____

Address: _____

Warning: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.

BUILDING CASUALTY LOSS NOTIFICATION

Internal Revenue Code Section 42(j)(4)(E) states that buildings which are allocated tax credits are protected from recapture of credits due to a casualty loss to the extent such loss is restored by reconstruction or replacement within a reasonable period. Low-Income Housing Credit Owners must report to DSHA the casualty loss of a building within 30 days of the loss. Complete a separate form for each building and submit to the address below:

Delaware State Housing Authority
18 The Green
Dover, DE 19901

BUILDING AFFECTED Building Identification No. (BIN): DE-_____

Name of Project: _____

Address of Project: _____

City: _____ State: _____ Zip Code: _____

Owner: _____

Address: _____

City: _____ State: _____ Zip Code: _____

General Partner: _____

Taxpayer ID #: _____

Telephone: _____

The undersigned hereby certifies that the information presented herein is true and correct to the best of his/her knowledge. He/she further certifies under penalty of perjury that the project meets the requirements of Internal Revenue Code Section 42. He/she understands that false statements are punishable as a felony under applicable federal statutes.

Date of Loss: _____ Total Loss: _____ Partial Loss: _____

No. of Low-Income Units Affected: _____ No. of Low-Income Households Displaced: _____

Write a brief description of the loss. Identify any causes of the loss. Attach a separate page if needed.

Estimated Time for Replacement: _____ Applicable Fraction at Prior Year End: _____

Signature of Owner's Representative

Date

STUDENT FINANCIAL AID VERIFICATION

TO: (Name & address)

RE:

 Print Applicant/Tenant Name

 Social Security Number

 Unit # (if assigned)

I hereby authorize release of my financial aid information.

 Signature of Student Applicant/Tenant

 Date

 Student ID#

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

 Project Owner/Management Agent

Return Form to:

THIS SECTION TO BE COMPLETED BY FINANCIAL AID PROVIDER AND/OR EDUCATIONAL INSTITUTION

Please provide the information requested below:

Student Currently attends school: <i>(please circle one)</i>	Full Time	Part Time		
If full time, the date the student enrolled as such: _____				
Does above student attend summer session? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Expected Date of Graduation: _____				
Job Training Partnership Act or Workforce Investment Act? <input type="checkbox"/> Yes <input type="checkbox"/> No				
Total Scholarships, grants, etc. <i>(public or private, excluding student loans)</i> received is:				
	Source	Amount	Beginning Date	Ending Date
Scholarships	_____	\$ _____	_____	_____
Grants	_____	\$ _____	_____	_____
Cost of Tuition		\$ _____	_____	_____

I hereby certify that the statements above are true and complete to the best of my knowledge.

Signature: _____

Date: _____

Print your name: _____

Tel. # : _____

Title : _____

Warning: Section 1001 of Title 18 of the U.S. Code makes it a criminal offense to make willful false statements or misrepresentations to any Department or Agency of the United States as to any matter within its jurisdiction.



Request for Occupancy Waiver

Property Name: _____

Date of Request: _____

Tenant Name: _____

Unit #: _____

Bedroom Size: _____

Household Size: _____

Reason for Request: _____

Printed Name: _____

Signature: _____

DSHA Use ONLY: _____

APPENDIX E

ANNUAL TENANT INCOME CERTIFICATION AND INSTRUCTIONS

**DELAWARE STATE HOUSING AUTHORITY
TENANT INCOME CERTIFICATION**

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

Initial Certification Recertification Other _____

PART I - DEVELOPMENT DATA

Property Name: _____ County: _____ BIN #: _____
Address: _____ Unit Number: _____ # Bedrooms: _____

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1			HEAD			
2						
3						
4						
5						
6						
7						

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	\$ _____	\$ _____	\$ _____	\$ _____
Add totals from (A) through (D), above			TOTAL INCOME (E):	\$ _____

PART IV. INCOME FROM ASSETS

Hshld Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
TOTALS:			\$ _____	\$ _____
Enter Column (H) Total If over \$5000		Passbook Rate 2.00%	= (J) Imputed Income	\$ _____
Enter the greater of the total of column I, or J: imputed income			TOTAL INCOME FROM ASSETS (K)	\$ _____

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

\$ _____

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student. Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature

(Date)

Signature

(Date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

<p>TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1</p> <p style="text-align: right;">\$ </p> <p>Current Income Limit per Family Size: \$ _____</p> <p>Household Income at Move-in: \$ _____</p>	<p>Household Meets Income Restriction at:</p> <p><input type="checkbox"/> 60% <input type="checkbox"/> 50%</p> <p><input type="checkbox"/> 40% <input type="checkbox"/> 30%</p> <p><input type="checkbox"/> _____%</p>	<p style="text-align: right;">RECERTIFICATION ONLY:</p> <p style="text-align: right;">Current Income Limit x 140%:</p> <p style="text-align: right;">\$ _____</p> <p style="text-align: right;">Household Income exceeds 140% at recertification:</p> <p style="text-align: right;"><input type="checkbox"/> Yes <input type="checkbox"/> No</p> <p>Household Size at Move-in: _____</p>
--	--	---

PART VI. RENT	
<p>Tenant Paid Rent \$ _____</p> <p>Utility Allowance \$ _____</p> <p>Other non-optional charges: \$ _____</p> <p>GROSS RENT FOR UNIT: </p> <p>(Tenant paid rent plus Utility Allowance & other non-optional charges)</p> <p>Maximum Rent Limit for this unit: \$ _____</p>	<p>Rent Assistance: \$ _____</p> <p>Unit Meets Rent Restriction at:</p> <p><input type="checkbox"/> 60% <input type="checkbox"/> 50% <input type="checkbox"/> 40% <input type="checkbox"/> 30% <input type="checkbox"/> _____%</p>

PART VII. STUDENT STATUS		
<p>ARE ALL OCCUPANTS FULL TIME STUDENTS?</p> <p><input type="checkbox"/> yes <input type="checkbox"/> no</p>	<p>If yes, Enter student explanation* (also attach documentation)</p> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 10px auto;"> <p>Enter 1-4</p> </div>	<p>*Student Explanation:</p> <ol style="list-style-type: none"> 1 TANF assistance 2 Job Training Program 3 Single parent/dependent child 4 Married/joint return

PART VIII. PROGRAM TYPE				
<p>Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this certification/recertification.</p>				
<p>a. Tax Credit <input type="checkbox"/></p> <p>See Part V above.</p>	<p>b. HOME <input type="checkbox"/></p> <p><i>Income Status</i></p> <p><input type="checkbox"/> ≤ 50% AMGI</p> <p><input type="checkbox"/> ≤ 60% AMGI</p> <p><input type="checkbox"/> ≤ 80% AMGI</p> <p><input type="checkbox"/> OI**</p>	<p>c. Tax Exempt <input type="checkbox"/></p> <p><i>Income Status</i></p> <p><input type="checkbox"/> 50% AMGI</p> <p><input type="checkbox"/> 60% AMGI</p> <p><input type="checkbox"/> 80% AMGI</p> <p><input type="checkbox"/> OI**</p>	<p>d. HDF <input type="checkbox"/></p> <p><i>Income Status</i></p> <p><input type="checkbox"/> 50% AMGI</p> <p><input type="checkbox"/> 80% AMGI</p> <p><input type="checkbox"/> OI**</p>	<p>e. _____ <input type="checkbox"/></p> <p style="text-align: center;"><i>(Name of Program)</i></p> <p><i>Income Status</i></p> <p><input type="checkbox"/> _____</p> <p><input type="checkbox"/> _____</p> <p><input type="checkbox"/> OI**</p>
<p>** Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.</p>				

SIGNATURE OF OWNER/REPRESENTATIVE

Based on the representations herein and upon the proofs and documentation required to be submitted, the individual(s) named in Part II of this Tenant Income Certification is/are eligible under the provisions of Section 42 of the Internal Revenue Code, as amended, and the Land Use Restriction Agreement (if applicable), to live in a unit in this Project.

SIGNATURE OF OWNER/REPRESENTATIVE _____ DATE _____

INSTRUCTIONS FOR COMPLETING

TENANT INCOME CERTIFICATION

This form is to be completed by the owner or an authorized representative.

Part I - Development Data

Check the appropriate box for Initial Certification (move-in), Recertification (annual recertification), or Other. If Other, designate the purpose of the recertification (i.e., a unit transfer, a change in household composition, or other state-required recertification).

Move-in Date Enter the date the tenant has or will take occupancy of the unit.

Effective Date Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.

Property Name Enter the name of the development.

County Enter the county (or equivalent) in which the building is located.

BIN # Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).

Address Enter the address of the building.

Unit Number Enter the unit number.

Bedrooms Enter the number of bedrooms in the unit.

Part II - Household Composition

List all occupants of the unit. State each household member's relationship to the head of household by using one of the following coded definitions:

H	-	Head of Household	S	-	Spouse
A	-	Adult co-tenant	O	-	Other family member
C	-	Child	F	-	Foster child(ren)/adult(s)
L	-	Live-in caretaker	N	-	None of the above

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

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

Part III - Annual Income

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

From the third party verification forms obtained from each income source, enter the gross amount anticipated to be received for the twelve months from the effective date of the (re)certification. Complete a separate line for each income-earning member. List the respective household member number from Part II.

Column (A) Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.

Column (B) Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.

Column (C) Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).

Column (D) Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.

Row (E) Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

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

From the third party verification forms obtained from each asset source, list the gross amount anticipated to be received during the twelve months from the effective date of the certification. List the respective household member number from Part II and complete a separate line for each member.

Column (F)	List the type of asset (i.e., checking account, savings account, etc.)	
Column (G)	Enter C (for current, if the family currently owns or holds the asset), or I (for imputed, if the family has disposed of the asset for less than fair market value within two years of the effective date of (re)certification).	
Column (H)	Enter the cash value of the respective asset.	
Column (I)	Enter the anticipated annual income from the asset (i.e., savings account balance multiplied by the annual interest rate).	
TOTALS	Add the total of Column (H) and Column (I), respectively.	

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

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

HOUSEHOLD CERTIFICATION AND SIGNATURES

After all verifications of income and/or assets have been received and calculated, each household member age 18 or older must sign and date the Tenant Income Certification. For move-in, it is recommended that the Tenant Income Certification be signed no earlier than 5 days prior to the effective date of the certification.

Part V – Determination of Income Eligibility

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

Part VI - Rent

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

Part VII - Student Status

If all household members are full time* students, check “yes”. If at least one household member is not a full time student, check “no”.

If “yes” is checked, the appropriate exemption must be listed in the box to the right. If none of the exemptions apply, the household is ineligible to rent the unit.

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

Part VIII – Program Type

Mark the program(s) for which this household’s unit will be counted toward the property’s occupancy requirements. Under each program marked, indicate the household’s income status as established by this certification/recertification. If the property does not participate in the HOME, Tax-Exempt Bond, Affordable Housing Disposition, or other housing program, leave those sections blank.

- | | |
|------------|---|
| Tax Credit | See Part V above. |
| HOME | If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set-asides, mark the appropriate box indicating the household’s designation. |
| Tax Exempt | If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household’s designation. |
| HDF | If the property participates in the Housing Development Trust Fund Program (HDF), and this household’s unit will count towards the set-aside requirements, mark the appropriate box indicating the household’s designation. |
| Other | If the property participates in any other affordable housing program, complete the information as appropriate. |

SIGNATURE OF OWNER/REPRESENTATIVE

It is the responsibility of the owner or the owner’s representative to sign and date this document immediately following execution by the resident(s).

The responsibility of documenting and determining eligibility (including completing and signing the Tenant Income Certification form) and ensuring such documentation is kept in the tenant file is extremely important and should be conducted by someone well trained in tax credit compliance.

These instructions should not be considered a complete guide on tax credit compliance. The responsibility for compliance with federal program regulations lies with the owner of the building(s) for which the credit is allowable.

**DELAWARE STATE HOUSING AUTHORITY
ANNUAL TENANT INCOME SELF-CERTIFICATION**

Property Name: _____ Unit # _____
BIN # _____

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

List all Household Members name, age, relationship and Social Security Number residing in the unit:

1. HOUSEHOLD COMPOSITION						
HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Social Security or Alien Reg. No.
1						
2						
3						
4						
5						
6						

- 2. Has a new member of the household been added to the existing household in the last 12 months?**
 Yes No - If Yes, **STOP** - a Tenant Income Certification/Verification of household income must be completed and compared to the initial household income at move-in for continuing eligibility.

- 3. List below the total combined gross income for your household (include interest received from assets):**

TOTAL GROSS ANNUAL HOUSEHOLD INCOME:

\$ _____

Has the family disposed of any assets valued at \$1,000 or more in the last 2 years for less than Market value?
 Circle One Yes / No

4. RENT

Tenant Paid Rent \$ _____ Rental Assistance: \$ _____
 Utility Allowance \$ _____

Other non-optional charges: \$ _____ Unit Meets Rent Restriction at:
 60% 50% 40% 30% _____%

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

\$ _____

Maximum Rent Limit for this unit: \$ _____
 Current Income Limit for Family Size: \$ _____

5. STUDENT STATUS

*Student Explanation:

ARE ALL OCCUPANTS FULL TIME STUDENTS?

YES NO

If YES, Enter Student Explanation*
 (Also Attach Documentation)

- 1 TANF assistance
- 2 Job Training Program
- 3 Single parent/dependent child
- 4 Married/joint return
- 5 Adults in Foster Care

Enter 1-5

I understand that the above information has been collected to determine my eligibility for residency and I agree to provide the third party source documentation upon request. By signing this form, I/We certify that the statements made on this certification are true and correct and to the best of my/our knowledge and belief. Resident(s) collectively acknowledge(s) that any misrepresentation or falsification of this certification by any individual household member will be considered a material breach of the lease agreement. I/We agree to notify the owner/management of any changes to my/our household's family composition. I/We agree to immediately move if all members of the household become full time students and are ineligible.

The signature of each household member over the age of 18 is required below:

Resident Signature _____ Date _____

Resident Signature _____ Date _____

Resident Signature _____ Date _____

Resident Signature _____ Date _____

Owner Statement: Based on the representation herein, the household defined in this certification is eligible to live in a unit in this development under the provisions of Section 42 of the Internal Revenue Code, as amended.

Owner/Management Agent _____ Date: _____

DOCUMENTATION OF DECREASE IN FAMILY SIZE

Resident Name: _____

Address: _____ Unit # _____

Effective _____, the following household member(s) will no longer reside in the above unit:

Name: _____

Name: _____

Name: _____

Note: A household may continue to add and remove members as long as at least one member of the original low-income household continues to live in the unit. Once all the original tenants have moved out of the unit, the remaining tenants must be certified as a new income-qualified household unless the remaining tenants were income qualified at the time they moved into the unit.

Check here if at least one original or qualifying household member resides in the unit.

The next annual recertification/self-certification for this unit is due _____. The above change will be reflected in this recertification/self-certification.

Notes: _____

Head of Household Signature: _____

Date: _____

Manager's Signature: _____

Date: _____

ANNUAL STUDENT CERTIFICATION

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

This Annual Student Certification is being delivered in connection with the undersigned's application/occupancy in the following apartment:

Head of Household Name: _____ Building Address: _____

Unit Number: _____

Check A, B, or C, as applicable (note that students include those attending public or private elementary schools, middle or junior high schools, senior high schools, colleges universities, technical, trade, or mechanical schools, but does not include those attending on-the-job training courses):

- A. _____ Household contains at least one occupant who is not a student and has not been/will not be a student for five months or more out of the current and/or upcoming calendar year (months need not be consecutive). If this item is checked, no further information is needed. Sign and date below.
- B. _____ Household contains all students, but is qualified because the following occupant(s) _____ is/are a PART TIME student(s). Verification of part time student status is required for at least one occupant.
- C. _____ Household contains all FULL TIME students for five months or more out of the current and/or upcoming calendar year (months need not be consecutive). If this item is checked, questions 1-5, below must be completed:

1. Are the students married and entitled to file a joint tax return? (attach marriage certificate or tax return) YES NO
2. Is at least one student a single-parent with child(ren) *and* this parent is not a dependent of someone else, *and* the child(ren) is/are not dependent(s) of someone other than a parent? (attach student's and if applicable, divorce/custody decree or other parent's most recent tax return) YES NO
3. Is at least one student receiving Temporary Assistance to Needy Families (TANF), otherwise known as Aid to Families with Dependant Children (AFDC)? (provide release of information for 3rd verification purposes) YES NO
4. Does at least one student participate in a program receiving assistance under the Job Training Partnership Act, Workforce Investment Act, or under other similar, federal, state or local laws? (attach verification of participation) YES NO
5. Does the household consist of at least one student who was previously under foster care within 5 years of the effective date of the initial income certification? (provide verification of participation) YES NO

Full-time student households that are income eligible and satisfy one of the above conditions are considered eligible. If questions 1-5 are marked NO, or verification does not support the exception indicated, the household is considered ineligible.

Under penalties of perjury, I/we certify that the information presented in this Annual Student Certification is true and accurate to the best of my/our knowledge and belief. I/we agree to notify management immediately of any changes in this household's student status. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

All household members age 18 or older must sign and date.

_____ Signature	_____ (Date)	_____ Signature	_____ (Date)
_____ Signature	_____ (Date)	_____ Signature	_____ (Date)

APPENDIX F

INCOME LIMITS AND RENT CHARTS