COMMONWEALTH OF
PUERTO RICO

Puerto Rico Housing Finance Authority
SUBSIDIARY OF THE GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

COMPLIANCE MONITORING PLAN

LOW INCOME HOUSING TAX CREDIT PROGRAM

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Introduction

This manual is a reference guide for the administration of the Low-Income Housing Tax Credit Program (LIHTC). It is intended to answer questions regarding the procedures, rules, and regulations that govern Housing Credit developments. The manual should be used in conjunction with, and as a supplement to, Section 42 of the Internal Revenue Code. If a determination is made that any provision of this manual is in conflict with Section 42 of the Internal Revenue Code, the Internal Revenue Code will govern. This manual has not been reviewed or approved by the Internal Revenue Service (IRS) and should not be relied upon for interpretation of federal income tax legislation or regulations.

Included in the manual are a number of forms for your use. The use of some of the forms is mandatory while the use of other forms is optional. Please pay particular attention to language within the manual that states which are required forms. If management uses forms other than those provided, care should be taken to assure that the forms use sufficient information to meet Tax Credit program requirements.

The Tax Reform Act of 1986 established the LIHTC Program under Section 42 of the Internal Revenue Code (the "Code").

The LIHTC Program is an incentive for taxpayers to provide housing for lower income tenants in exchange for a credit against federal income taxes. It is a dollar-for-dollar reduction in tax liability to the owner in exchange for the construction or rehabilitation of rental housing units for lower income households. The amount of credit allocated is directly based on the cost of the development and on the number of qualified Housing Credit units that meet federal rent and income targeting requirements.

The Omnibus Budget Reconciliation Act of 1990 amended the Code to require that state tax credit allocating agencies provide a procedure for monitoring developments for compliance with the occupancy requirements of the tax credit program.

Under Section 42(m)(1)(B)(iii) of the Code, an allocating agency must have a procedure for monitoring compliance with the provisions of the Code and notifying the Internal Revenue Service (IRS) of any noncompliance. The monitoring requirements became effective January 1, 1992, and apply to all buildings that received a tax credit at any time.

On December 15, 2000 both houses passed the credit reform bill which included changes to Section 42. The effective date of those provisions was January 1, 2001. The bill requires regular site inspections by the Housing Credit Agencies to monitor compliance with habitability standards applicable to the project. IRS regulations, effective January 2001, mandate site visits at least once every three years.

As the State Credit Agency, Puerto Rico Housing Finance Authority (PRHFA) is responsible for monitoring the LIHTC projects. The PRHFA has administered the LIHTC Program for the Commonwealth of Puerto Rico since December 30, 1987. As of September 30, 2013 the PRHFA monitors the compliance of Section 42 requirements for 177 projects with 15,627 LIHTC units segregated for low-income families throughout the island.

Note: Virtually every tax credit rule has a variation or exception for specific circumstances. The following overview by necessity oversimplifies some aspects; otherwise, no overview would be possible. It is the responsibility of the property owner and management company to be aware of applicable rules and regulations affecting the property and to ensure compliance with tax credit regulations and any additional compliance agreements that may be required by other programs.

I. Program Summary

A. Minimum Set-Aside Requirements

When applying for an allocation of tax credits, the developer must choose one of two minimum set-aside requirements that must be followed during the compliance period. Set-asides obligate the property owner to rent a certain percentage of the dwelling units to households of a specified income level. Once the developer chooses which of the Internal Revenue Code set-asides to use, his choice is irrevocable. The minimum set-asides are as follows:

20/50 - No less than 20 percent or more of the residential units in such developments are both rent-restricted and occupied by individuals whose income is 50 percent or less of area median gross income, or;

40/60 - No less than 40 percent or more of the residential units in such developments are both rent-restricted and occupied by individuals whose income is 60 percent or less of area median gross income.

Each building is considered a separate project under IRC Section 42(g)(3)(D), and the minimum set-aside applies separately to each building, unless the owner elects to treat buildings as a multiple-building project, in which case the minimum set-aside applies on a project-wide basis. Owner identifies the building(s) in a multiple-building project by attaching a statement to the owner's first-year tax return. See instruction for Form 8609, line 8b for details.

Management Company or manager should confirm the set-aside that was established by the building owner at the time the set-aside option was made (the election is made on Form 8609 for the first year of the credit period), to ensure continued compliance. Once selected, the option cannot be changed. Note that this is only the minimum set-aside income and rent election. For example, for 20/50 minimum set-aside, if building applicable fraction is 100%, all tax credit units must have an income and rent restriction of 50% AMGI.

To earn more ranking points in the competitive process of applying for tax credits, owners may select additional set-asides that are more stringent than the 40/60 and 20/50 set-asides. If chosen, these optional set-asides will be described in the project's Agreement as to Restrictive Covenants.

If a property is financed using HOME funds which:

- Have not been subtracted from the basis calculation or
- Have an interest rate below the Applicable Federal Rate and the owner receives tax credits at the 70% present value rate

Then the owner must rent 40% of the units **in each building** to households whose income is 50% less of area median income.

There is not a corresponding rent restriction with this HOME income limit set-aside. Rent limits are set according to the elected tax credit set-aside and/or any additional rent restrictions under which the allocation was made.

Note: Buildings placed in service after July 30, 2008 are not subject to this provision.

1. *Deep Rent Skewed Election*

   In addition to the basic minimum set-aside, a developer can also choose to follow a set-aside for "deep rent skewed" developments. This set-aside provides that, in addition to the 40/60 or 20/50 set-aside, the owner will also reserve 15 percent or more of the residential units as rent-restricted and occupied by individuals whose income is 40 percent or less of area median gross income. In exchange for making this election, tenant household incomes can increase to 170% of the limit before they become over-income tenants.

2. *Deadline for Meeting Set-Asides*

   The selected set-aside must be met by the end of the first year of the credit period (the end of the first tax year for which the owner chooses to claim tax credits). In the event that noncompliance results in the failure to meet the minimum set-aside for the first year of the credit period, the taxpayer is prohibited from ever claiming the LIHTC; the date of noncompliance is the last day of the taxable year of the first year of the credit period.

   If the minimum set-aside violation occurs *after* the first taxable year of the compliance period, the project is back in compliance for the taxable year in the compliance period in which the minimum set-aside is met, determined as of the close of that taxable year.

   A unit must be rented to a low-income household before it can be considered a low-income unit and counted toward meeting the minimum set-aside. Units that are vacant and have never been rented to a low-income household have "no character" and do not count toward the set-aside.

   Management should not attempt to move existing low-income residents to previously unrented units in order to make those units count toward the minimum set-aside. This "unit swapping" practice is monitored and will not benefit the development because first year credits are calculated based on monthly occupancy rates.

B. Income Limits & Calculations

Every year, the Department of Housing & Urban Development (HUD) publishes median income of the metropolitan and non metropolitan area in which the project resides, adjusted to family size. HUD's Low Income level is 80% of the median income based on family size.

Do not use the Low Income (80%) numbers for tax credit purposes. The Very Low Income figures are 50% of the median income based on family size. These figures may be used as tax credit income limits for properties using the 20/50 set-aside. Multiply the very low income figures by 1.2 to compute the 60% income limits for properties using the 40/60 set-aside.

The PRHFA will provide annually an update of Tax Credit Income and Rent limits to development sponsors and managers. However, it is the owner's responsibility to obtain these limits when they are published by HUD and to implement the new limits within 45 days of the effective date.

C. Maximum Rent Requirements

Under Section 42, a unit qualifies as a LIHTC unit when the rent charged to the household does not exceed the gross rent limitations on a monthly basis.

IRC §42(g)(2)(B) defines gross rent and excludes the following amounts:

1. Payments under Section 8 or a comparable rental assistance program;
2. Fees paid to the owner by any governmental program of assistance for supportive services, and;
3. Rental payments to the owner to the extent the owner makes equivalent payments to the Rural Housing Service under the section 515 program.

IRC §42(g)(2)(B) also requires that the gross rent include any utility allowance "determined by the Secretary after taking into account such determinations under section 8 of the United State Housing Act of 1937." For Section 8, tenant rent is the portion of the Total Tenant Payment the tenant pays *each month* to the owner for rent. Tenant rent is calculated by subtracting the utility allowance from the Total Tenant Payment. Because HUD determines a tenant's rent on a monthly basis, state agencies must determine whether the owner is in compliance with the gross rent limits each month of the owner's current tax year.

Gross rent does not include any fees for a supportive service which is paid to the owner of the unit (on the basis of the low-income status of the tenant of the unit) by any governmental program of assistance (or by an organization described in Section 501 (c)(3) of the Internal Revenue Code and exempt from tax under Section 501 (a) of the Internal Revenue Code) if such program (or organization) provides assistance for rent

and the amount of assistance provided for rent is not separable from the amount of assistance provided for supportive services. All other fees for supportive services must be included in the gross rent.

Any charges to low-income tenants for services that are not optional generally must be included in gross rent (Treas. Reg. §1.42-11). A service is optional when the service is not a condition of occupancy and there is a reasonable alternative. Charges for non-optional services such as a washer and/or dryer hookup fee and built-in/on storage sheds (paid month-to-month or a single payment) would always be included within gross rent. No separate fees should be charged for tenant facilities (i.e., pools, parking, recreational facilities) if the costs of the facilities are included in eligible basis. *Assuming they are optional*, charges such as pet fees, laundry room fees, garage and storage fees may be charged in addition to the rent; i.e., they are not included in the rent computation. Under Treas. Reg. §1.42-11(a)(3), the cost of services that are required as a condition of occupancy must be included in gross rent even if federal or state law required that the services be offered to tenants by building owners.

A unit is out of compliance if the rent exceeds the limit on a tax year basis or on a monthly basis. A unit is also considered out of compliance if an owner charges impermissible fees. 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 the LIHTC by rebating excess rent or fees to the affected tenants.

Noncompliance with the rent restrictions will be reported to the IRS through the issuance of Form 8823 Report of Noncompliance or Building Disposition under category 11g, Gross Rent(s) Exceed Tax Credit Limits. If the noncompliance is the result of noncompliance with the utility allowance requirements, the error should be noted under category 11m, Owner did not Properly Calculate Utility Allowance.

D. Establishing Maximum Rent

1. *Family Size Rent Calculations (1987-1989)*

Properties which received tax credit allocations between January 1, 1987 and December 31, 1989 whose owners did NOT elect to use the "number of bedrooms" method of calculating maximum rent may charge tenants a maximum gross rent of thirty percent (30%) of the annual median income limit adjusted for family size for the county in which the development is located.

2. *Bedroom Size Rent Calculations (1990 - Forward)*

For developments receiving an allocation of LIHTC from January 1, 1990 forward, the maximum gross rents are computed based on the number of bedrooms in the unit.

Units with no separate bedroom are treated as being occupied by one (1) person; larger units are treated as being occupied by 1.5 persons per each separate bedroom (see chart below).

Between 1987 through 1989 LIHTC owners who DID ELECT to use the "number of bedrooms formula and filed a Notice of Election form (NOE-1) with the IRS and the PRHFA by February 7, 1994 calculate their maximum rent this way also.

0 Bedroom Unit = 1.0 person income
1 Bedroom Unit = 1.5 person income
2 Bedroom Unit = 3.0 person income
3 Bedroom Unit = 4.5 person income
4 Bedroom Unit = 6.0 person income

Example:

To calculate the Maximum Gross Rent by bedroom size for projects that received an allocation from January 1, 1990 forward the following steps must be performed:

	----------Income Limits by Household Size----------						
% AMGI	1	2	3	4	5	6	7
60%	12,720	14,520	16,380	18,180	19,620	21,060	22,560

- Select the unit factor that applied based on the bedroom size. For a 1 bedroom unit the factor is 1.5 person incomes.
- To obtain the 1.5 person income an average must be calculated between the Income Limit for a Household size of one person and two persons; the result must be divided by 2.

$$\frac{12{,}720 + 14{,}520}{2} = \frac{27{,}240}{2} = \$13{,}620$$

- The income limit for 1.5 persons must be multiplied by 30% to calculate the annual rent. To obtain the monthly rent divide the annual rent by 12. The result is the Maximum Gross Rent by bedroom size.

13,620 X 30% = $4,086 Annual Rent

$\frac{4{,}086}{12} = \$340$ Maximum Gross Rent (Monthly)

3. *Establishing LIHTC Rents in Subsequent Years*

Each year, the owner must re-compute the maximum allowable rent and the utility allowances for each project using the latest publication by HUD. If a LIHTC restricted unit is rented to an unqualified tenant or the owner charges rents in excess of the maximum allowable rent, the unit could be subject to recapture. The project should never fall below the minimum set-aside.

E. Applicable Fraction

The applicable fraction is the lesser of:

- The unit fraction, which is the number of low-income units in a building divided by the total number of residential rental units; or
- The floor space fraction, which is the total floor space of the low-income units in the building divided by the total floor space of the residential rental units in the building.

When determining the units to be included in the numerator (low-income units), and in the denominator (total units) of the applicable fraction, the following aspects should be taking into consideration:

- Units that have never been occupied or are occupied by a nonqualified household cannot be included in the numerator, but must be included in the denominator;

- Vacant units that were last occupied by a nonqualified household cannot be included in the numerator, but must be included in the denominator.

- Units not suitable for occupancy, including tax credit units being rehabilitated in the first year of the credit period, cannot be included in the numerator, but must be included in the denominator.

- Common space units (units for FT manager, FT maintenance or security -see par. F, below), are not included in either the numerator or denominator.

F. Full Time Resident Manager's Unit

The Full time resident or on-site manager's unit may or may not be included in determining the applicable fraction depending on the circumstances. According to IRS Revenue Ruling 92-61, the ways in which the on-site manager's unit may be considered are:

- For buildings that have been placed in service after September 9, 1992, the full time manager's unit must be treated as common space (i.e., it would not be included in either the numerator or denominator of the applicable fraction).

- For buildings that were place in service prior to September 9, 1992, the full time manager's unit may be treated as follows:

    a. The full time manager's unit is considered a qualified low-income unit (the rent is restricted to a qualifying amount and the resident manager is a certified low-income tenant); or
    b. The full time manager's unit is considered common space. As common space, the unit would not be included in either the numerator or the denominator of the applicable fraction.

Example:

A building contains 24 units and the applicable fraction is 100%. Credits were allocated on 23 units. This means that the manager's unit was treated as common space when credit was allocated. The applicable fraction would be 23/23 or 100%.

A full time manager or maintenance person must occupy a resident manager's unit. The number of hours worked does not define full-time; rather it is defined that the manager's presence on site is reasonably required for the development. Some things to consider are: what is warranted by the type, size and/or location of the development, as well as what is needed in terms of the resident population. Some developments may not need to employ a resident manager for what is normally considered full-time and other developments may need to employ more than one on-site manager or maintenance person. Full-time is considered to be whatever is reasonably required to make operations run smoothly at the development. As a general guide, a manager who performs management functions such as leasing units, preparing certification paperwork, cleaning, general maintenance, preparing turnover, collecting rent, etc., and is available to the site on an on-call basis to respond to emergencies may be considered a full-time manager under this ruling. 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.

All developments, especially those that are new allocations, need to notify PRHFA of the status of common space unit(s) and which method is being used. When notifying PRHFA, it is necessary to include the project name and LIHTC number, the building address and BIN number, the unit number, the number of bedrooms in the unit, the square footage, the current resident manager, maintenance person, or security personnel's name and a description of duties and time involved. If not previously considered as part of the allocation process, PRHFA will issue a letter acknowledging such common space unit. For the most part, PRHFA will rely on the owner's determination of whether a full time unit is reasonably required by the development. However, if PRHFA becomes aware that the unit is not occupied by a full time manager, maintenance, or security personnel, as represented by the owner, it may become a noncompliance issue.

Note: If the owner is charging rent for the unit, the Internal Revenue Service may determine that the unit is not reasonably required by the project because the owner is not requiring the manager, maintenance or security personnel to occupy the unit as a condition of employment.

G. Calculating the First Year Applicable Fraction

The applicable fraction for the first year is calculated as follows:

- Find the low-income portion as of the end of each full month that the building was in service during the year.
- Add these percentages together and divide by 12 (per instructions on IRS Form 8609 and Schedule A). Note that the applicable fraction must be calculated for both the unit and floor space fraction (See table below).

Example:

Assume that a low-income building of 50 units was placed in service on March 1, 2008, and has the following lease-up schedule during the first year of the credit period:

Month	Low-Income Units	Total Units	Monthly Unit Fraction	Low Income Sq Ft	Total Square Feet	Monthly Square Foot Fraction
January	3	50	*0%	2,400	50,000	*0.00%
February	10	50	*0%	8,000	50,000	*0.00%
March	15	50	30%	12,000	50,000	24%
April	30	50	60%	24,000	50,000	48%
May	40	50	80%	32,000	50,000	64%
June	50	50	100%	50,000	50,000	100%
July	50	50	100%	50,000	50,000	100%
August	50	50	100%	50,000	50,000	100%
September	50	50	100%	50,000	50,000	100%
October	50	50	100%	50,000	50,000	100%
November	50	50	100%	50,000	50,000	100%
December	50	50	100%	50,000	50,000	100%
Totals	**Sum of monthly Unit Fraction/12**		**72.50%**	**Sum of monthly Sq Ft Fraction/12**		**69.67%**

*The owner must **not** count the unit occupied in January and February towards the first-year applicable fraction since the building was not placed in service for a full month. For all other months, even if a resident moved in to a unit on the last day of the month, that unit is considered occupied at the end of the month. The first year applicable fraction for this building would be 69.67% based on this lease-up schedule.

H. Qualified Basis

Qualified basis is the portion of the eligible basis applicable to Housing 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.

I. 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, 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 last placed in service.

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 PRHFA.

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 deed restrictions. Developments with allocations in 1990 and each year thereafter are required to comply with these requirements for a minimum of 30 years.

J. Compliance Period

1. *All LIHTC Developments*

In order to receive the credit, all developments receiving a credit allocation since 1987 must comply with eligibility requirements for a period of 15 years beginning with the first taxable year of a building's credit period. The credit period for a building begins in either the year it is placed in service or the first year after, as declared in Part II of the IRS for 8609. This 15 year period is referred to in the Code as the "Compliance Period" [Section 42(i) (1)].

2. *Developments that received allocations from 1987 through 1989*

   These developments are only subject to a fifteen- (15) year compliance period. However, any building in such a development that received an additional allocation of credit after December 31, 1989, must comply with eligibility requirements in effect beginning January 1, 1990, and will also be bound by the Declaration of Land Use Restrictive Covenants.

3. *Developments which received LIHTC allocations after December 31, 1989*

   These developments must comply with eligibility requirements for a minimum compliance period of fifteen (15) years and an extended use period of an additional fifteen (15) year period stipulated by a recorded agreement as to restrictive covenants.

K. Summary of Federal Requirements for the LIHTC Program

1. To qualify for tax credits, a property must meet either the 20/50 or 40/60 test (see Program Summary for an explanation of the 20/50 – 40/60 test).

2. All affordable unit Households must have their anticipated income for the next 12 months certified at time of initial occupancy.

3. Individuals in a Household don't have to be related.

4. All affordable units must be rent and income-restricted.

5. Rent charged is determined after subtracting a utility allowance for any Resident-paid utilities.

6. Rules specify which utility allowance to use, depending on whether buildings received HUD or Rural Development assistance, or whether a Resident receives Section 8 assistance.

7. Affordable units must be suitable for occupancy and be rented to the general public on a non-Transient basis.

8. A unit is not "qualified" until it is initially occupied by a qualified Household.

9. If an affordable unit becomes vacant, and the last occupant was a qualified Household, the vacant unit continues to be considered an affordable unit, as long as the next available unit of comparable size or smaller is rented to a qualified Household (Vacant Unit Rule).

10. If an affordable Household's income increases above 140% of the elected applicable maximum income limit (50% or 60%), the next available unit of comparable size must be rented to a qualified affordable Household (Available Unit Rule).

11. Certain Households are not qualified for tax credit housing, e.g., if all the occupants of a unit are fulltime Students, the unit is generally not eligible for tax credits.

12. Properties must comply with all Fair Housing regulations.

13. After January 1, 1990, all tax credit properties must have a Regulatory Agreement (extended use agreement) recorded as a restrictive covenant against the subject property.

14. Owners must make annual certifications regarding compliance and must maintain records verifying Household qualification.

15. Noncompliance is reportable to the IRS and may result in recapture of credit claimed.

II. Owner's Responsibilities

Each property owner or developer has decided to participate in the LIHTC program to take advantage of the tax benefits it provides. In exchange for these tax benefits, the owner must meet requirements designed to make sure the housing development will benefit a particular class of low-income tenants. A description of these program requirements follows:

A. Source of Program Requirements

Section 42 of Internal Revenue Service, IRS Regulations found in 26 CFR Section 1.42, IRS Revenue Rulings and Revenue Procedures, additional program rules prescribed by the PRHFA, representations in a development's application, and provisions included in the Agreement as to Restrictive Covenants, all regulate how low-income housing properties are to be operated. For the entire compliance period, owners are obligated to provide the PRHFA with required reporting documents and any other information requested in relation to the property, the tenants and units in the property, and documentation filed with the IRS for the purpose of claiming the tax credits.

B. Proper Administration

The owner or developer is responsible to the PRHFA to insure that the project is properly administered and maintained. The owner must make certain that the on-site management team understands and complies with all appropriate rules, regulations and policies that govern LIHTC developments and he must keep the development well maintained so that units are suitable for occupancy.

If the Management Company or owner determines that a development is not in compliance with LIHTC requirements, they should notify the PRHFA immediately. Most noncompliance are correctable issues and the PRHFA will work with owners and managers to remedy them within a reasonable amount of time.

Because the owner is ultimately responsible for a development's compliance with program rules, the PRHFA will direct any correspondence about noncompliance and corrections to the owner, as well as to the management company.

C. Progress Report, Notice of Project Changes and Semi-Annual Reports

It is the responsibility of the owner or developer to keep the PRHFA informed throughout all phases of development, rent-up and operation. This includes the construction phase during which owners are responsible for sending the PRHFA progress reports, notice of the scheduled placed-in-service date, and notice of any major changes in the development's costs, financing, syndication, unit types, and completion schedule.

After all the buildings in a development are placed-in-service, the owner or company in charge of the management of a LIHTC project must submit to the PRHFA, via electronically, the following information on a semi-annual basis:

1. Tenant Income Information of each new move-in and annual re-certifications of income for each existing tenant.

This information must be submitted to the PRHFA by the 15th day after the end of each semester during the compliance period. The PRHFA will provide the Tax Credit Certifications Online Reporting Software (COL) for the electronic submission of this information.

The COL System is an internet based reporting system. It enables management companies to enter and submit the following information:

1. Tenant Income Information of each new move-in and annual re-certifications of income for each existing tenant.
2. Annual Owner Certifications

Each management company is responsible for the data input through COL, the accuracy of all information on COL, and associated Tenant Income Certification forms generated by the program. The PRHFA is not responsible for computer input discrepancies. The management company/project sponsor should review all computer generated forms for completeness and accuracy prior to the electronic submission of the data to the PRHFA.

If any noncompliance results and is identified in the data submitted through COL, PRHFA will notify the owner and/or manager to request the necessary documentation to explain the situation. The owner or manager must provide the documentation requested to PRHFA. If a unit is determined to be out of compliance, PRHFA will give the owner 90 days to correct the issue. The Noncompliance will be reported to the IRS through the issuance of Form 8823 Report of Noncompliance or Building Disposition.

D. Recordkeeping Provisions

Under the record keeping provision of Reg. 1.42-5, the owner of a LIHTC project must keep records for each building for each year in the compliance period showing the following information:

- 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);
- The number of occupants in each Tax Credit unit and the student resident status.
- The number and percentage of residential rental units in the building that are Tax Credit units, models, offices, and management units;

- The rent charged on each residential rental unit in the building (including utility allowance) as well as any additional charges to tenants. Documentation must include rent rolls, leases, and utility allowances as required by Internal Revenue Service;

- The Tax Credit unit vacancies in the building, marketing information, and information which shows when and to whom each of the next available units were rented;

- The annual income certification of each Tax Credit tenant;

- Documentation to support each Tax Credit tenant's income certification. Anticipated income of all adult persons expecting to occupy the unit must be verified and included on a Tenant Income Certification **prior** to occupancy and **annually** re-certified for continued eligibility (i.e. Written third party verification is always preferred. Income verifications are sent directly to and returned by the source to management, not through the applicant).

- The character and use of the nonresidential portion of the building included in the building's eligible basis under Section 42(d) (e.g. tenant facilities that are available on a comparable basis to all tenants and for which no separate fee is charged for use of the facilities, or facilities reasonably required by the project);

- The eligible basis and qualified basis of the building at the end of the first year of the credit period.

- Records demonstrating that any state established set-aside elected by the owner has been complied with for each year of the compliance period.

E. Record Retention

Owner must retain the records described above for at least six years after the due date (with extensions) for filing the federal income tax return for that year. The records for the first year of the credit period, however, must be retained for at least six 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 Revenue Ruling 2004-82, published on August 30, 2004 clarified that owners may comply with the record retention provisions under IRC Section 1.42-5(b) by using an electronic storage system instead of maintaining hardcopy (paper) books and records, provided that electronic storage system satisfies the requirements of Revenue Procedure 97-22. Be advice that the owner must satisfy any additional recordkeeping and record retention requirements of the monitoring procedures adopted by our agency.

Owners must maintain applicant and tenant information in a way to ensure confidentiality. Any applicant or tenant affected by negligent disclosure or improper use of information may bring civil action for damages and seek other relief, as appropriate. Owners must dispose of records in a manner that will prevent any unauthorized access to personal information, e.g. burn, pulverize, shred, etc.

F. Certification and Review Provision

The PRHFA requires the owner to certify, under penalty of perjury, at least annually during the compliance period that, for the preceding 12 months, the development met the requirements of Section 42 of the IRS. This requirement is satisfied by completing an Annual Owner's Certification (see PRHFA-01). This certification must be made under oath and subject to the penalties of perjury.

The Owner certifies that:

1. The project meets the minimum requirements of the 20-50 test or the 40-60 test, as applicable:

   - at least 20% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 50% or less of area median income; or

   - at least 40% or more of the residential units in the Project are both rent-restricted and occupied by individuals whose income is 60% or less of area median income.

2. There has been no change in the applicable fraction for any building in the project (as defined in Section 42(c)(1)(B) of the Code);

3. The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy;

4. Each low-income unit in the project is rent-restricted as defined in Section 42(g)(2) of the Code;

5. All units in the project are and have been for use by the general public and used on a non-transient basis (except for transitional housing for the homeless provided under Section 42(i)(3)(B)(iii) of the Code);

6. No finding of discrimination under the Fair Housing Act, 42 U.S.C 3601-3619, has occurred for this project. A finding of discrimination includes an adverse final decision by the Secretary of Housing and Urban Development (HUD), 24 CFR 180.680, an adverse final decision by a substantially equivalent state or

local fair housing agency, 42 U.S.C 3616a(a)(1), or an adverse judgment from a federal court;

7. Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project;

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

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

10. If a low-income unit in the project has been vacant during the year, reasonable attempts were made to rent that unit or the next available unit of comparable or smaller size to tenants having a qualifying income;

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

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);

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 to Section 469(h) of the Code (if applicable).

14. The owner has complied with Section 42(h) (6) (E) (ii) (I) and not evicted or terminated the tenancy of an existing tenant of any low-income unit other than for good cause.

15. The owner has complied with Section 42(h)(6)(E)(ii)(II) and not increased the gross rent above the maximum allowed under Section 42 with respect to any low-income unit.

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

Filling Instructions: The Annual Owner Certification must be prepared and submitted to the PRHFA using the COL System. Also, this document must be printed, notarized and sent to the PRHFA by January 31 of each calendar year. Non-receipt of this notarized form by the due date will automatically trigger the submission of a notice of noncompliance to the owner.

If the project is not yet in the first year of the credit period, submit:

- Annual Owner Certification with appropriate designation of not yet placed in service, or placed in service but elect to begin credit period in the following year. Sign, date and notarize.

If the project is in the first year of the credit period and later, submit:

- A completed, signed, dated and notarized Annual Owner Certification (PRHFA-1);
- compliance monitoring fees;
- IRS Forms 8609 for each building, with Part II completed, dated and signed;
- Completed Schedule A for each building; and Form 8586, as filed with the IRS.

The PRHFA will review the certifications submitted for compliance with the requirements of Section 42.

G. Compliance Monitoring Fees

As Puerto Rico's housing credit agency, PRHFA is required by law to conduct compliance monitoring on all projects that have ben placed in service for which the Credit is or has been allowable at any time since the inception of the Program in 1987. Fees are charged to cover staff, technology, and other associated costs necessary to conduct compliance monitoring.

1. **Annual Monitoring Fees** - Property owners must pay PRHFA an annual compliance monitoring fee of $25.00 for each LIHTC unit contained in each building. The annual monitoring fees must be submitted with the Annual Owner's Certification by January 31st of each year.

2. **Late Fees** - PRHFA will assess a five percent (5%) late fee of the total outstanding balance for payments received after thirty (30) days from the date due. The minimum late fee assessed will be $50. A fee of $15 will be assessed for any checks that are returned to the Authority for any reason.

3. **Other considerations** - Owners and developers should take note that participation in PRHFA programs requires a certification of good standing with the PRHFA. Failing to pay fees will bar any further participation in the programs administered by the PRHFA.

The PRHFA reserves the right to make adjustments in the amount of the annual compliance monitoring fee as it deems necessary to defray the cost of compliance monitoring.

H. Noncompliance

If the management agent and/or the owner determines that a building or entire project is not in compliance with program requirements, PRHFA must be notified immediately. The management agent and/or the owner must formulate a plan to bring the project back into compliance, and advise PRHFA in writing of such a plan. If the owner does not follow the formulated plan or does not comply with PRHFA's expectations, the noncompliance will be reported to the IRS.

I. Notification of Change in Management

Owners are required to inform PRHFA if any changes occur in the project administrator, management entity or management contact information. The owner must notify PRHFA using Form PRHFA-13 Property Contact Information.

J. Notification of Transfer of Ownership

It is the owner's responsibility to notify the Authority of any transfer of ownership. If the ownership of any building (or any interest therein) which has received an allocation of tax credits is transferred by the owner, a bond must be posted in accordance with Internal Revenue Code Section 42(j)(6). Owners are advised to seek legal counsel regarding this requirement prior to transferring ownership (or any interest therein). PRHFA is required to notify the Internal Revenue Service of any transfer of ownership of any building (or any interest therein), which has received an allocation of tax credits.

III. PRHFA Responsibilities

Once a final allocation is awarded to a project, the PRHFA has the responsibility of monitoring the project to guarantee compliance with Section 42 of the Internal Revenue Code and its regulations.

This Section briefly describes the PRHFA's monitoring activity. These compliance monitoring procedures may be changed as the PRHFA deems necessary or as required by the Internal Revenue Code, IRS Regulations, Revenue Rulings, and Revenue Procedures.

A. Conducting Compliance Monitoring Seminars

Owners, managers, and any other personnel who are directly involved in the management of a housing development and do not have previous experience with the LIHTC program may be required to attend a basic, educational Monitoring Seminar before the PRHFA releases Forms 8609 allocating the placed-in-service tax credits. The PRHFA also reserves the right to require management personnel to attend seminars at any time during the compliance period if the property's compliance efforts are deficient or if staff changes occur. The PRHFA will offer continuing education to the owner or developer, the Management Company and on-site personnel to guarantee compliance with federal regulations and PRHFA's rules.

The purpose of the seminar is to provide instruction on the following:

- Federal regulations for determining eligibility of low-income tenants;
- PRHFA procedures for determining eligibility of low-income tenants;
- Specific information which must be obtained from a prospective tenant through the rental application;
- Income and Rent Limits;
- Income Verifications;
- Annual Income and Asset Verification ; and
- PRHFA Required Forms and or Documentation

Such other topics which the PRHFA or the representatives of the development may deem necessary to the proper management of the development as a successful LIHTC participant.

B. Compliance Inspections

The PRHFA will conduct an on-site inspections, at least once every three (3) years, of all buildings in each low income housing project and, for each tenant in at least 20% of the project's low-income units selected. The review will consider the low-income certification, the documentation supporting such certification, and the rent records. The Tax Credit projects to be inspected or reviewed must be chosen in a manner that will not give owners of Tax Credit projects advance notice that their records for a particular

year will or will not be inspected. The first inspection for new projects will occur no later than the end of the second year of the credit period. In the event that extensive noncompliance is identified, PRHFA could consider expanding the number of units inspected/files reviewed beyond the 20 percent sample required under Treas. Reg. 1.42-5(c)(2)(ii).

The PRHFA may give an owner reasonable notice that an inspection will occur so that the owner may assemble records. This notification letter is considered the agency's announcement of an upcoming compliance review. Noncompliance that is identified and corrected by the owner *prior to notification* of an upcoming compliance review or inspection need not be reported to IRS.

During the inspection, the PRHFA will inspect the units and review the initial rent record and, at minimum, verify the following from the tenant's files for at least 20 percent of each building's low-income units:

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

On-site building inspections involve physically checking building and dwelling units for compliance with applicable housing quality standards. The Compliance Monitoring Regulations published January 14, 2000, require housing credit agencies to conduct physical inspections consistent with standards governed by the Department of Housing and Urban Development's Uniform Physical Conditions 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, 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, lighting, outlets/switches, patio/porch/balcony, smoke detectors, stairs, 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 own sanitary facility, it must be in proper 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, and 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 of 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 low-income housing project under Section 42 must continue to satisfy local health, safety, and building codes.

The PRHFA will report on its findings and the owner and/or the management company must respond in writing within thirty (30) days to the PRHFA. The response must indicate the manner in which corrective actions have been taken. For new buildings, the final regulations, published on January 14, 2000, extended the time limit for inspection to the end of the second calendar year of the credit period.

The PRHFA reserves the right, under the provisions of Section 42 of the Internal Revenue Code and Regulation 1.42-5, to perform on-site inspections and/or unit inspections of LIHTC developments at any time during the compliance period as it may deem necessary. The owner refusal to allow a site visitation or access to tenants' records constitutes a noncompliance reportable to the IRS.

C. Notification to the Owner

The PRHFA will provide prompt written notice to the owner of a Tax Credit project if the PRHFA does not receive the required certification, semi-annual reports and other forms, or does not receive or is not permitted to inspect the tenant income certifications, supporting documentation, and rent records, or discovers by inspection, review, or in some other manner, that the project is not in compliance with the provisions of Section 42 or its Declaration of Land Use Restrictive Covenants.

The owner will have ninety (90) days from the date of notice to supply the missing certification, or to correct the noncompliance. However, if the PRHFA determines that there is good cause to extend the correction period, it may extend the initial ninety (90) days period up to one hundred eighty (180) days.

The PRHFA will review the owner's response and supporting documentation, if any, to determine whether the noncompliance has been corrected.

D. Notification to IRS of Noncompliance

The PRHFA will file Form 8823, "Low Income Housing Credit Agencies Report of Non-Compliance or Building Disposition," with the IRS no later than 45 days after the end of the correction period (as described below, including extensions permitted under that paragraph) and no earlier than the end of the correction period. The PRHFA will check the appropriate box on Form 8823 indicating the nature of the non-compliance or failure to certify and indicate whether the owner has corrected the non-compliance or failure to certify. If the non-compliance or failure to certify is corrected, the PRHFA will provide a date on which the noncompliance was corrected. If the PRHFA cannot determine that an owner's actions have corrected the noncompliance, no correction date will be provided.

The final regulations adopt a limit to a three year period after the end of the correction period, at which time the PRHFA must file form 8823 "Low Income Housing Credit Agencies Report of Noncompliance" with the IRS reporting the correction of previously reported noncompliance (back in compliance).

Any change in either the applicable fraction or eligible basis under paragraph (c) (1) (ii) and (vii) of Reg. 1.42-5, respectively, that results in a decrease in the qualified basis of the project under Section 42 (c) (1) (A) is non-compliance that must be reported to the IRS. Changes in ownership must be reported by the PRHFA to the IRS on Form 8823. The correction period described below will not apply to notification of changes in ownership.

If the PRHFA reports on Form 8823 that a building is entirely out of compliance and will not be in compliance at any time in the future, the PRHFA need not file Form 8823 in subsequent years to report that building's non-compliance. The PRHFA will send the owner a copy of the form 8823 after it has been filed with the IRS.

PRHFA will no longer report issues of noncompliance that have been identified and corrected prior to notification of an upcoming compliance review or inspection by PRHFA. IRS considers the date of the notification letter a "bright line" date.

E. PRHFA Records Retention

PRHFA will retain records of non-compliance or failure to certify for six years beyond the filing date of the respective Form 8823. In all other cases, PRHFA will retain the certifications and records described in Reg. 1.42-5(c) for three years from the end of the calendar year (the) that PRHFA receives the certifications and records.

F. PRHFA Circular Letters

The PRHFA will establish, from time to time through circular letters, changes or clarification concerning IRS Section 42 requirements and guidelines. The objective is to maintain the Compliance Monitoring Plan current to solve any conflict with the standards required.

G. Liability

Compliance with the requirements of Section 42 is the responsibility of the owner of the building for which the credit is allowable. PRHFA's obligation to monitor for compliance with the requirements of Section 42 does not make the PRHFA liable for an owner's non-compliance.

IV. Project Rental Requirements

A. Initial Interview

On-site managers of a LIHTC development should tell applicants early in their initial visit that there are maximum income limits which determine who may live in these dwelling units. Managers should explain to prospective tenants that the total anticipated income of everyone who will occupy the unit must be disclosed on a Tenant Income Certification form (PRHFA-02) and will be verified before they can move in. Applicants should be told that this income-disclosing and verifying process will be repeated at least annually for as long as they live in the development. It may be useful to explain to applicants that all information they provide is considered confidential and will be handled accordingly. Applicants should also be told that all information provided is under oath and the disclosure of false information or the omission of information constitutes fraud and could affect their qualification under the LIHTC program.

B. Residency Application

Before allowing anyone to move into low-income units, the management must obtain from prospective tenants an application for residency that discloses enough information to determine whether or not the applicant household qualifies under the program rules. The application for residency should include, at minimum:

- The name and age of each person who will occupy the unit (legal name should be given just as it will appear on the lease and Tenant Income Certifications);
- All sources and amounts of current and anticipated annual income expected to be derived during the twelve (12) month certification period (including total assets and asset income);
- The head of household's signature and that of all occupants over age 18 and the date the application was completed.
- The student status of each applicant.

C. Minimum Lease Requirement

All tenants occupying set-aside units are required to be certified and to execute at least an initial six-month lease. (Exceptions for housing for the homeless and single room occupancy are listed below). Succeeding leases are not subject to a minimum lease period.

The lease must reflect the correct date of move-in, or the date the tenant takes possession of the unit. At a minimum, the lease should include:

1. the legal name of parties to the agreement and all other occupants,
2. a description of the unit to be rented, (unit number, number of bedrooms)
3. the tenant move in date or date the tenant takes possession of the unit,

4. the date the lease becomes effective,
5. the term of the lease,
6. the amount of rent,
7. the amount of subsidy , (if applicable)
8. the use of the premises,
9. the rights and obligations of the parties, including the obligation of the household to annually recertify its income,
10. the signatures of all household members 18 years of age or older,
11. the signature of the owner's representative,
12. a statement explaining that the development is participating in the Tax Credit Program, and that tax credit units are under certain program regulations including income eligibility of the household.
13. a statement requiring that each tenant immediately notifies management of any change in student status or household composition.

Single Room Occupancy (SRO) housing must have a minimum lease term of one month. SRO housing is allowed to have tenants share bathrooms, cooking facilities, and dining areas. Federal rules allow for month-by-month leases for the following types of SRO housing for homeless individuals:

1. SRO units in projects receiving McKinney Act and Section 8 Moderate Rehabilitation assistance;
2. SRO units intended as permanent housing and not receiving McKinney Act assistance;
3. SRO units intended as transitional housing operated by a governmental or nonprofit entity and providing certain supportive services.

D. Household Size

The number of household members is needed in order to determine the maximum allowable income for the household composition. It is also necessary to calculate the rent for units in pre-1990 developments, which must determine rent based on household size and not on the number of bedrooms in the unit.

When determining family size for income limits, the owner must include the following individuals who are not living in the unit:

- 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 who are away at school but who live with the family during school recesses;
- An unborn child of pregnant women; when a pregnant woman is an applicant, the unborn child is included in the size of the household, and may be included for purposes of determining the maximum allowable income. The rental application should ask the following question: "Will there be any changes in

household composition within the next 12 month period?" If an applicant answers that a child is expected, the manager should explain to the tenant that in order to count the child as an additional household member and use the corresponding income limit, a self-certification of pregnancy must be provided.

- Children who are in the process of being adopted;
- Temporarily absent family members who are still considered family members. For example, the owner may consider a family member who is working in another State on assignment to be temporarily absent. Persons on active military duty are considered temporarily absent (except if the person is not the head, co-head or spouse or has no dependents living in the unit). If the person on active military duty is the head, co-head, or spouse, or if the spouse or dependents of the person on active military duty resides in the unit, that person's income must be counted in full;
- Family members in the hospital or a rehabilitation facility for periods of limited or fixed duration. These persons are temporarily absent as defined above; and
- Persons permanently confined to a hospital or nursing home. The family decides if such persons are included when determining family size for income limits. If such persons are included, they must be listed on the Tenant Income Certification as "other adult family member". This is true even when the confined person is the spouse of the person who is or will become the head. If the family chooses to include the permanently confined person as a member of the household, the owner must include income received by these persons in calculating family income.

When determining family size for establishing income eligibility, the owner must include all persons living in the unit except the following:

1. A live-in aide/attendant is a person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who:

    a) Is determined to be essential to the care and well-being of the person(s);
    b) Is not obligated to support the person(s); and
    c) Would not be living in the unit except to provide the necessary supportive services.

While a relative may be considered to be a live-in aide/attendant, they must meet the above requirements, especially the last. The live-in aide qualifies for occupancy only as long as the individual needing supportive services requires the aide's services and remains a tenant, and may not qualify for continued occupancy as a remaining family member. Managers must obtain verification of the need for a live-in care attendant and should not add the attendant to the lease.

Foster adults and foster children should be included in the size of the household and included for the purpose of determining the maximum allowable income.

E. Utility Allowance

A utility allowance is an estimate of the monthly cost of a tenant's utilities, other than telephone, internet and cable, which are not included in the rent and are paid directly to the service provider by the tenant. To calculate the maximum amount of rent an LIHTC property may charge tenants, the utility allowance is subtracted from the maximum rent limit applicable to the particular household. The Internal Revenue Service requires that utility allowances be set according to 26 C.F.R.1.42-10 (April 24, 1994), effective May 2, 1994, and amended on July 29, 2008. Please read these regulations carefully.

1. Where to Obtain Utility Allowances

   a. USDA Rural Housing Service (RHS) financed projects, or units with tenants receiving RHS assistance, must use the RHS utility allowance.
   b. HUD regulated buildings must use the HUD utility allowance (project based HUD financing).
   c. Any individual apartments occupied by residents who receive HUD assistance (Section 8 Existing, etc.), must use the HUD utility allowance from the Public Housing Authority (PHA) administering the assistance. As of May 2, 1994, the PHA utility allowance would only need to be used for the specific apartment the PHA resident occupied. Check to find out who administers the local Section 8 Existing Housing Program; it may be the city or county HRA/PHA.
   d. For Section 42 buildings without RHS or HUD assistance, the following options may be used:
      1. A PHA utility allowance from the local housing authority administering section 8 vouchers.
      2. A utility company estimate. Any interested party (including a low-income tenant, a building owner, or an agency) may request the utility company estimation of utility consumption in the building's geographic area. The estimate is obtained when the interested party receives, in writing, information from a local utility company providing the estimated cost of that utility for a unit of similar size and construction for that geographic area. Costs incurred in obtaining the estimate are borne by the initiating party. The party that obtains the local utility company estimate must retain the original of the utility company estimate and must furnish a copy to the owner and the monitoring agency. The owner of the building must make copies available to all tenants in the building. In the case of deregulated utility services, the interested party is required to obtain an estimate only from one utility company even if multiple companies can provide the same utility service to a unit. However, the utility company must offer utility services to the building in order for that company's rates to be used. The estimate should include all component deregulated charges for providing the utility service.

3. An "Agency Estimate" based on actual utility usage data and rates for the building. See Sec. 2, Owner's Average of Actual Consumption Utility Allowance Procedures for instructions.
4. A HUD Utility Schedule Model. This model can be found on HUD's website at www.huduser.org/datasets/lihtc.html, or successor URL. Utility rates using the HUD utility model must be no older than the rates in place 60 days prior to the effective date of the utility allowance.
5. An Energy Consumption Model using an energy and water and sewage consumption and analysis model. The model must at a minimum take into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location. The utility consumption estimates must be calculated by a properly licensed engineer. The engineer and building owner must not be related within the meaning of IRC section 267(b) or 707(b), to which the engineer and building owner must certify. The owner and engineer must also certify that the model complies with the minimum requirements described above. Use of the energy consumption model is limited to a building's consumption data and local rates for the 12 month period ending no earlier than 60 days prior to the effective date of the utility allowance. In the case of new buildings with less than 12 months of consumption data, 12 months of data can be used for units of similar size and construction in the geographic area.

   With the exception of HUD and RD-regulated properties, owners may combine any methodology for each utility service type (electric, water gas etc.) For example, if residents are responsible for electricity and water, an owner may use the appropriate PHA allowance to determine the water portion of the allowance and use the Owner's Average of Actual Consumption to determine the electric portion of the allowance. Be advised, however, that the effective date of the PHA allowance will likely be different than the Owner's Average of Actual Consumption resulting in adjustments to utility allowances and, potentially, rents multiple times during the year.

   Failure to maintain or provide the Utility Allowance and supporting documentation annually is considered noncompliance; without proof of the amount of the allowance, there is no way to correctly compute the rent. In addition, an incorrect utility allowance calculation may result in noncompliance for rents that exceed the tax credit rent limits.

   It is the owner's responsibility to contact the appropriate organization to request current utility allowance information. PRHFA does not collect or maintain the various utility allowances. Unless otherwise provided for

above, any costs incurred in obtaining a utility allowance are the responsibility of the owner.

Utility allowances and supporting documentation for option d above must be submitted to PRHFA at the beginning of the 90-day period before utility allowances can be used in determining the gross rent. This includes the Utility Allowance Information form PRHFA-12, which shows the totals for each building and unit size, all source documentation used to calculate the allowances, and the signed and dated Utility Allowance Certification PRHFA-12A. The effective date of the utility allowance shown on PRHFA-12 must be no later than 60 days after the rates used in the supporting documentation.

The owner must maintain and make the data upon which the utility allowance schedule is calculated available for inspection by the tenants. Records shall be made available at the resident manager's office during reasonable business hours or, if there is no resident manager, at the dwelling unit of the tenant at the convenience of both the apartment owner and tenant. If utility company estimates, the HUD Utility Schedule Model, or an energy consumption model are used at a project, the proposed utility allowance must be made available to tenants no later than 90 days before the effective date.

Rents may need to be adjusted twice in a year because the release of median income figures and utility estimates may occur at different times. Any increase in the utility allowance may cause gross rent to exceed the limit. For example, assume the rent charged on an apartment is at the maximum allowable rent; if the $50 utility allowance is increased to $60, the rent paid by the tenant must be lowered by $10 in order to remain below the rent limit. The new utility allowance must be implemented within 90 days of the effective date and is valid for one year. Any change to resident paid rent must be in conformance with respective resident leases.

2. Owner's Average of Actual Consumption Utility Allowance Procedures

- Allowances must be based on the most recent 12-month period available (most recent month must be no older than 60 days from the effective date).
- Sampling must include a twelve month history of occupied low-income units. Units that were vacant for 2 weeks or more in any given month may not be included in the calculation.
- Sampling must be representative of all buildings of similar type (i.e., separate allowances are required for apartments vs. townhouses and/or single family dwellings) and of each bedroom size. Sampling must not contain a disproportionate number of small households vs. larger and to the extent possible must represent a variety of household sizes.

- Properties with less than 50 low-income units must use sampling by respective bedroom size as follows:
  - If 16 units or more, include 50% of the units. Sampling does not need to include more than 16 total units;
  - If less than 16 units but more than 6, include 75% of the units. Sampling does not need to include more than 8 total units;
  - If 6 or less units, include all of the units.

Example – less than 50 low-income units (always round up to a whole unit):

Bedroom Size	1BR	Sample	2BR	Sample	3 BR	Sample
# of units	20	10	15	8	6	6

- Properties with 50 or more low-income units must use sampling by respective bedroom size as follows:
  - If 30 units or more, include 50% of the units. Sampling does not need to include more than 30 total units;
  - If less than 30 units but more than 10, include 75% of the units. Sampling does not need to include more than 15 total units;
  - If 10 units or less, include all of the units.

Example – more than 50 low-income units (always round up to a whole unit):

Bedroom Size	1BR	Sample	2BR	Sample	3 BR	Sample
# of units	90	30	29	15	10	10

- The local utility provider may provide actual consumption records; however the print out must include the name of the provider. It may be necessary to obtain the resident's permission when requesting consumption records from local utility providers. A form of release can be found in the UA Sample Average of Actual Consumption excel file.
- Monthly utility billings received by tenants are acceptable. When copies of actual utility bills are used, the provider's name, unit number and resident's name must be visible on the billing.
- Monthly actual usage must be categorized by utility type (gas, oil, LP, electric, water, etc.), by unit size (1BR, 2BR, etc., regardless of differences in amenities such as additional bath or den, or square footage) and itemized by unit number in a spreadsheet which calculates an average utility allowance per unit size and includes all taxes and fees for which residents are responsible. This calculation must be consistent with the PRHFA UA Sample Average of Actual Consumption excel file.
- Averages ending in cents must be rounded up to the next whole dollar.

- The average for each unit size and each type of utility must be entered onto form PRHFA-12, Utility Allowance Information. Separate forms PRHFA-12 must be completed for different buildings if they contain different unit types or utility types (i.e., heat source in one building is gas and in another building is electric, and/or property contains both apartments and townhomes).
- The completed documentation must be submitted to PRHFA for review and approval prior to implementation. PRHFA will base its review and decision for approval or non-approval on a random sampling of information provided. Approval of the utility allowance does not constitute a guarantee that the utility allowance is absolutely correct. If at any time it is determined that a utility allowance has been understated and, therefore, some or all of the units are not rent restricted under section 42(g)(2), then PRHFA must report the noncompliance to the IRS on form 8823.

Owners must collect actual consumption records and conduct the analysis using the methodology above and determine a new utility allowance annually. The Utility Allowance Certification, spreadsheet and PRHFA-12 must be updated no later than the anniversary of the effective date. Changes must be implemented no later than 90 days after the effective date. Any adjustment to rent must be in accordance with the respective lease agreement.

Owners using this methodology to calculate the utility allowance should be aware of the risk with any variation from section 1.42-10. This methodology to calculate allowances has not been approved by the IRS.

Note: Pursuant to Treas. Reg. 1.42-10, units occupied by households with Section 8 Housing Choice Voucher or PRHFA rental assistance must use the utility allowance required by the applicable rental assistance program.

3. Updating Utility Allowances

Utility allowances ***must*** be updated ***at least annually*** to ensure that the tenant's gross monthly rent does not exceed the LIHTC gross rent limits. The utility allowance regulations require that new utility allowances be used to compute rents that are due 90 days after the effective dates of the new allowance. The property owner or manager may choose to verify utility allowances with each initial move-in or re-certification.

4. Noncompliance

Noncompliance with the utility allowance requirements will be reported to the IRS through the issuance of Form 8823 Report of Noncompliance or Building Disposition under category 11m, Owner did not properly calculate utility allowance.

F. Income Certification

Tenant eligibility is determined at the time of move-in certification. Before a household takes occupancy, the owner shall verify all income, household characteristics, and any circumstances that may affect eligibility and compliance with the LIHTC requirements. The detailed procedures are included in Appendix A "Income Verification Requirements and Procedures" and Appendix D "Element of Annual Income".

G. Tenant Income Certification

After all the income and asset information has been obtained and computed, the management personnel must prepare a Tenant Income Certification (PRHFA-02). The form is a legal document which, when fully executed, satisfies the income certification requirement of the Code. The completed form and lease agreement must be executed by all adult household members before they move in. A unit may not be counted as a set-aside unit unless the household has been properly certified. The following guidelines for certifying household income apply:

1. Management should instruct all adult household members (18 years or older) to sign the TIC exactly as the name appears on the form.

2. The Tenant Income Certification should be executed on or before the date of move-in.

3. **No one** may live in a designated unit in the development unless he/she is income certified and under lease. **THERE ARE NO PERMISSIBLE EXCEPTIONS TO THIS RULE.**

4. Tenant Income Certification forms must also be executed (signed and dated) by the Owner or Owner's representative.

When properly executed, the RHS 1944-8 form (Tenant Income Certification) may also be used to document projected income for tax credit certifications; an executed Tenant Income Certification is not required. Management must be aware that various low-income housing programs define income differently so, if the RHS 1944-8 certification form is used, it should contain all information necessary to calculate household income as defined under the LIHTC rules.

H. Tenant's File Minimum Requirements

Each initial certification and first annual recertification must include the following supporting documentation for each adult (18 years or older) in the family composition in order to validate the household qualification with the LIHTC Program:

1. Residency Application signed by the tenant,
2. Applicable income evidence as described in Appendix A,
3. ASUME certification or negative certification,

4. Unemployment benefit certification or negative certification,
5. Nutritional assistance certification or negative certification,
6. Economic assistance certification or negative certification,
7. CRIM Certification or Negative CRIM Certification,
8. Asset certification signed by the tenants,
9. Student certification or negative certification,
10. Lease contract signed by the tenants and the owner's representative
11. Household Questionaire (PRHFA-09)

Note: Electronic certifications obtained from the web page of the government of Puerto Rico to comply with items 3 to 7 above must include the electronic validation form attached to the respective certifications.

I. Corrections to Documents

At times it is necessary to make corrections or changes to documents used for the Tax Credit Program. A document with correction liquid ("white-out") and with crossed out information will not be acepted by PRHFA. In order to make a correction PRHFA will now require that the owner/administrator must prepare a worksheet or statement that includes an explanation of the error or changes and the proposed correction. This worksheet or statement must be signed and dated by the administrator and included in the tenant's file.

Examples of Program documentation include, but not limited to, tenant leases, tenant certifications and/or any other required form.

J. Income Certifications Where Owner Acquires or Rehabilitates Existing Building

For households occupying a unit at the time of acquisition by the owner, the initial tenant income certification is completed within 120 days from the date of acquisition using the income limits in effect on the day of acquisition. The effective date of the tenant income certification is the date of acquisition since there is no move-in date.

In the event that the household occupies a unit at the time of acquisition, but the tenant income certification is completed more than 120 days after the date of acquisition, the household is treated as a new move-in. Owners use the income limits in effect at the time of the tenant income certification and the effective date is the date the last adult member of the household signed the certification (this is an exception to the general rule for effective dates because there is no move-in date). In addition, the owner or manager must complete a new initial lease contract that meets the criteria of the LIHTC Program (refer to item C. Minimum Lease Requirements above).

When the household moves into a unit after the building is acquired but before the beginning of the first year of the compliance period, the tenant income certification is completed using the income limits in effect at the time of the certification and the effective date is the date the household moves into the unit.

K. Available Unit Rule

Following initial certification, an eligible household's income can increase to 140% of the maximum income level. A household whose income exceeds the maximum income level by more than 140% (an "over-income" household) will remain in compliance as long as the unit continues to be rent restricted and the next available unit or any available unit of comparable or smaller size in the same building is rented to an eligible household at the qualifying rent. The owner must continue to rent any available comparable unit to a qualified household until the percentage of low-income units in a building (excluding the over-income units) is equal to the percentage of low-income units on which the credit is based. At that point, failure to maintain the over-income units as low-income units has no immediate significance.

If any comparable unit that is available or that subsequently becomes available is rented to a nonqualified household, all over-income units for which the available unit was a comparable unit within the same building lose their status as LIHTC units; thus, comparably sized or larger over-income units would lose their status as LIHTC units. A comparable unit must be measured by the same method the taxpayer used to determine qualified basis for the credit year in which the comparable unit became available (i.e., floor space fraction or unit fraction). A unit that is no longer available for rent due to a reservation that is binding under local law is not an "available unit" for purposes of this rule.

L. Vacant Unit Rule

As part of the requirements for the annual certification, Treas. Reg. §1.42-5(c)(1)(ix) states, "If a low-income unit in the project became vacant during the year, that 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."

As long as reasonable attempts are being made to rent to qualified low income households, vacant LIHTC units will continue to be included as qualified low-income units for purposes of determining the minimum set-aside (IRC §42(g)(1)) and calculating the applicable fraction (IRC §42(c)(1)(B)).
If the vacant unit rule is violated, all vacant units previously occupied by qualified households lose their low-income status and are not considered qualified units.

M. Physical Requirements of Qualified Units, Suitable for Occupancy

Qualified units rented to, or reserved for, eligible tenants:

- Must have substantially the same equipment and amenities (excluding luxury amenities) as other units in the Project;
- Must be substantially the same size as other units in the Project; and
- Cannot be geographically segregated from other units in the Project.

The low-income units must be suitable for occupancy under Uniform Physical Conditions Standards and local health, safety and building codes. Units that are not suitable for occupancy, including previously qualified low-income units being rehabilitated in the first year of the credit period, are considered "out of compliance". The noncompliance is corrected when the unit is again suitable for occupancy, and the unit's character will be determined based on the household that occupied the unit immediately preceding the rehabilitation. 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.

N. Discrimination Prohibited in Project

The Tax Credit developments are subject to Title VIII of the Civil Rights Act of 1968, also known as the Fair Housing Act. The Fair Housing Act (42 U.S.C. sections 3601 through 3619) prohibits discrimination in the sale, rental and financing of dwellings based on race, color, religion, sex, national origin, familial status, and disability.

It also 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 Tax Credit properties to comply with the requirements of the Fair Housing Act will result in the denial of the Tax Credit on a per unit basis.

The IRS, HUD and the Department of Justice entered into a Memorandum of Understanding (MOU) in a cooperative effort to promote enhanced compliance with the Fair Housing Act for the benefit of residents of LIHTC properties and the general public. Key points of the MOU include coordinated procedures for notifying the state agencies and IRS of charges, lawsuits or other actions under the Fair Housing Act involving an LIHTC property.

PRHFA is responsible for reporting their receipt of notification of administrative and legal action by HUD and the Department of Justice as outlined in the MOU. PRHFA will file a Form 8823 with the IRS noting the potential Fair Housing violation. PRHFA will also report potential Fair Housing Act violations discovered during compliance monitoring activities to the applicable HUD Regional Office or other fair housing enforcement agencies, as appropriate.

O. General Public Use

The tax credit properties are otherwise available to the general public. Under Treas. Reg. 1.42-9(b) if a residential unit is provided only for a member of a social organization 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 requirements.

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.

P. Students

Owners should verify student status (Form PRHFA-10) at the time households initially move into low income units. As with the initial income certification, the verification can be completed within 120 days before, and is effective as of, the day the household actually moves into the unit.
The owner should also complete student status verifications for each low-income household within 120 days before the anniversary of the effective date of the original student verification. For mixed-used projects, the student status verification can be combined with the tenant income recertification.

Acceptable methods of verification include third party verifications, oral statements, or review of documents submitted by the student. A household comprised entirely of students, whether full or part-time, must complete the Verificaion of Student Status Form PRHFA-04, upon application/certification or re-certification.

Full-time student is defined as: "an individual who during each of 5 calendar months during the calendar year in which the taxable year of the taxpayer begins

a. is a full-time student at an educational organization described in Section 170(b)(1)(A)(ii) of the IRS Code; or
b. is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of the educational organization described in Section 170(b)(1)(A)(ii) of the IRS Code or of a State or political subdivision of a State." (Reg. 1.151-3(b)).

Part-time students are not "students" for this section and their eligibility is not subject to special restrictions. Under Section 42 Regulations, most households where **all** of the members are full-time students **are not eligible** tenants and units occupied by these households may **not** be counted as LIHTC units. (See IRS Code Section 151(c)(4) for student definition).

There are five exceptions to the limitation on households where all members are full-time students. Full-time student households that are income eligible and satisfy one or more of the following conditions can be considered to be eligible. Third party verifications must be obtained to support the student status and the applicable exception (s).

1. Students are married and entitled to file a joint tax return;
2. The household consists of a single parent with child(ren) and the parent is not a dependent of someone else, and the child(ren) is/are not dependent(s) of someone other than a parent;

3. At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children -AFDC), now known as Temporary Assistance for Needy Families (TANF),
4. At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state, or local laws**.; or
5. At least one member of the household was previously in foster care***.

**The JTPA program was repealed in 1998, and replaced with the Workforce Investment Act (WIA). WIA, and JTPA when it existed, funds programs such as adult literacy, English as a second language, General Education Diploma (GED) courses, vocational services for the blind, employment and training programs for Native Americans and migrant and seasonal farmworkers, job corps, veterans employment programs, summer youth employment and training, employment and training for dislocated workers and displaced homemakers, etc. Students in those programs are eligible for the JTPA exemption provided the school or community education dept., verifies that the applicant/resident is a participant in a program similar to those funded under JTPA or WIA.

An applicant claiming any of the exceptions must provide documentation to prove that status. The required documentation to support each of the full time student rule exceptions are detailed in Appendix C.

If any applicant (in a household consisting entirely of full-time students) **cannot** claim one of the exceptions, housing in a Section 42 apartment must be denied.

Q. Loss of Eligibility Upon Becoming a Full-Time Student

If a previously qualified Tax Credit resident becomes a full-time student and intends to continue living in a Section 42 apartment, he/she **must** meet at least one of the above criteria and be able to prove such status. Under current legal interpretations of federal LIHTC regulations and requirements, the "next available unit" rule that applies to LIHTC units with tenants that are no longer income eligible does not apply to student households that qualify under one of the exceptions above and later ceases to qualify. Unlike changes in income, it appears that a unit occupied by a student household that no longer meets one of the above exceptions ceases to count as a LIHTC unit immediately.

If a building owner or rental agent has questions as to the occupancy of students, they should seek legal assistance since the IRS has not published guidance on the interpretation of this part of the LIHTC rules.

R. Section 8 and Rural Development Rents

Section 8 - Subsidy payments to an owner under various HUD Section 8 programs or any other comparable program are excluded and not considered in determining gross rent. Only the tenant's portion of the rent payment is considered in determining if the rent exceeds the gross rent maximum for the county. Sec. 42(0)(2)(B)(i).

Example 1: Household Portion of Rent is Below Limit

A Section 8 household moved into a unit on February 1, 2005; the maximum LIHTC gross rent is $450 and market rate is $650. Household pays $200 and the assistance pays $450; the total rent is $650. There is no noncompliance since the household portion of rent is below the maximum LIHTC rent allowed.

The portion of the rent paid by Section 8 tenants can exceed the LIHTC rent ceiling as long as the owner receives a Section 8 assistance payment on behalf of the resident. If no subsidy is provided, the tenant may not pay more than the LIHTC rent ceiling.

Example 2: Tenant's Portion of Rent Exceeds Rent Limit

A Section 8 household with an annual income of $18,000 applies for an LIHTC unit for which the rent is restricted to $500 and for which the market rate rent is $750. Assistance will pay a maximum of $500, and the applicant's portion is $600 (40 percent of income). Since the applicant is required to pay $600, Section 8 will pay $150. There is no noncompliance.

This example reflects HUD's requirement under the Section 8 housing choice program. The family share may not exceed 40 percent of the family's share monthly adjusted income when the family initially moves into the unit or signs the first assisted lease for a unit.

With the passage of the Omnibus Budget Reconciliation Act of 1993, owners are prohibited from refusing to lease to a prospective tenant based solely on the fact that the applicant holds a Section 8 rental voucher or certificate.

Rural Development - Originally, the rent restrictions for projects with Rural Development assistance were computed using the general rules for LIHTC housing. Beginning in 1991, however, gross rent does not include any rental payment to the owner of the unit to the extent such owner pays an equivalent amount to the USDA Rural Housing Service under Section 515 of the Housing Act of 1949. See IRC §42 (g)(2)(B)(iv).

In other words, as long as the owner pays Rural Development the rent amount over the limit (all of the overage) that unit is in compliance.

Example 1: Rent Above Limit (Owner Pays Rural Development, formerly known as FMHA)

Assume a 1991 credit allocation to a property with Rural Development assistance. The maximum gross LIHTC rent is $500 and the household's calculated rent under Rural Development regulations is $650, which the owner charges. The owner provides documentation that the $150 above the tax credit maximum has been remitted directly to Rural Development. There is no noncompliance.

S. Annual Recertification

The annual re-certification shall be complied with a procedure detailed in Appendix B. The PRHFA requires an annual re-certification of tenant income in 100 percent Tax Credit projects. An Annual Re-certification Waiver is not an option at this time.

*Note: For tax years ending after July 30, 2008, if all the low-income buildings in the *project* are 100% low income buildings, owners are not required to complete annual tenant income re-certifications.

T. Tenant Transfers

Same Building - When a current LIHTC household moves to a different unit within the same building, the newly occupied unit adopts the status of the vacated unit. 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.

The owner or manager must prepare or print from the system a Unit Transfer Form to be included in the tenant file as evidence of the transfer from one unit to another.

Different Building - 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 project during any year of the 15-year credit period, the vacated unit assumes the status the newly occupied unit had immediately before it was occupied by the current resident. If a household whose income exceeds 140% of the applicable income limit wishes to move to a different building, the newly occupied unit will be treated as a non-qualifying unit. 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 PRHFA becomes aware of an owner's election, for purposes of unit transfers, PRHFA will treat the property as if all buildings are not part of a multiple building project.

U. 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 principal 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, regardless of whether the taxpayer is reporting a profit or a loss.

V. 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.

W. 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.

X. 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 cannot 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.

V. *Combining LIHTC with Other Programs*

A. Multifamily Tax-Exempt Bonds Projects

PRHFA will monitor developments that received an allocation through the issuance of tax-exempt bonds. Tax-exempt bond developments must comply with the same IRS requirements and LIHTC compliance monitoring procedures as non-tax exempt bond developments.

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 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 Agreements filed against 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 PRHFA 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.

Tax-exempt bond financed residential properties must meet the same 40/60 or 20/50 income requirement as is required for tax credit properties. However, the bond financing does not require rent restrictions – it only requires that the affordable Households be income-certified. However, rents must be restricted for all units on which tax credits are claimed. The rules for determining income are the same for both programs. The primary difference is that compliance with tax-exempt bond requirements is determined property-wide, while federal tax credit requirements are determined building by-building. 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. In addition, the Available Unit Rule is applied property-wide for bond compliance whereas it is applied on a building-by-building basis for tax credit compliance. Bond-financed properties with tax credits must maintain compliance with both Available Unit Rules.

Many bond-financed properties are mixed income and many of the more complicated tax credit rules will apply to these properties. It is strongly recommended that a 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:

1. Meet the selected federal set-aside (20/50 or 40/60) at bond closing on acquisition/rehabilitation properties.
2. 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 is placed in service or the property is 90%leased/rented.
3. At 90% rent-up, report annually to the bond issuer or trustee.
4. Follow same tax credit reporting requirements after buildings are placed in service.
5. Property must meet all selected bond set-asides. Bond set-asides are income restricted only, tax credit set-asides are income and rent restricted.
6. The most restricted set-aside (either federal or state) should always be used.
7. Issues of non-compliance for bond requirements are reported to the bond trustee rather than the IRS.
8. Bond documents and bond regulatory agreements should be obtained for the management agent for all requirements.
9. Owners will provide reporting requirements to the bond issuer and/or bond trustee.

B. Compliance Requirements for TCAP and TCEP Projects

The American Recovery and Reinvestment Act (Recovery Act), which was signed by President Obama in 2009, was designated to assist troubled LIHTC projects struggling to find a tax credit investor; these funds were distributed through the Tax Credit Assistance Program (TCAP) and Tax Credit Exchange Program (TCEP). The Recovery Act requires state housing credit agencies to perform asset management functions to ensure compliance with Section 42 of the Internal Revenue Code and the long term viability of such projects. To ensure the long term viability of these projects, financial evaluation is critical; PRHFA is a LIHTC allocating agency, HOME Participating Jurisdiction (PJ) and TCEP/TCAP grantee, which needs to make sure that awarded projects, will be financially viable throughout the project restriction periods.

1. Asset Management Plan

The Asset Management Plan was submitted to and approved by the US Department of Housing and Urban Development (HUD). This plan has been incorporated for TCEP projects, which funds were received through the US Department of Treasury, in accordance with their respective agreements and the Recovery Act. Project owners and administrators must comply with the Plan and act in accordance with these arrangements. To enable its compliance, PRHFA is currently undergoing the development of an integrated system called Asset Management System (AMS). It will serve as the vehicle for project owners to submit the required information in accordance with such Plan.

Properties which received Recovery Act funds are required to comply with all requirements of Section 42. Owners/managers should reference to the aforementioned LIHTC Compliance Monitoring Manual for guidance on requirements not contained in this section. Likewise, projects which also received HOME funds must ensure compliance with the applicable rules and regulations as explained in the former section.

2. Compliance Period

Properties using Recovery Act funds are subject to the terms of the Compliance Period as defined in this manual. To enforce the Recovery Act requirements throughout the Compliance Period, a restrictive covenant (Land Use Restriction Agreement ("LURA") and/or Regulatory Agreement) is filed with the Recorder of Deeds in the county in which the property is located.

3. Reserve and Escrow Accounts

a. Asset Management Fee

PRHFA is required to ensure the long-term viability of properties developed using Recovery Act funds. PRHFA is authorized to collect a reasonable fee from fund recipients to cover expenses associated with the performance of its asset management duties.

Property owners must pay to PRHFA an annual Asset Management Fee of $90.00 for each unit contained in each building. The annual Asset Management Fee must be submitted by June 30th of each year.

The PRHFA reserves the right to make adjustments in the amount of the annual compliance monitoring fee as it deems necessary to defray the cost of compliance monitoring.

b. Operating Reserve

Operating Reserve accounts are used to cover operational expenses that cannot be paid for by the property. Properties must be able to show need (i.e., operating shortfall) before operating reserves can be used.

PRHFA will monitor all operating reserve release requests.

c. Replacement Reserve

Replacement Reserve account is used to help ensure that the physical life of the buildings and structures will extend through the economic life of the property. Properties must be able to show need before replacement reserves can be used. PRHFA will monitor all replacement reserve release requests.

4. On-site Physical Inspections and Resident File Reviews

PRHFA will conduct the first year physical inspection and compliance review in accordance with Section 42 requirements for all Recovery Act projects. Likewise, the Authority will conduct a file review (similar to Management Occupancy Reviews (MORs)) each year for the first three years beginning after the initial review. The guidelines PRHFA will follow when performing such inspections/reviews on Recovery Act properties are similar to those inspection/review guidelines set forth in the LIHTC Compliance Manual.

5. Reporting

PRHFA requires all TCAP/TCEP properties to submit quarterly occupancy reports through our Certification Online System (COL). Properties will have 15 days after the end of each quarter to submit that quarter occupancy statistics (e.g., December occupancy reports should be received no later than January 15). Each management company is responsible for the data input through COL and the accuracy of all information on COL. The PRHFA is not responsible for computer input discrepancies. Failure to submit occupancy information will result in PRHFA automatically placing the property in noncompliance status.

6. Budgets

PRHFA requires all properties to submit annual budget information. PRHFA requires all budgets to include the following information: "Statement of Profit/Loss" from the previous year audit; "Current Fiscal Year Expenses to Date"; and "Budget for the Next Fiscal Year". Significant variances will be analyzed and will require the property to provide appropriate explanation. All explanations are analyzed by PRHFA for reasonableness. Properties have until November 15th of each year to submit the budget. Failure to submit financial information will result in PRHFA placing the property in noncompliance status.

7. Financial Statements

a. Quarterly

PRHFA requires all properties to submit quarterly financial statement information. Information is analyzed by PRHFA on a quarterly basis. Variance analysis is performed to isolate quarterly discrepancies from the property's approved budget. Properties have until the 25th day of each quarter to submit the previous period's financial information.

b. Annually

At year-end, PRHFA requires audited financial statements. Properties have until March 31st of each year to submit audited financial statements. Annual financial statements must be prepared according to Government Auditing

Standards. Government Auditing Standards require the auditor to report on internal control, submit a schedule of question costs and report on prior year findings. Failure to submit financial statement information will result in PRHFA placing the property in noncompliance status.

8. **Other Reporting Requirements**

In addition to the reporting requirements set forth above, owners must also comply with all reporting requirements set forth in the LIHTC Compliance Manual.

C. HOME Investment Partnerships 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.

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.

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

- 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 LIHTC projects that have received HOME funds.

- Rent Requirements

Generally, HOME rents cannot be greater than the lesser of the Section 8 Fair Market Rent or 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 family's 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.

1. **Home Certifications**

The income of each resident in a HOME unit must be determined initially in accordance with § 92.203(a)(1)(i) and PRHFA's LIHTC Compliance and Monitoring Manual. PRHFA is allowing an owner of LIHTC multifamily project with HOME funds with an affordability period of 10 years or more to re-examine tenant's annual income through a statement and certification in accordance with § 92.203(a)(1)(ii). The one page Annual Self-Certification 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.

2. **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. PRHFA 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 PRHFA 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 PRHFA 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.

3. **Differences in LIHTC and HOME Rules for Property Management**

In general, when a property has both HOME and LIHTC assistance, both sets of program rules apply, so the stricter requirements of each program must be met. Key property management issues that vary between programs include:

- **Income Targeting and Occupancy Requirements.** The owner/manager must rely on its use agreements and the rules for each program to determine the number of HOME and LIHTC units in the property, and the required household income at move-in for each unit. When a household's income meets both sets of requirements and the rent is below the maximum for both programs, the unit that household occupies can be counted toward the requirements of both programs. Otherwise, if a household meets only one set of requirements, the unit can be counted for that program only.

- **Maximum Allowable Rent Determinations**. The owner/manager must determine the maximum allowable rents for both programs and use the lower rents as the rent limit for the unit. Maximum rent limits include utilities for both programs, so if the tenant pays for utilities, the owner/ manager must deduct the appropriate utility allowance to determine the rent limit.

    - **Utility Allowances.** LIHTC and HOME may use different utility allowances. The owner/ manager must deduct the LIHTC utility allowance from the LIHTC rent limit to determine the maximum allowable LIHTC rent. The owner/ manager must deduct the Participating Jurisdiction (PJ's) utility allowance from the HOME rent limits to determine the maximum allowable High HOME Rent and Low HOME Rent. The maximum rent the owner/ manager can charge is the lesser amount.

- **Initial Tenant Income Eligibility.** Both LIHTC and HOME require owners/managers to determine a tenant household's income eligibility prior to leasing a unit, and both programs require owners/managers to use source documentation to do so.

    - **Definition of Income.** LIHTC requires the use of the Section 8 (part 5 Program definition of income; the HOME program permits the PJ to choose the definition of income from three options, including the part 5 definition. The PJ has chosen the Section 8 (Part 5) definition of income to ensure consistency within the programs.

    - **Asset Income.** Although LIHTC permits tenants to certify asset amounts and asset income that are less than $5,000, the HOME Program requires *all* asset income to be verified with source documentation. Therefore, all asset income must be verified for any unit that will count as both a tax credit and HOME unit.

- **Recertifying Tenant Income.** Both the HOME and LIHTC programs require assisted units to remain occupied by income eligible persons throughout the affordability (compliance) period. For both programs, property owners/ managers must certify tenants' income annually to ensure they continue to be income eligible in accordance with applicable income limits. Both programs use income limits that are updated and issued by HUD annually, although each program may impose different income targeting requirements. For a unit to continue to count as both a HOME and LIHTC unit, the tenant's income must continue to qualify under each program.

    - **Source Documentation.** The HOME Program permits some flexibility in methods of recertifying annual income. For projects with both LIHTC-assisted and non-assisted units, the LIHTC program requires a review of source documentation every year to verify income eligibility; for projects with 100 percent LIHTC units, income recertification is not required. Therefore, property owners/managers of HOME/LIHTC properties with both LIHTC-assisted and non-assisted units must verify tenant income using source documentation annually (i.e.; cannot use the recertification methodology permitted by the HOME regulations). For projects with 100 percent LIHTC units, the PJ can adopt one of HOME's alternative recertification methods.

- **Over Income Tenants**. During recertification, owners/managers may find that some tenants have become over income. This means that the income of the household increases to a level above the income limit for each program for that year. For HOME/LIHTC properties, the HOME Program has adopted the LIHTC guidelines for establishing rent for over income households. Generally, a tenant household is considered over income when its income increases to 140 percent or more of the qualifying income for that unit. Until the household's income reaches this threshold, the tenant must pay no more than the lesser of the HOME rent limit or the tax credit rent. Once the tenant household's income increases to over 140 percent of the qualifying income, the household is over income. The steps the owner/manager must take to restore compliance to the property for HOME and LIHTC will vary, depending on whether the property has fixed or floating HOME units, whether or not 100 percent of the units are either HOME assisted or LIHTC units, and what percentage of units are assisted and non-assisted.

- **Affordability (Compliance) Period**. HOME affordability periods are specified in the written agreement between the owner and the PJ. LIHTC compliance periods are specified in the property's allocation agreement with the state, and are specific to each property. The property must comply with HOME rules for the duration of the HOME affordability period, and must comply with LIHTC rules for the duration of the LIHTC compliance period.

- **Property Inspections**. Both programs require the funding agency to inspect the property on a periodic basis. HOME/LIHTC units must comply with the most restrictive applicable property standard throughout the affordability period. PJs will notify owners of the property inspection schedule.

- **Student Eligibility:**
  LIHTC - In general, households made up of full-time students of any age do not qualify.

  HOME - No student eligibility requirements.

- **Income Limits:**
  LIHTC – Uses HUD Multifamily Tax Subsidy Program (MTSP) income limits. 50% or 60% MTSP limits apply, depending on the minimum set-aside. Income limits are county specific. Households must qualify based on gross annual income.

  HOME – The program uses HUD HOME income limits based on area median income (AMI). Income limits are county or Metropolitan Statistical Area (MSA) specific. Households must qualify based on gross annual income.

- **Verification of Household Income:**
  LIHTC – Regulation requires the gathering of documentation. Informal IRS Guidance, however indicates that 3rd party verification of all income and all assets (when assets are over $5,000) and student status is required; gathered documentation, then self-affidavit are second and third choice options. Verifications are valid if received up to 120 days prior to the effective date. The IRS permits use of sworn statements declaring the households assets when the total combined assets do not exceed $5,000. HUD's Enterprise Income Verification (EIV) data gathered for re-certifications cannot be used for LIHTC purposes.

  HOME – "Source documents" prepared by a 3rd-party for all income and assets are required to determine initial eligibility and every 6th year of the projects affordability period. Self-affidavit and program assistance verification (such as from a rental assistance voucher provider) are not allowed for these years. The certification, supported by source documents, is valid for 6 months (180 days) from the date it is completed. For other years, self-affidavit or other program assistance verification may be used. HUD's EIV data gathered for re-certifications cannot be used for HOME purposes.

- **Employment Income Calculations (range of hours):**
  LIHTC - HUD instructs that we are to gather "average hours" when determining income (i.e. 38 for 36-40 hours). By regulation we count LIHTC income as does the Section 8 program. However, it has generally been accepted as best practice that the LIHTC program should use the more conservative approach of using the HIGHEST in a range (i.e. 40 for the 36-40 hours). PRHFA will required the use of the highest in a range.

HOME – HUD consistently refers to "average hours" in its technical guidance for the HOME Program. (i.e. if verification list 30-40 hours, use 35).

- **Verifying Assets:**
  LIHTC – Assets may be verified via self-affidavit if total assets do not exceed $5,000. If they exceed $5,000 they must be verified.

  HOME – Assets must be verified using 3rd party "source documents" for initial eligibility and every 6th year of the affordability period. Income may be self-certified or program assistance verification (such as from a rental assistance voucher provider) may be used for other years.

- **Section 8 Voucher Household Certification in Lieu of Individually Verifying Each Income/Asset Source:**
  HOME – Not permitted for initial certification. May be used for re-certifications that do not require full 3rd party verification.

- **Change in Income/Household Size:**
  LIHTC - There are no interim certifications in the LIHTC program. Individuals added to households during a certification year are income certified individually and their income is added to the most recent Tenant Income Certification (TIC). The total income is then tested to determine if the available unit rule has been triggered (see increases in income). The household is considered the same household as long as one original member remains. Increases in income do not require a household to move out.

  HOME – the HOME program does not require interim certification. Increases in income may result in changes to a unit's HIGH or LOW HOME status. Increases in income do not require a household to move out.

- **Certification Form:**
  LIHTC – Tenant Income Certification. "TIC" is an informal but commonly used description.

  HOME – Program has no specifically mandated certification form. Owners/managers will adopt the TIC as requirement from the PJ.

- **Effective Dates:**

  LIHTC –

  - **Move In**: Effective date is the date the tenant actually moves into the unit.
  - **Initial Certification for In-place Residents at Acquisition/Rehabilitation Properties:** The effective date is the date of acquisition for households that were certified within 120 days of the acquisition date. After that time, the effective date is the date of last signature.
  - **Recertification Date**: Effective date is the anniversary of the effective date of the original tenant income certification (for less than 100% LIHTC projects where recertification is required).

  HOME – The HOME program does not mandate effective dates. Income certifications must be completed within 180 days prior to move-in. Re-certifications must be completed annually but not necessarily on the anniversary of move-in.

- **Recertification:**

  LIHTC – Projects that are less than 100% LIHTC must recertify each household's income and student status annually. 100% projects must recertify student status annually. IRS guidance is that the re-certifications should be conducted using as effective date the anniversary of the initial certification.

  HOME – HOME households must be certified at move in and annually. The HOME program does not mandate dates for the annual cycle, allowing all re-certifications to be conducted once a year. Interim certifications are not required.

- **Eligibility and Increases in Income:**

  LIHTC- For less than 100% LIHTC properties, household's income that is over 140% of the current income limit at re-certification is "over-income". Over-income households continue to qualify as LIHTC households as long as the next available unit of the same or smaller size in the same building (if not a multiple building project) is rented to LIHTC households until the applicable fraction is restored not counting the over-income households. Once the applicable fraction is restored, the

household may be raised to market rent, but cannot be required to vacate the unit. The IRS refers to this rule as the "Available Unit Rule" or "Next Available Unit Rule".

HOME – Increases in income at re-certification may result in re-classification from Low to High HOME rents. Rents switch to 30% of adjusted income (not to exceed market rents in the area) once household income exceeds the 80% limit. LOW HOME households that exceed the HOME 50% limits and HIGH HOME households that exceed the HOME 80% limits are "over-income". Specific actions are then mandated by the program that differs depending on whether the project is "fixed" or "floating" HOME as determined in the HOME Agreement. For HOME/LIHTC projects, the HOME program adopts the LIHTC 140% threshold.

- **Deductions / Allowances:**

  LIHTC – The LIHTC program does not use deductions to income. Rent is not directly based on family income.

  HOME – For households where rent is based on income, the HOME program uses HUD's 5 types of deductions used to determine adjusted income and rent.

- **Transferring Households:**

  LIHTC – Tenants who have gone above the 140% limit at properties that are less than 100% LIHTC are only allowed to transfer between units within the same "building"(BIN). Residents who are below the 140% limits at these projects, and all tenants at a 100% project, may transfer between buildings (as defined by form 8609s) without having to qualify at current income limits. When tenants transfer between units the units switch status.

  HOME – HUD guidance does not discuss unit transfers. Units never change designation in a "fixed" HOME property.

- **Subsidy and Rent Limits:**

  LIHTC – Subsidy from Section 8 and similar programs is not included in rent when determining compliance with gross rent requirements. Tenant rent may exceed the LIHTC max rents for tenants who are receiving assistance and whose income has increased. Tenant rents may also

exceed the LIHTC limit for households receiving RD assistance for which RD "overage" is paid.

HOME - Subsidy is included in rent when determining compliance with HOME rent requirements. There is an exception for project-based subsidy in LOW HOME units where tenants pay 30% of their income toward rent. For these units the full subsidy program rents may be collected (contract rent).

- **Utility Allowances:**

  LIHTC - Projects with Rural Housing Service (RHS) or HUD funding use the utility allowance for those programs. There are 5 additional choices for other properties. The utility allowance for voucher holding households is the utility allowance their rent calculation is based on.

  HOME - The PJ establishes the utility allowance. (HUD is currently calculating utility allowances for its HOME projects; these will be made available in the future).

- **Rent Limits:**

  LIHTC - Rent limits are calculated based on income limits. As income limits never go down for a specific property from year to year, neither do rent limits. They assume an imputed 1.5 persons per bedroom.

  HOME - HUD publishes the HOME HIGH and LOW rent limits.

- **Handbook Guidance and Hierarchy:**
  LIHTC - Legal authority and formal guidance (hierarchy):
    - Internal Revenue Code §42
    - Treasury Regulation (Treas. Reg. 1.42-(1-17)
    - Revenue Rulings
    - Revenue Procedures
    - IRS Notices and others.
    - HUD Handbook 4350.3 Change 4

  HOME - Formal Guidance
    - 24 CFR Part 92
    - HUD, "Compliance in HOME Rental Projects: A Guide for Property Owners".
    - HUD, "Technical Guide for Determining Income and Allowances for the HOME Program 3rd Edition"

- **Vacancies:**
  LIHTC – Vacant units may be counted as LIHTC units as long as:
    - The last resident was LIHTC qualified
    - The unit is made ready in a reasonable time
    - The owner can demonstrate that the vacant LIHTC units were marketed before any units of the same size or smaller in the project were rented to non-LIHTC households (for projects that are not 100% LIHTC).

  HOME – Vacancies that are not excessive in number or duration have no direct impact on program compliance.

- **Residency Application Fees:**

  LIHTC - 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 recovery of the actual out-of-pocket costs.

  HOME- All mandatory fees, if allowed, must be approved by the PJ

- **Affirmative Marketing:**
  LIHTC – Affirmative marketing is not addressed in the federal LIHTC code or guidance.

  HOME – HOME does not require a specific affirmative marketing plan, but a PJ must establish affirmative marketing procedures and ensure that an owner has an affirmative marketing plan in place, and that it is followed.

- **Inspection Cycle and Percentages Inspected:**
  LIHTC – Inspections will be conducted at least every 3rd year; 20% of the LIHTC units in each buildings are inspected.

  HOME – At a minimum; properties with 1-4 units will be inspected every three years, 5-25 units every two years and 26 or more units every year. This is total units in a project, not just HOME-assisted units. The inspector must select a "reasonable sample".

VI. Compliance and Monitoring During the Extended Use Period

After the 15-year Compliance Period has expired, there may be no tax impact in the event of noncompliance. IRC Section 1.42-5 contains the regulations for agencies' compliance monitoring during the Compliance Period; however, the regulations do not require agencies to monitor according to these regulations in the Extended Use Period. IRS officials and other experts have indicated verbally that agencies may not report noncompliance to IRS after the Compliance Period is over. The tax benefit to the owner is exhausted and IRS can no longer recapture or disallow credits. Therefore, PRHFA must establish policy regarding how properties are to be monitored and consequences for noncompliance during the Extended Use Period.

In addition, based on the requirements of the Extended Use Period specified in IRC Section 42 regulations and in Declaration of Land Use Restrictive Covenants referenced below, the agency has the authority to establish different criteria for eligible/ineligible student households, available unit rule, unit transfers, and the process for performing annual recertifications during the Extended Use Period, as long as income and rent restrictions, general use requirements (fair housing), Section 8 acceptance, minimum set-aside, applicable fraction, and initial and annual recertifications are required.

A. Extended Use Period

IRC Section 42(h)(6) establishes that buildings are eligible for the credit only if there is a minimum long-term commitment to low-income housing. Specifically, in order to receive a credit allocation in 1990 and later, the owner must record an extended low-income housing commitment. The document that evidences this commitment is called the Declaration of Land Use Restrictive Covenants for Housing Tax Credits (Declaration). The Declaration is recorded with the respective County Recorder and/or Registrar of Titles and "runs with the land", regardless of subsequent ~~changes in~~ ownership.

1. For purposes of this section, the term "Extended Use Period" means the period:
   a. beginning on the last day in the Compliance Period on which such building is part of a qualified low-income housing project, and
   b. ending on the later of—
      i. the date specified by the agency in the Declaration, or
      ii. the date which is 15 years after the close of the Compliance Period.

IRC Section 42(h)(6)(E) provides exceptions to the Extended Use Period in the case of a legitimate foreclosure or deed in lieu or, for projects that have not waived this right, if the agency is unable to present a qualified contract pursuant to IRC Section 42(h)(6)(F). This Compliance Plan does not contain guidance for the provisions of IRC 42(h)(6)(F) regarding the qualified contract referenced in IRC Section 42(h)(6)(E)(i)(II).

2. Under IRC Section 42(h)(6)(E)(ii) the termination of an Extended Use Period due to foreclosure or deed in lieu, or for failure to present a qualified contract shall not be construed to permit before the close of the 3-year period following such termination:
   a. the eviction or the termination of tenancy (other than for good cause) of an existing tenant of any low-income unit, or
   b. any increase in the gross rent with respect to such unit not otherwise permitted by the applicable rent limits.

3. Under the PRHFA Declaration of Land Use Restrictive Covenants for Housing Tax Credits the owner agrees to comply with the following for the term of the agreement:

   a. it will maintain the applicable fraction 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 IRC Section 42;
   b. it will maintain the Section 42 rent and income restrictions;
   c. all units subject to the credit shall be leased and rented or made available to members of the general public who qualify as low-income tenants (or otherwise qualify for occupancy of the low-income units) under the applicable election specified in IRC Section 42(g) (Section 42(g) pertains to the minimum set-aside election);
   d. the owner agrees to comply fully with the requirements of the Fair Housing Act as it may from time to time be amended;
   e. the owner will not refuse to lease a unit to the holder of a Section 8 voucher because of the status of the prospective tenant as such a holder;
   f. each low income unit will remain suitable for occupancy;
   g. the determination of whether a tenant meets the low-income requirement shall be made by the owner at least annually on the basis of the current income of such low-income tenant ; and
   h. other restrictions as required under the specific year's Qualified Allocation Plan (QAP) and related points the owner received in order to obtain a credit allocation.

   These restrictions are property-specific within the respective Declarations and to the extent they are not otherwise time-limited, the additional restrictions remain in force and effect during the Extended Use Period.

   Note that the Declarations have changed from year-to-year according to the respective Qualified Allocation Plans. However, the basic language pertaining to the Extended Use Period required by IRC has not materially changed.

B. Tenant Eligibility Criteria During the Extended Use Period

During the Extended Use Period, PRHFA requires tenant eligibility and certification of income, as follows:

1. Tenant Income Certification

The initial income certification is required (calculated in a manner consistent with the determination of annual income under section 8 of the United States Housing Act of 1937 ("Section 8"). However, owners are no longer required to verify income and income from assets at annual recertification. Any household that experiences a change in composition within the first six (6) months of occupancy (not including birth or death) must meet the initial eligibility requirements and a new initial tenant income certification must be performed.

2. Rent Restriction

Rent limits as elected by the owner at the time of allocation continue to be in force during the Extended Use Period. Owners of properties that were awarded selection points for additional rent restrictions should refer to the respective Qualified Allocation Plan or Declaration to determine whether those additional rent restrictions are time-limited or if they are in effect for the full term of the Extended Use Period.

3. Student Status

Since student status is not one of the defined requirements of the Declaration, the student rules under IRC Section 42 are no longer applicable.

4. Unit Transfers

Unit transfers from building to building are allowed without triggering noncompliance regardless of whether a household's income is over the applicable limit at the time of transfer.

5. Available Unit Rule

The available unit rule is revised to provide that if a household's income goes over 140% of the applicable income limit, a currently vacant unit or the next unit in the same building must be rented to a qualifying household (the "comparable or smaller" requirement no longer applies). This is essentially a one-for-one unit replacement.

6. Applicable Fraction

Only the unit fraction will be examined to determine a building's applicable fraction.

7. **Utility Allowances**

Utility Allowances must continue to be updated annually. Revised utility allowances must be implemented within 90 days of their published effective date. The Housing Tax Credit Program income and rent limits based on the Section 8 income limits published by HUD annually will continue to be updated by the PRHFA.

C. Monitoring Compliance During the Extended Use Period

PRHFA will perform the following monitoring procedure during the Extended Use Period:

1. **Annual Certification**

PRHFA will require all owners to submit an annual certification of compliance by January 31. The PRHFA will provide the Owner's Certification of Compliance During the Extended Use Period Form, which will contain agency-defined certification language pursuant to the terms of the Declaration.

2. **Annual Reporting**

LIHTC projects must submit to the PRHFA, via electronically, the Tenant Income information of each new Moving, Annual Re-certifications of income and rent changes for each existing tenant.

This information must be submitted to the PRHFA by January 15th of each year during the extended use period. The PRHFA will provide the Tax Credit Certifications Online Reporting Software for the electronic submission of this information.

3. **Inspections**

Every five years, PRHFA will perform a physical inspection of the property and review of tenant files and other pertinent documentation. The first review in the Extended Use Period will be five years from the last inspection conducted during the Compliance Period.

A minimum of 3 low-income units chosen at random or maximum of 10% of the low-income units in any development will be inspected. Different units may be chosen for the file review than those receiving a physical inspection.

PRHFA compliance staff will continue to work with other inspection entities such as local inspection officials, other government agencies, PRHFA staff etc., to share inspection information. Also, we will accept Age HQS Staff inspections done in the same year as our review. If inspected by PRHFA Tax Credit Compliance staff, inspection will be pursuant to Uniform Physical Conditions Standards.

PRHFA reserves the right to conduct a review of any building after serving appropriate notice and to examine all records pertaining to rental of tax credit units. PRHFA may perform a review at least through the end of the Extended Use Period of the buildings in the project.

4. Annual Compliance Fees

The amount of annual compliance monitoring fees will be $20 per unit since inspections are less frequent and are done on a smaller number of units. The agency reserves the right to adjust the fee due to changing circumstances. Fees are due at the same time as the Annual Certification.

5. Transfer of Ownership or Ownership Interest

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 including all compliance restrictions and annual compliance monitoring. Documentation of signatory authorization for the new owner or partner may be requested. Owners contemplating transfers of ownership or ownership interest should notify PRHFA and request a copy of the appropriate transfer agreement.

6. Expiration or Termination of Extended Use Period

During the 3-year period after the Declaration has expired or terminated pursuant to IRC Section 42(h)(6)(E)(ii), owners are required to annually submit a list of all low-income households that occupied a unit at the end of the term of the Declaration, the respective tenant-paid rent, utility allowance, and move-out date, if applicable, along with a certification that no low-income residents have been evicted or displaced for other than good cause. This report and certification will be due on January 31. No monitoring fees will be due during this 3-year period and PRHFA is not required to perform inspections.

The Declaration of Land Use Restrictive Covenants allows for an amendment by written agreement between PRHFA and the owner. An amendment to the Declaration may be negotiated in the event a property suffers from a decline in market conditions that is not expected to improve and subsequent vacancies compromise the economic viability of the property. Owner must demonstrate that reasonable efforts have been made to meet all compliance requirements. A change in applicable fraction, rent limits or other terms may be negotiated with PRHFA in order to preserve as many low-income units as possible, but still protect the economic viability of a property.

D. Consequences of Noncompliance During the Extended Use Period

The following are the procedures for and consequence(s) of noncompliance:

1. All properties whose Compliance Period has expired and are subject to the requirements of the Extended Use Period will be listed or categorized in either "Good Standing" or "Not in Good Standing".

2. If an owner fails to comply with the monitoring requirements and/or terms of the Declaration, PRHFA will issue a Notice of Noncompliance and recommendations for correction similar to what is issued during the Compliance Period. All owners will be given a period of time not to exceed 90 days with which to clarify or correct noncompliance and report to PRHFA that all corrections have been made. An extension of an additional 90 days may be granted, with good cause. If a property has one or more compliance violations, but the owner is making a good faith effort to correct within a reasonable time then the property can be considered in Good Standing. If the violation(s) cannot be corrected within the 90-day correction period (or within the 90-day extension, if granted) PRHFA may request that the owner and/or management agent formulate a plan and reasonable timeline to bring the violation(s) back into compliance and advise PRHFA in writing of such a plan.

   Owners will have demonstrated good faith efforts by carrying out the plan within the referenced timeline and the property will remain in Good Standing.

3. If an owner repeatedly delays requests for monitoring reviews, fails to submit annual certifications, reports and compliance monitoring fees, does not correct violations timely or according to the agreed-upon plan, where applicable, or otherwise chooses to ignore the compliance and monitoring requirements (serious and/or flagrant noncompliance) the following are consequences:

   a. The owner & management company are considered to be Not in Good Standing;

   b. A Report of Development Not in Good Standing will be issued for such serious and/or flagrant noncompliance. This report will be sent to the owner and filed with the PRHFA Development team. No further PRHFA funds or tax credits will be awarded to the owner, its partners and/or proposed developments to be managed by the management company until the property is back in Good Standing. Once good faith efforts are demonstrated to the agency's satisfaction, the agency will reinstate the property, owner and management company in Good Standing.

   c. The agency and any interested party have the right to enforce specific performance of the Declaration through the court system.

Important: Owners and management agents must keep careful track of when a development, and in some cases certain buildings within a development, transition from the Compliance Period into the Extended Use Period. Premature implementation of the Extended Use Period compliance and monitoring guidelines may result in noncompliance with IRC Section 42 for which PRHFA would be required to file IRS form 8823.

PRHFA reserves the right to modify this Compliance Manual Plan including but not limited to the foregoing policy and procedure for compliance and monitoring during the Extended Use Period, as needed.

APPENDIXES

Appendix A – Income Verification Requirements and Procedures

A. General Requirements

1. Owners shall verify all income, household characteristics, and any circumstances that may affect eligibility and compliance under the LIHTC guidelines.
2. When determining annual income, owners must include all anticipated known sources of income. If a household is accepted as low-income and subsequently becomes over income, the owner should be prepared to prove due diligence.
3. Whenever possible, written verification of income is required from the income sources.
4. Owners are advised to maintain documentation of all verification efforts for at least three years after the effective date of the tenant's certification or recertification.
5. For units receiving Section 8 rental assistance, the verification requirement is satisfied if the Public Housing Authority ("PHA") provides the building owner with a statement that "the gross annual income of the tenants in the unit does not exceed the applicable income limit under Section 42(g) of the Internal Revenue Code." The Section 8 Tenant Income Verification Form may be used to satisfy this requirement. Owners may have the PHA contact the Compliance staff of the Agency if more information is needed. Income of Section 8 assistance recipients can also be verified in the usual way (by contacting employers, etc.) and requesting that they complete Income Verification forms. When the tenant household has no income, Certification of Zero Income (PRHFA-05) will be the only verification document.

B. Acceptable Methods for Verifying Information

1. Written verification by a third party is preferred, as follows:
   a. The owner's request for verification should state why the information is being requested and include a statement signed by the applicant/tenant authorizing the release of the information;
   b. Owners must send the verification forms directly to the source, not through the applicant.
   c. When written verification is not possible, as a last resort, the Agency accepts a direct contact with the source. The owner must document the conversation for the applicant's file and include all information that would have been provided in a written verification plus the date, time and the person's name providing the information and his qualification to provide it.
   d. When third party verification is not available, owners must include written documentation in the file of efforts made to obtain the required verification and the reason the verification was not obtained, including the dates the owner/management agent attempted to obtain the third party verifications.

The owner must include the following documents in the applicant's or resident's file:

1. A written note to the file explaining why third party verification is not possible; or
2. A copy of the date-stamped original request which was sent to the third party, and a written description of the efforts to reach the third party to obtain verification, including the dates on which management attempted to obtain the third party verification(s). If no response was received, a note must be placed in the file indicating that the request has been outstanding without a response from the third party.

If third party documentation cannot be obtained or a fee is charged by the source for providing the information or for completing the form, then it is permissible for the owner/management agent to use an alternative method of documenting tenant eligibility, such as oral verifications or a review of documents supplied by the tenant.

2. Review of Applicant Supplied Documents

Owners may use documents submitted by the applicant when information does not require third party verification (i.e. birth certificate) or third party verification is impossible or delayed.

3. Applicant's Affidavit

Owners may accept an applicant's notarized statement or signed affidavit only if other preferred forms of verification cannot be obtained.

4. Faxed Verification

Recipients may reply to a request for income or asset verification by fax. The Agency accepts faxes as written verification if they are completely legible, date-stamped, and include the signature, name, job title, and phone number of the person making the verification and the date the form was signed.

5. E-mail Verifications

Similar to faxed information, information verified by email is more reliable when preceded by a telephone conversation and when the document includes the e-mail address, firm name, and name of an appropriate individual who completed the form.

C. Effective Term of Verification

Third-party Verifications of income are valid for 120 days from the date of receipt by the owner. If verifications are more than 120 days old from the date of receipt by the owner, the owner must obtain new verifications.

D. Expediting the Verification Procedure

1. In order to expedite the verification process, owners should maintain a checklist for each tenant to document the verification process.
2. Develop standard forms for all information that must be verified (see forms included in this plan).
3. Ask applicants/tenants to sign the copies of each verification form retaining one original in the applicant's file.
4. Make personal contacts with large employers and public assistance agencies from which a large number of tenants receive income or benefits.
5. Give the applicant an opportunity to explain any significant differences between the amounts reported by the applicant and the amounts reported on third party verifications in order to extract the correct information. Re-examine if necessary.

E. Calculation Methodologies to use in determining Annual Income

1. To annualized full-time employment, multiply:
   a. Hourly wages by 2,080 hours for full-time employment with no overtime;
   b. Weekly wages by 52;
   c. Biweekly amounts by 26;
   d. Semimonthly amounts by 24;
   e. Monthly amounts by 12.
2. To annualize income from other than full-time employment, multiply periodic amounts (hourly, biweekly, monthly, etc.) by the number of periods (hours, weeks, and months) the household member expects to work.
3. Use current circumstances to project income, unless verification forms indicate that an imminent change will occur.
4. When an employer gives a range of hours as the number of hours worked, **PRHFA will require that a conservative approach must be taken and that the highest number in the range be used for income calculations.** It is not recommended to use an average.
5. Year-To-Date income is annualized by dividing the YTD amount by the number of weeks included in the figure multiplied by 52 weeks. **PRHFA will require that the owner compare the "hourly rate" calculation with the YTD calculation and use the higher of the two calculations.** Include any anticipated raises and additional compensation that was excluded from the YTD figure (bonus, tips, etc.) in the YTD calculation.

F. Acceptable Forms of Verification

Sources of verification given under each type of income are listed in order of preference.

1. Employment Income

a. Employment Verification Form (PRHFA-03) completed by the employer or a statement from the employer on company letterhead; or

b. Four to six consecutive check stubs or earning statements showing employee's gross pay per pay period and frequency of pay;

c. W-2 forms if applicant has had the same job for at least two years and pay increases can be accurately projected. This form of verification alone may not be acceptable as income certification.

d. a copy of the most recent income tax returns signed by the applicant providing the amount of income, including income from tips and other gratuities. This form of verification alone may not be acceptable as income certification.

2. Self-Employment Income

The tenant must provide a projection or estimate of income and expenses to be realized by the business during the next 12 months. The owner may use the previous years' financial information to substantiate the reasonableness of the tenant's projection. The following documentation should be used in the verification process.

a. Accountant's or bookkeeper's statement of net income; or

b. Financial statement(s) of the business along with an affidavit or notarized statement from the applicant forecasting the anticipated income for the twelve (12) months following certification; or

c. The applicant's most recent income tax return along with a notarized statement. This form of income verification alone may not be acceptable as income certification. Year-to-date income verification can be used to supplement other methods of certification.

d. Applicant's notarized statement or affidavit as to net income realized from the business during previous year. This form of verification alone may not be acceptable as income certification.

3. Social Security, Pensions, Disability Income

a. A benefit verification form completed by the agency providing the benefits; or

b. An award or benefit notification letter prepared and signed by the authorizing agency. Since checks or bank deposit slips show only net amount remaining after deducting SSI, Medicare or state health insurance, they may be used only when award letters cannot be obtained. Any withholdings must be verified and included in annual income.

4. **Unemployment Compensation**

   a. A verification form completed by the unemployment compensation agency; or

   b. Records from unemployment office stating payment dates and amount.

5. **Alimony or Child Support Payments**

   a. A copy of a separation or divorce agreement, or support order stating type of support, amount and payment schedule. If the document is not dated within the 120-day time frame, obtain a notarized statement from the applicant stating that the amount of child support currently received is the same as stated in the agreement or order; or

   b. a letter from the person paying support; or

   c. a copy of the latest check and documentation of how often the check is received; or

   d. as a last alternative, the applicant's notarized statement of the amount of child support being received, including a written explanation detailing why *a* and *b* above cannot be provided.

6. **Recurring Contributions and Gifts**

   a. Notarized statement or affidavit signed by the person providing the assistance. The statement should define the purpose, dates, and value of gifts. Copies of canceled checks or receipts can be used to verify tuition, fees, books, and equipment, and other such net income and expenses not expected to change during the next 12 months.

   b. As a last alternative, the applicant's notarized affidavit giving the same information, including a written explanation detailing why the above cannot be provided.

7. **Unemployed Applicants**

   a. The income of unemployed applicants with regular income from any source, such as Social Security, pension, recurring gifts, etc., must be verified as described previously; or

   b. If any applicant of the household composition is currently unemployed and claiming $0 income, he/she must provide evidence of anticipated income for the certification year by executing a Zero Income Certification (PRHGA-05 Form) and providing a signed copy of the prior year's income tax return.

   c. If the applicant is unemployed with no regular verifiable income from any source and intends to live from assets only, an Asset Addendum to the Tenant Income Certification must be submitted along with the application. The applicant may not be certified as qualified by use of this form alone. An asset analysis must be included with the application to determine the applicant's actual income.

8. **Household Assets Now Held**

a. Verification forms, letters, or documents from a financial institution, broker, etc.

Note: When financial institutions charge a fee to the applicant or tenant for providing verifications, the forms of verification in paragraph b. below would be the preferred method.

b. Account statements, passbooks, broker's quarterly statements showing value of stocks or bonds, etc., and showing the earnings credited to the applicant's account, or financial statements completed by a financial institution or broker.

Note: The owner must adjust the information provided by the financial institution to project earnings expected for the next 12 months.

c. Quotes from a stock broker or realty agent as to the net amount the applicant/tenant would receive if he or she liquidated securities or real estate.

d. Real estate tax statement(s) if tax authority uses approximate market value.

e. Copies of closing documents showing the selling price, the distribution of the sales proceeds and the net amount to the individual.

f. Appraisals of personal property held as an investment.

g. Applicant's notarized statement or signed affidavit describing assets or verifying cash held at the applicant's home or in safe deposit boxes.

9. **Assets disposed of for less than fair market value during the two years preceding the effective date of the certification or recertification.**

a. Applicant's certification as to whether he or she has disposed of assets for less than fair market value during the two years preceding the effective date of the certification or recertification.

b. If the applicant certifies that he or she did dispose of assets for less than fair market value, then the certification must show:

1. All assets disposed of for less than fair market value;
2. The date the assets were disposed;
3. The amount received; and
4. The asset's market value at the time of disposition.

Note: Evidence of the information mentioned above must be included in tenant's files.

10. Income from the sale of real property pursuant to a purchase money mortgage, installment sales contract, or similar arrangement.

a. A letter from an accountant, attorney, real estate broker, the buyer, or a financial institution stating interest due for the next twelve months. (A copy of the check paid by the buyer to the applicant **is not sufficient** since appropriate breakdowns of interest and principal are not included.)

b. An amortization schedule showing the interest for the twelve months following the effective date of the certification or recertification.

Appendix B – Annual Recertifications

Effective July 30, 2008, 100 percent (100%) tax credit property owners no longer need to annually recertify resident household incomes. That is, residents must continue to be income qualified upon initial residency, but need not be recertified thereafter. Property files will still need to contain thorough third-party verifications of income upon initial occupancy.

For Semi Annual reporting purposes through COL system the PRHFA will not require anymore the submission of the tenant annual recertification information. However PRHFA will still require the following information:

- Information of all project Move-Ins
- Move-out transactions
- Transfers, and
- Changes in tenant rents (including changes in the Utility Allowances)

PRHFA will still require the preparation of the first annual recertification of all the units in the project. This certification process is identical to the initial certification. Owners must re-verify income of those tenants in set aside units who plan to remain in that unit for another lease term, or any portion thereof, and have a new Tenant Income Certification executed together with updated supporting documentation. The preparation of the Alternate Certification (PRHFA-08) is required for all the subsequent anniversary dates.

1. For Recertification purposes Management must:

    a. approximately 120 days before the lease expiration, notify the tenants in writing that re-certification is due and schedule an appointment for an interview;
    b. interview tenants to obtain current information on anticipated income, assets, and family composition for the ensuing certification year, and have tenants sign the necessary verification form(s) giving permission for release of the information requested;
    c. obtain third-party verification of the tenant's income;
    d. complete the Tenant Income Certification, have all adult household members sign and date where indicated; and
    e. sign and date the Tenant Income Certification where indicated.

2. Adding a New Tenant to a Resident Household

    The addition of new member(s) 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 existing household's tenant income certification. If the total income combined exceeds 140% of the income limit, the Available Rule is applied.

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 the remaining tenants were income qualified at the time they moved into the unit.

3. Interim Re-Certifications

Except when adding a new tenant to an existing household, the Authority does not require management to recertify a household due to a change in household composition or income before the annual recertification date in order to comply with LIHTC program rules. However, some LIHTC developments that also participate in other low income housing programs will have to recertify a household in order to comply with the other program's requirements.

4. Tax Credit Units Which Receive Federal Rental Assistance

In the case of a unit which receives rental assistance payments from a Federal agency, a change in household composition or income may require an interim recertification by the agency that is providing the assistance. Owners of these units should recertify tenants simultaneously with the annual recertification completed by the provider of the rental assistance payments.

Appendix C – Full Time Student Rule – Requirements to validate exemptions

A full time student household can be Tax Credit Program qualified if it meets one of the special exemptions afforded by Congress and included in Section 42. These exemptions are based on whether a specific full-time student in the household meets one of the exemptions or the entire household as a whole meets an exemption.

In order to validate the student eligibility the owners are required to obtain from the prospective tenant/tenant the following documentation:

	EXEPTION	REQUIRED DOCUMENTATION
1	Students are married and entitled to file a joint tax return.	Copy of a marriage license or the most recent tax return indicating joint filing.
2	The household consists of a single parent with child(ren) and the parent is not a dependent of someone else, and the child(ren) is/are not dependent(s) of someone other than a parent.	Evidence of the verification that the single parent is not claimed on anyone else's tax return by obtaining a copy of the most recent tax return and if all of the children are not claimed on that return, obtain the return from the applicable absent parent or parents or other documentation such as a custody papers reflecting the absent parent was given the right to claim the dependent deduction.
3	At least one member of the household receives assistance under Title IV of the Social Security Act (formerly Aid to Families with Dependent Children - AFDC), now known as Temporary Assistance for Needy Families (TANF).	TANF Certification from the Department of Family.
4	At least one member of the household participates in a program receiving assistance under the Job Training Partnership Act (JTPA) or other similar federal, state, or local laws.	Evidence of the verification of the student's enrollment in the JTPA program and be sure the program has the same missions as JTPA which means it helps individuals with serious barriers to entry into the workforce.
5	At least one member of the household was previously in foster care.	Certification from the Child Welfare Services, a state foster care agency, or a state transitional independent living program.

If the household does not meet any of the above or is unable to provide proof of the documentation described above, the full time student household will have to be denied occupancy in a Tax Credit Unit.

Please be advised that the Tax Credit Program requires the owners to verify student status at the time households initially move into the units. Also, the student status of all tenants shall be verified annually thereafter to ensure that the tenant is eligible under the full time student rule. If the household is not eligible under this rule, they are not qualified for the Tax Credit Program.

Appendix D – Elements of Annual Income

For the purpose of determining eligibility for occupancy in a restricted unit, the incomes of individuals must be determined in a manner consistent with the determination of annual income under Section 8 of the U.S. Housing Act of 1937, as amended. **Chapter 5 of HUD Handbook 4350.3 "Occupancy Requirements of Subsidized Multi-family Housing Programs"** describes the calculation methodology for income and assets and income inclusions and exclusions. A copy of the Handbook can be obtained at www.hud.gov/offices/adm/hudclips (select "handbooks", then "housing handbooks" (or successor URL). Frequently used portions of the HUD 4350.3 are as follows:

- Chapter 5 – Determining Income and Calgulation Rent
  - 5-6 Calculating Income – Elements of Annual Income
  - 5-6R Exclusions from Income
  - 5-7 Calculating Income from Assets
- Exhibit 5-1 Income Inclusions
- Exclusions & Exhibit 5-2 Assets

1. **Annual Income**

   Annual Income is the gross income the household anticipates it will receive in the 12-month period following the effective date of certification of income.

   There will be situations where it will be difficult to estimate income. For example, the tenant may work sporadically or seasonally. 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 before the certification of annual income. In such cases, owners are expected to make a reasonable judgment as to the most reliable approach to estimating what the tenant will receive in the coming year. Owners must use due diligence by asking follow-up questions when the income certification process reveals unusual circumstances suggesting additional sources of income."

A. Whose Income is Counted?

Household Members	Employment Income	Other Income (including income from assets)
Head	Yes	Yes
Spouse	Yes	Yes
Co-Head	Yes	Yes
Other adult (including foster adult)	Yes	Yes
Dependents		
-Child under 18	No	Yes
Full-time student over 18	See Note	Yes
Foster child under 18	No	Yes
Nonmember		
Live-in aide	No	No

For further details, see the HUD Handbook 4350.3 Rev.1 CHG-4.

B. Annual Income Includes

1. The gross amount (before any payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, bonuses, and other compensation for personal services of all adults in the household (including persons under the age of 18 who are the head, spouse or co-head). Includes salaries of adults received from a family-owned business.

2. The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

3. Interest, dividends and other income of any kind from real or personal property (including income distributed from a nonrevocable trust). Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income shall include the greater of the actual income derived from all net family asset or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.

4. Gross amount (before deductions for Medicare, etc.) of periodic social security payments. Includes payments received by adults on behalf of individuals under the age of 18 or by individuals under the age of 18 for their own support. **Note**: If the Social Security Administration is reducing an applicant's/tenant's benefits to adjust for a prior overpayment, count the amount that is actually provided after the adjustment.

5. The full amount of annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (e.g. Black Lung Sick Benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the surviving spouse of a service person killed in action).

   Count the total amount of such amounts received. Do not reduce the amount by any amounts the individual previously paid into the account in order to receive the pension, annuity or insurance policy.

6. Delayed periodic payments received because of delays in processing unemployment, welfare or other benefits. These are payments that would have been paid periodically, but were paid in lump sum because of circumstances such as processing delays.

   Note: Delayed periodic payments of supplemental security benefits and social security benefits that are received in a lump sum are excluded from annual income.

7. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay. Any payments that will begin during the next 12 months must be included.

8. Alimony and child support received by the household.

   a. For alimony or child support received by a member of the household count the amount specified by the court, in a divorce settlement or separation agreement unless the applicant:

      a. Certifies that the income is not being provided; and
      b. Has made reasonable efforts to collect the amounts due, including filing with courts or agencies responsible for enforcing payment.

   Note: Child support paid by a private source to the state child support enforcement agency can be passed on to the applicant/tenant in different ways. These amounts must be counted as annual income.

   Alimony or child support paid by a member of the household is not deducted from income, even if it is garnished from wages.

Example: Mr. Smith pays $200 per month in child support. It is garnished from his monthly wages of $1,000. After the child support is deducted from his salary, he receives $800. Mr. Smith's income must be counted as $1,000 per month.

9. Recurring monetary contributions or gifts regularly received from persons not living in the unit.

   Exceptions:

   a. Exclude recurring monetary contributions that are paid directly to a child care provider by persons not living in the unit.
   b. Exclude gifts of groceries.

10. Relocation payments made pursuant to Title II of the Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970.

11. Actual income distributed from trust funds that are not revocable by or under the control of any member of the tenant household.

12. All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided under Annual Income Excludes.

13. Welfare Assistance
    a. Welfare assistance received by the family.
    b. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:
    c. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities, plus
    b. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

14. Educational Scholarships or Grants

    All forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are excluded from annual income except for students receiving Section 8 assistance.** This is true whether the assistance is paid to the student or directly to the educational institution.

**For students receiving Section 8 assistance, all financial assistance a student receives (1) under the Higher Education Act of 1965, (2) from private sources, or (3) from an institution of higher education that is in excess of amounts received for tuition is included in annual income except if the student is over the age of 23 with dependent children or the student is living with his or her parents who are receiving Section 8 assistance.

C. Annual Income Excludes

1. Meals on wheels or other programs that provide food for the needy; groceries provided by persons not living in the household; amounts received under the School Lunch Act or the Child Nutrition Act of 1966 {including reduced lunches and food under Special Supplemental Food Program for Women, Infants and Children (WIC)}.
2. Income from employment of children (including foster children) under the age of 18 years.
3. Amounts paid by a State agency to a household 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 in the home.
4. Grants or other amounts received specifically for:
   a. Medical expenses (including Medicare premiums paid by an outside source).
   b. Set aside for use under a Plan to Attain Self Sufficiency (PASS) and excluded for purposes of Supplemental Security Income (SSI) eligibility.

      Note: A PASS permits a person with disabilities who is receiving Supplemental Social Security (SSI) and who is also receiving other income, to set aside a portion of the other income in order to achieve a work-related goal.

   c. Out-of-pocket expenses for participation in publicly assisted programs. Such amounts must be made solely to allow participation in these programs. These expenses include special equipment, clothing, transportation, childcare, etc.
5. Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household, co-head, and spouse).
6. Adoption assistance payments in excess of $480 per adopted child.
7. Loans (e.g., personal or student loans).
8. Temporary, nonrecurring or sporadic income (e.g., gifts, census taker income from the Federal Bureau of the Census).
9. Amounts received by the household in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.

10. The special pay to a household member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm).
11. Amounts received under training programs funded by HUD (Comprehensive Improvement Assistance Program).
12. Compensation from State or local employment training programs and training of a household member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for a limited period as determined in advance under the program by the state or local government.
13. A resident service stipend. A resident service stipend is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the project, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to; fire patrol, hall monitoring, lawn maintenance, or resident initiative coordination. No resident may receive more than one such stipend during the same period of time.
14. 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.
15. Deferred periodic payments of supplemental security income and social security benefits that are received in a lump sum payment.
16. Payments received for the care of foster children or foster adults. (Foster adults are usually adults with disabilities, who are unrelated to the household member(s), and who are unable to live alone.)
17. Income of a live-in aide, as defined in 24 CFR 5.403.
18. ~~Amounts that are~~ received on behalf of someone who does not reside with the ~~household, as long~~ as the amounts:
    a. Are not intermingled with the household member's funds; and
    b. Are used solely to benefit the person who does not reside with the tenant household.

    Note: For such amounts to be excluded, the individual must provide the owner with an affidavit stating that the amounts are received on behalf of someone who does not reside with the household and the amounts meet the conditions in paragraphs a. and b. above.
19. Recurring monetary contributions that are paid directly to a child care provider by persons not living in the unit. This exclusion is based on a handbook interpretation of reimbursed childcare expenses under the definition of adjusted income and its bearing on Annual Income. The regulations define childcare expenses to include "amounts to be paid by the family for child care to the extent they are not reimbursed." This handbook interprets the regulations to

mean that childcare expenses that are reimbursed are not included as annual income.

20. Income excluded by federal statute:
    a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977.
    b. Payments received under Domestic Volunteer Service Act of 1973 (employment through VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions).
    c. The following income:
        1. Interests of individual Indians in trust or restricted lands, and the first $2,000 per year of income received by individual Indians that is derived from trust or restricted lands.
        2. Payments received under Alaskan Native Claims Settlement Act received from a Native Corporation, including:
            a. Cash (~~including cash~~ dividends on stock received from a Native Corporation) to the extent that it does not, in the aggregate, exceed $2,000 per individual per annum;
            b. A partnership interest;
            c. Land or an interest in land (including land or an interest in land received from a Native Corporation as a dividend or distribution on stock); and
        3. Payments from certain submarginal U.S. land held in trust for certain Indian tribes.
        4. Payments from disposal of funds of Grand River Bank of Ottawa Indians.
        5. 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.
    d. Payments, rebates or credits received under Federal Low-Income Home Energy Assistance Programs. Includes any winter differentials given to elderly (e.g., Department of Health and Human Services Low-Income Home Energy Assistance Program).
    e. Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veteran's employment programs, state job training programs, career intern programs, AmeriCorps).

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

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

h. Payments received under the Maine Indian Claims Settlement Act of 1980 (Pub. L. 96-420, 9z Stat.1785).

i. Any earned income tax credit to the extent it exceeds income tax liability. (26 U.S.C. 32(j))

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).

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

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

m. 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 (42 U.S.C. 10602).

n. Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).

o. The value of any childcare 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 (CCDBGA) (42 U.S.C. 9858q). Participating families may either pay a reduced amount based on a sliding fee scale or they may receive a certificate for childcare services.

Note: This exclusion does not apply to amounts received by a childcare provider for services paid through the CCDBGA.

Examples:

The following is excluded from Annual Income. Ms. Gomez receives a certificate for childcare services under CCDBGA. The amount of the certificate is not included in Ms. Gomez' income.

The following is included in Annual Income. Ms. Anderson, a tenant who is receiving Section 8 assistance, is paid through the CCDBGA for childcare services she provides to Ms. Gomez. The income she receives for providing this childcare is included in annual income.

D. Assets

Assets are items of value, other than necessary personal items. Income from assets is taken into consideration when determining the eligibility of a household.

Asset information (asset value and income from the asset) must be obtained at the time of application. The applicant will affirm that this information is correct by executing the Tenant Income Certification.

Third party verification of assets is required when the household's combined value of assets exceeds $5,000. Owners of tax credit projects will not have to obtain third-party verification of income from assets if the tenant(s) submit Form PRHFA-06 stating that (under penalty of perjury) the value of their combined assets are less than $5,000. The tenant's income from net household assets that are less than $5,000 must still be included in the calculation of the annual income amount when initially qualifying a household and upon recertification.

1. **Net Household Assets Include:**

   a. Cash held in Savings and Checking Accounts, Safety Deposit Boxes, Homes, etc.

      1. For savings accounts, use the current balance.
      2. For checking accounts, use the average balance for the last six months. A six-month average balance is optimal, but other average balances can be used if the six-month average is unavailable.

   b. Revocable Trusts

      Include the cash value of any revocable trust available to the household.

   c. Equity in Real Estate or Other Capital Investments

      Include current **fair market value** less:

      a. any unpaid balance on any loans secured by the property; and

      b. reasonable costs that would be incurred in selling the asset (e.g., penalties or broker fees, etc.).

      c. When a household indicates they own real estate assets, it is important to determine disposition of the real estate as of the date of move-in, or in the case of a recertification, the effective date of the certification. This disposition includes:

         • If there is a pending offer to purchase or settlement date set.

         • If there is any income from the real estate from the rental of the property or land contract, including occupancy in exchange for the payment of taxes or mortgage payments .

Any income from the real estate or liquidation must be projected for the 12 month period of the certification.

Note: If the person's main business is real estate, then count any income as business income.

d. Stocks, Bonds, Treasury Bills, Certificates of Deposit, Mutual Funds, and Money Market Accounts

1. Interest or dividends earned are counted as income from assets even when the earnings are reinvested. The value of stocks and other assets vary from one day to another.

e. Individual Retirement Accounts (IRAs) and Keogh Accounts

These are included because participation in such retirement savings accounts is voluntary and the holder has access to the funds, even though a penalty may be assessed. If the individual is withdrawing from the account, determine the amount of the asset by using the average balance for the previous 6 months. (Do not count withdrawals as income.)

Example: Mrs. Caldwell has an IRA account valued at $25,000. When she turns 70 years old, she begins withdrawing $1,500 per year. Continue to include this account as an asset using the guidance in valuing assets. Do not count the $1,500 she withdraws as income.

f. Retirement and Pension Funds

1. While the person is employed:

Include only amounts the household can withdraw without retiring or terminating employment. Count the whole amount less any penalties or transaction costs.

2. At retirement or termination of employment:

Periodic receipts from pension and retirement funds are counted as income. Lump sum receipts from pension and retirement funds are counted as assets. Count the amount as an asset or as income as provided below:

a. If benefits will be received in a lump sum, include the lump sum receipt in Net Household Assets.

b. If benefits will be received through periodic payments, include the benefits in annual income. Do not count any remaining amounts in the account as an asset.

c. If the individual initially receives a lump sum benefit followed by periodic payments, count the lump sum benefit as an asset as provided

in the example below and treat the periodic payment as income. In subsequent years, count only the periodic payment as income. Do not count the remaining amount as an asset.

Example: Upon retirement, Mrs. Harvey receives a lump sum amount of $10,000 plus she will receive an annuity of $400 per month. Count the $400 as income and count only that portion of the $10,000 receipt that is placed into an asset.

g. Cash Value of Life Insurance Policies Available to the Individual Before Death (e.g., the surrender value of a whole life policy or a universal life policy). It would not include a value for term insurance, which has no cash value to the individual before death.

h. Personal Property Held as an Investment

Include such items as gems, jewelry, coin collections, or antique cars held as an investment. An applicant's wedding ring and other personal jewelry are not considered assets.

i. Lump Sum Receipts or One-Time Receipts

These include inheritances, capital gains, one-time lottery winnings, victim's restitution, settlements on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses), and any other amounts that are not intended as periodic payments.

j. A Mortgage or Deed of Trust Held by an Applicant (Land Contract)

1. Payments on this type of asset are often received as one combined payment of principle and interest with the interest portion counted as income from the asset.

2. This combined figure needs to be separated into specific principle and interest portions of the payment. (This can be done by referring to an amortization schedule that relates to the specific term and interest rate of the mortgage.)

3. To count the actual income for this asset, use the interest portion paid on the amortization schedule for the 12-month period following the certification.

4. To count the imputed income for this asset, determine the asset value at the end of the 12-month period following the certification. Since this amount will continually be reduced by the principle portion paid during the previous year, the owner will have to determine this amount at each annual recertification.

Example: Computation of Imputed Income: An elderly tenant sells her home and holds the mortgage for the buyer. The cash value of the

mortgage is $60,000. The combined payment of principle and interest expected to be received for the upcoming year is $5,000. The amortization schedule breaks that payment into $2,000 in principle and $3,000 in interest. In completing the asset income calculation, the cash value of the asset is $60,000 and projected annual income from the asset is $3,000. In this example, to compute the imputed income, the mortgage would be reduced to $58,000 after the first year. The owner would multiply this amount by the current passbook savings rate provided by the HUD Field Office.

k. Assets Disposed of for less than Fair Market Value within Two Years of the Effective date of the Certification/Recertification, including assets put into nonrevocable trusts.

1. Applicants and tenants must declare whether an asset has been disposed of for less than fair market value at each certification and recertification.

2. Assets are considered to be disposed of for less than fair market value if the cash value of the disposed asset exceeds the gross amount the applicant/tenant received by more than $1,000.

3. In such cases, the **whole** difference between the cash value of the asset and the amounts received must be included. If the difference is less than $1,000, ignore it.

   Note: Use cash value if there are costs incurred in disposing of the asset.

4. Do consider:

   a. Assets disposed of for less than fair market value when they are placed into a nonrevocable trust (assuming that no consideration is received or the consideration which is received is less than cash value).

      Note: Amounts received through settlements or judgments that are placed into nonrevocable trusts on behalf of a member of the household are not considered as assets disposed of for less than fair market value.

      Example: Mr. and Mrs. Long's son, John, was injured in a car accident. He received a settlement of $300,000 to compensate him for injuries and future loss of income. The attorney handling the case set up a nonrevocable trust of $300,000 for the benefit of John. This trust is not under the control of any member of the tenant household. Count only the actual income distributed from the trust to John.

   b. Business assets that are no longer part of active businesses that are disposed of for less than fair market value. (Business assets are excluded from net household assets only while they are part of an active business.)

5. Do not consider assets disposed of for less than fair market value as a result of:

   a. A foreclosure;

   b. Bankruptcy; or

   c. A divorce or separation agreement if the applicant or tenant receives important consideration not measurable in dollars.

2. **Net Household Assets Do Not Include:**

   Important: Do not compute income from any assets listed in this section.

a. Necessary personal property (clothing, furniture, cars, wedding ring, vehicles specially equipped for persons with disabilities, etc.)

b. Interest in Indian trust land

c. Term Life insurance policies (i.e., where there is not cash value)

d. Equity in the cooperative unit in which the household lives

e. Assets that are part of an active business. **Note**: "business" does not include rental of properties that are held as an investment and not a main occupation

   Example: Mr. and Mrs. Truitt own a copier and courier service. None of the equipment that they use in their business is counted as an asset (e.g., the copier, the FAX machines, the bicycles, etc.)

   Example: Mrs. Lincoln rents out the home that she and her husband lived in for 35 years. This home is not an active business asset. Therefore, it is considered an asset and the owner must determine the annual income that Mrs. Lincoln receives from it.

f. Assets That Are Not Effectively Owned By The Applicant

   Note: Nonrevocable trusts (irrevocable trusts) are not covered by this paragraph.

   When assets are held in an individual's name but:

   1. the assets and any income they earn accrue to the benefit of someone else who is not a member of the household; and

   2. that other person is responsible for income taxes incurred on income generated by the assets.

      Example: Assets held pursuant to a power of attorney because one party is not competent to manage the assets or assets held in a joint account solely to facilitate access to assets in the event of an emergency.

Example: Mr. Green and his daughter, Ms. Green, have a bank account with both names on the account. Ms. Green's name is on that account for the convenience of her father in case an emergency arises that would result in Ms. Green's handling payments for her father. Ms. Green has not contributed to this asset, does not receive interest income from it, nor does she pay taxes on the interest earned. Therefore, Ms. Green does not own this account. If Ms. Green applies for assisted housing, the owner must not count this account as her asset. This asset belongs to Mr. Green and would be counted entirely as the father's asset must he apply for assisted housing.

g. Assets that are not accessible to the applicant and provide no income to the applicant.

Example: A battered spouse owns a house with her husband. Because of the domestic situation, she receives no income from the asset and cannot convert the asset to cash.

3. Assets Owned Jointly

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

Example: Mrs. Robertson is a tax credit tenant. She and her daughter, Mrs. Duncan, who lives 1,200 miles away, have a joint savings account. Assume that in this example, State law does not specify ownership. Even though either Mrs. Robertson or Mrs. Duncan could withdraw the entire asset for her own use, count Mrs. Robertson's ownership as 50% of the account.

4. Determining the Value ~~of Assets~~

In determining income from assets, owners must use the cash value of the assets (the amount the applicant/tenant would receive if the assets were converted to cash). Cash value is the market value of the asset minus reasonable costs that were or would be incurred in selling or converting the asset to cash.

Expenses that may be deducted include:

- Penalties for withdrawing funds before maturity;
- Broker/legal fees assessed to sell or convert the asset to cash;
- Settlement costs for real estate transactions; and/or
- Loans on the asset (see exception in Net Income From a Business).

A. Assets Converted to Trusts

A trust is generally considered a legal arrangement regulated by state law in which one party holds property for the benefit of another. A trust can contain cash or other liquid assets or real or personal property that could be turned into cash. Trust assets are typically transferred to the beneficiary upon the death of the grantor. This manual recognizes two types of trusts, revocable and nonrevocable (irrevocable) trusts.

1. Revocable Trusts

a. The grantor of a revocable trust can change this type of trust as often as he or she wishes and therefore has access to this asset at any time. Therefore you include the cash value of any revocable trust available to the household.

Example of a Revocable Trust

Mr. Porter establishes a trust of $30,000 in his daughter's name. (The daughter is not a member of the household.) Because it is revocable, he can modify this trust at any time and have access to it. For purposes of this example, the income is either reinvested into the trust or paid to his daughter. Treat this trust as a current asset. Even though Mr. Porter does not receive the income from this asset, he is required to report the cash value of the asset and the income the trust generates. Because it is still considered to be an asset owned by Mr. Porter, it is not considered an asset disposed of for less than fair market value.

2. Nonrevocable Trusts (Irrevocable Trusts)

a. This is a trust agreement that allows an individual to permanently transfer assets during his or her lifetime to someone else.

b. Trusts, which are not revocable by or under the control of any member of the household, are not considered assets.

c. Instead, the regulation requires that the actual income distributed to the applicant/tenant from such a trust be counted when determining Annual Income. (As with all income, this is the gross amount received before taxes or other deductions.)

- As long as the trust exists, any income distributed from the trust to the applicant/tenant must be counted as income.
- If there is no income distributed from the trust, then do not count any income from the trust (e.g., income from the trust that is reinvested into the trust).

d. If an asset is disposed of for less than fair market value by being converted to a nonrevocable trust, assuming that no consideration is received or the consideration which is received is less than fair market value, then the owner must count such an asset for a period of two years. (See Assets disposed of for less than fair market value.)

- In addition, any actual income distributed from the nonrevocable trust must also be counted as income under paragraph c) above. Therefore, for a two-year period, the owner/agent will consider this asset for purpose of income computation and, in addition, count actual income distributed from the nonrevocable trust to the applicant/tenant.
- Following the two-year period, the owner will count only the actual income distributed from the trust to the applicant/tenant.

5. Imputed Income from Assets

If the net household assets exceed $5,000, Annual Income must include the greater of:

a. The actual income from the assets; or

b. Imputed income from the assets. (Impute income by multiplying total net household assets by the passbook rate specified by HUD 2%.)

Example:

Type of Asset	Cash Value of Asset	Actual Income Per Year
Checking Account	$ 550.00	$ -
Savings Account	$ 3,000.00	$ 300.00
Certificate of Deposit	$ 12,000.00	$ 480.00
Property	$ 32,000.00	$ -
Totals:	$ 47,550.00	$ 780.00

Since the total assets in this example exceed $5,000, the imputed income must be calculated. In this example, the Net Household Assets of $47,550 would be multiplied by .02, totaling $951. The actual income from assets ($780) would be compared with the imputed income from assets ($951) and include the greater of the two as part of the household's gross annual income. In this case the imputed amount of $951 is included in the household's income.

FORMS & INSTRUCTIONS

OWNER'S CERTIFICATE OF CONTINUING PROGRAM COMPLIANCE

To: Puerto Rico Housing Finance Authority P.O. Box 71361, San Juan, PR 00936-8461

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

☐ No buildings have been Placed in Service

☐ At least one building has been placed in service but owner elects to begin credit period in the following year.

If either of the above applies, please check the appropriate box, and procees to page 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 - 50 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©(1)(B) of the Code) for any building in the project:

☐ NO CHANGE ☐ CHANGE

If "Change", the applicable fraction to be reported to the IRS for <u>each building</u> in the project for the certification year on page 3:

3- The owner has received an annual Tenant Income Certification from each low-income resident and documentation to support that certification, or the owner has a re-certification waiver letter from the IRS in good standing, has received an annual Tenant Income Certification from each low-income resident, and documentation to support the certification at their initial occupancy.

☐ YES ☐ NO

4- Each low-income unit in the project has been rent-restricted under Section 42(g)(2) of the Code:

☐ YES ☐ NO

5- All low-income units in the project has been for use by the general public and used on non-transient basis (exept for transitional housing for the homless provided under Section 42(I)(3)(B)(iii) of the Code):

☐ NO ☐ HOMELESS

☐ YES

6- No finding of discrimination under the Fair Houisng 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 equivalent state or local fair housing agency, 42U.S.C. 3616a(a)(1), or an adverse judgement from a federal court:

☐ NO FINDING ☐ FINDING

7- Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes(or other hability 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", status nature of violation on page 3 and attach a copy of the violation report as required by 26 CFR 1.42-5 and any documentation of correction.

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

☐ NO CHANGE ☐ CHANGE

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

9- All tenat 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 attemps 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 not having a qualifying income:
☐ YES ☐ NO

11- If the income of tenats of a low-income unit any building increased above the limit allowed in Section 42(g)(2)(D)(ii) of the Code, the next available unit of comparable or smaller size in that building was or will be rented to residents having a qualifying income:
☐ YES ☐ NO

12- An extended low-income housing commitment as described in Section 42(h)(6) was in effect, including the requirement under section 42(h)(6)(B)(iv) that an owner cannot refuse to lease a unit in the project to an applicant because the applicant holds a vouchers or certificate of eligibility under Section 8 of the United State Housing Act of 1937, 42 U.S.C. 1437s. Owner has not refused to lease a unit to an applicant based solely o 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 building 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 organization" 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 Setcion 469(h) of the Code.
☐ YES ☐ NO ☐ N/A

14- The owner has complied with Section 42 (h)(6)(E)(ii)(I) and not evicted or terminated the tenancy of an existing tenant of any low-income unit other than for good cause:
☐ YES ☐ NO ☐ N/A

15- The owner has complied with Section 42(h)(6)(E)(ii)(II) and not increased the gross rent above the maximum allowed under Section 42 with respect to any low-income unit:
☐ YES ☐ NO ☐ N/A

16- There has been no change in the ownership or management of the project:
☐ NO CHANGE ☐ CHANGE
If " change", complete page 3 detailing the changes in ownership or management of the project.

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

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

_____
(Ownership Entity)

By: _____

Title: _____ Date: _____

STATE OF PUERTO RICO)
)ss.
County of _____)

The foregoing instrument was acknowledged before me this _____ day of _____, 20____ by _____

My Commission expires _____ _____
Notary Public

(SEAL)

PLEASE EXPLAIN ANY ITEMS THAT WERE ANSWERED "NO", "CHANGE" OR "FINDING" ON QUESTION 1-16

QUESTIONS #	Explanation

CHANGE IN OWNERSHIP OR MANAGEMENT

(to be completed ONLY if "CHANGE" marked for question 16 above)

TRANSFER OF OWNERSHIP

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

CHANGE IN OWNER CONTACT

Date of change:	
Owner contact:	
Owner contact Phone:	
Owner Contact Phone Fax:	
Owner Contact email:	

CHANGE IN MANAGEMENT CONTACT

Date of change:	
Management Co. Name	
Management Co. Address:	
Management city, state, zip:	
Management Contact:	
Management Contact Phone:	
Management Contact Fax:	
Management Contact email:	

OWNER'S CERTIFICATE OF COMPLIANCE DURING EXTENDED USE PERIOD

To: Puerto Rico Housing Finance Authority P.O. Box 71361, San Juan, PR 00936-8461

Certification Dates:	From: January 1, 20____	To: December 31, 20____	
Project Name:		Project No. :	
Project Address:		City:	Zip:
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 50% or 60%, as irrevocably elected by the owner at the time of allocation, or less of the area median gross income (including adjustmens for familiy size) as determined in accordance with Section 42 of the internal Revenue Code (Code).

☐ YES ☐ NO

If "No", list the applicable fraction for each building in the project for the certification year on page 3.

2- The owner hs received an initial Tenant Income Certification from each low-income resident and documentation to support that certification, and if the property contains both low-income and market uits, the owner has also received an annual Tenant Income Certification from each low-income resident:

☐ YES ☐ NO

3- Each low-income unit in the project has met the required rent restriction(s):

☐ YES ☐ NO

4- Each low-income units in the project are and have been for use bye the general public:

☐ 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 permited under Section 42.

☐ YES ☐ NO

6- No finding of discrimination under the Fair Houisng 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 equivalent state or local fair housing agency, 42U.S.C. 3616a(a)(1), or an adverse judgement from a federal court:

☐ NO FINDING ☐ FINDING

7- Each building in the project is and has been suitable for occupancy, taking into account local health, safety, and building codes (or other hability 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", status nature of violation on page 3 and attach a copy of the violation report and any documentation of correction.

8- All tenant facilities included in the elibible basis under Section 42(d) of the Code of any building in the project, suche as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis to all tenants in the buildings:

☐ YES ☐ NO

9- If a low- income unit in the project has been vacant during the year, reasonable attemps were or are being made to rent that unit to tenants having a qualifying income before any units were or will be rented not having a qualifying income:

☐ YES ☐ NO

10- If the income of tenats of a low-income unit any building increased above 140% of the applicable income limit, the next available unit in the building was or will be rented to residents having a qualifying income:

☐ YES ☐ NO

11- An extended low-income housing commitment as described in IRC 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 vouchers or certificate of eligibility under Section 8 of the United State Housing Act of 1937, 42 U.S.C. 1437s.

☐ YES ☐ NO

12- 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 outline in the extended low-income housing commitment.

☐ YES ☐ NO

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 496(h) of the Code (Note: *answer N/A if allocation was NOT received from non-profit set-aside).*

☐ YES ☐ NO

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

☐ NO CHANGE ☐ CHANGE

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

Note: **Failure to complete this form in its entirety will resuslt in noncompliance with program requirements. An owner or general partner of the projects is required to sign this form.**

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

_____

By: _____

Title: _____

Date: _____

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

QUESTIONS #	Explanation

CHANGE IN OWNERSHIP OR MANAGEMENT

(to be completed ONLY if "CHANGE" marked for question 15 above)

TRANSFER OF OWNERSHIP

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

CHANGE IN OWNER CONTACT

Date of change:	
Owner contact:	
Owner contact Phone:	
Owner Contact Phone Fax:	
Owner Contact email:	

CHANGE IN MANAGEMENT CONTACT

Date of change:	
Management Co. Name	
Management Co. Address:	
Management city, state, zip:	
Management Contact:	
Management Contact Phone:	
Management Contact Fax:	
Management Contact email:	

HUD LIHTC Tenant Data Collection Form

HUD LIHTC Tenant Data Collection Form

☐ Initial Certification ☐ Recertification ☐ Other ----------

Effective Date _____
Move-in Date _____
MM/DD/YYYY

PART I- DEVELOPMENT DATA

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

PART II - HOUSEHOLD COMPOSITION

HH Mbr #	First Name Middle Initial & Last Name	Relationship to Head of Household	Race	Ethnicity	Disabled?	Date of Birth MM/DD/YY	F/T Student (Y or N)	Digits Social Sec #
1								
2								
3								
4								
5								
6								
7								

PART III-GROSS ANNUAL INCOME (USE ANNUAL AMOUNT)

HH-Mbr #	(A) Employment or Wages	(B) Social Security/ Pensions	(C) Public Assistance	(D) Other Income
Total	$ -	$ -	$ -	$ -
Add totals from (A) through (D), above			TOTAL INCOME (E)	$ -

PART IV-INCOME FROM ASSETS

HH-Mbr #	(F) Type of Asset	(G) C/I	(H) Cash Value of Asset	(I) Annual Income from Asset
Total				
		Total :	$ -	$ -
Column (H) if over $ 5,000	$ -	X 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)]				$ -

Effective Date of Income Certification: _____
Household Size at Certification: _____

HOUSEHOLD CERTIFICATION SIGNATURES

The information on this form will be used to determine maximum income elegibility. 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 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 perjurie, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowlegde and belief. The undersined further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

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

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

PART V-DETERMINATION OF INCOME ELIGIBILITY

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

Household meets Income Restriction at:
☐ 60 % ☐ 50 %
☐ 40 % ☐ 30 %
☐ _____

RECERTIFICATION ONLY:
Current Income Limits X 140% : $ _____
Household Income exceeds X 140 % Recertification:
☐ Yes ☐ No

Current Income Limit per Family Size: $ _____

Household Size at Move-in: _____

Household Income at move-in: $ _____

PART VI-RENT

Tenant Paid Rent : $ _____
Utility Allowance: $ _____

Rent Assistance: $ _____
Other non-optional charges: $ _____

GROSS RENT PER UNIT:
(Tenant paid rent plus utility Allowance & other non-optional charges) $ ☐

Unit Meets Rent Restriction at:
☐ 60 % ☐ 50 % ☐ 40 % ☐ 30 % ☐ _____ %

Maximum Rent Limit for this unit: $ _____

PART VII-STUDENT STATUS

ARE ALL OCCUPANT FULL TIME STUDENT ?
☐ Yes ☐ No

If yes, Enter student explanation * (Also attach document)
Enter 1 - 5

* Student Explanation:
1. TANF assistance
2. Job Training Program
3. Single parent/dependant child
4. Married/joint return
5. Previous Foster Care

PART VIII- PROGRAM TYPE

Mark the program(s) listed below (a. through e.) for which this household's unit will be counted toward the property's occupancy requirements. Under each program marked, indicate the household's income status as established by this

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

**Upon recertification, household was determined over-income (OI) according to eligibility requirements of the program(s) marked above.

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 a unit in this project.

_____ _____
SIGNATURE OF OWNER/REPRESENTATIVE DATE

TENANT INCOME CERTIFICATION INSTRUCTIONS

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, acquisition/rehab, or other state-required recertification).

Effective Date: Enter the effective date of the certification. Enter dates in the following format: **YYYY-MM-DD**
*__Move-in__ - date should match the date the household took occupancy of the unit.
*__Annual Certification__ - this date should be NO LATER than one year from the effective date of the certification previously completed.
*__Transfer__ – list the date the household took occupancy of the new unit.
*__Acquisition/Rehab__ - list the date of acquisition for households in place prior to the allocation of credit, after income-testing has been performed (within 120 days from the date of acquisition).

Move-in Date: Enter the date (**YYYY-MM-DD**) the household has or will take occupancy of the unit.

Property Name: Enter the name of the development.

County: Enter the county 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 (SRO, Studio, 1, 2, 3, etc).

Part II - Household Composition

Name: List the full last name, first name, and middle initial of all occupants of the unit.

Relationship to Head of Household: Enter 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 (or Adult)*
L – Live-in Caretaker**	N – None of the Above	

*** Live-in caretakers, foster children (or adults), and guests are NOT to be considered to determine family size for income limits.**
Live-in caretakers do **NOT sign/date this certification.

Race*: Enter each household member's race by using at least one of the following coded definitions:

1 – White	2 – Black/African American	3 – American Indian/Alaska Native
4 – Asian	5 – Native Hawaiian/Other Pacific Islander	ND – Not Disclosed/Missing

*More than one racial code can be entered for each household member if he/she chooses to disclose, by entering multiple numbers for the applicable codes. For example, if a resident chooses to disclose that he/she is White and Asian, the owner/agent would enter "1,4" in the corresponding "Race" column.

Ethnicity: Enter each household member's ethnicity by using one of the following coded definitions:

1 – Hispanic or Latino	2 – Not Hispanic or Latino	ND – Not Disclosed/Missing

TENANT INCOME CERTIFICATION
INSTRUCTIONS

Disabled?: Enter "Yes" if any member of the household is disabled according to the Fair Housing Act's definition.
Enter "No" if none of the household members are disabled.
Enter "ND" if the household member did not disclose or the information was missing.

Per the Fair Housing Act, the definition of disabled is:

- A physical or mental impairment which substantially limits one or more major life activities; a record of such an impairment; or being regarded as having such an impairment. For a definition of "physical or mental impairment" and other terms used in this definition, please see 24 CFR 100.201, available at: http://www.fairhousing.com/index.cfm?method=page.display&pagename=regs_fhr_100-201

- "Handicap" does not include current, illegal use of or addiction to a controlled substance.
- An individual shall not be considered to have a handicap solely because that individual is a transvestite.

The housing credit agency administering its low-income housing credit program must, to the best of its ability, provide this disability status information, pursuant to 42 U.S.C. 1437z-8. However, it is the tenant's voluntary choice whether to provide such information, and questions to the tenant requesting the information must so state. If the tenant declines to provide the information, the housing credit agency shall use its best efforts to provide the information, such as by noting the appearance of a physical disability that is readily apparent and obvious, or by relying on a past year's information. For purposes of gathering this information, no questions with respect to the nature or severity of the disability are appropriate.

Date of Birth: Enter each household member's date of birth. For example, "**1978-06-24**" would be entered for June 24, 1978.

Student Status: Enter "**Yes**" if the household member is a full-time student.
Enter "**No**" if the household member is not a full-time student.

Last Four Digits of
Social Security Number: **For each tenant over 18 years of age**, enter the last four digits of the SS# or the last four digits of the alien registration number.

*If **the tenant does not have a SS# or alien registration number** - enter the numerical birth month and last two digits of birth year (e.g. if no SS# or alien registration number, and the tenant's birthday is January 1, 1970, enter "0170").
*If **DOB is missing** - enter the last four digits of the Building Identification Number (BIN) (e.g. if no DOB, and the BIN is OR97-12332, enter "2332").

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 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.

Line (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.

TENANT INCOME CERTIFICATION
INSTRUCTIONS

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, CD, Money Market, etc.)

Column (G): Enter C (for Current) - if the family currently owns or holds the asset, or
Enter 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 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.

Box (K): Enter the greater of the total in Column (I) or (J).

Box (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 HUD LIHTC Tenant Data Collection Form (also referred to as the Tenant Income Certification, or TIC). **Move-in certifications should be signed no earlier than 10 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 maximum move-in income limit for the household size.

Household Meets Income Restriction at: Check the appropriate box for the income restriction that the household meets according to what is required by the set-aside for the building (or project).

For Annual Recertifications Only

Household Income at Move-in: Enter the total household income from all sources from box (L) on the move-in certification.

Household Size at Move-in: Enter the total number of household members that were listed on the move-in certification.

Current Income Limit x 140%: 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, the Available Unit Rule must be followed.

Part VI - Rent

Tenant Paid Rent (TP): 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. *Rental assistance received for households in LIHTC units is **excluded** from GROSS RENT, **unless the unit is HOME-assisted.**
Utility Allowance (UA):	Enter the utility allowance. If the owner pays all utilities, enter zero.
Other Non-Optional Charges:	Enter the amount of non-optional charges, such as mandatory garage rent, storage lockers, charges for services provided by the development, etc.
Gross Rent for Unit:	Enter the total of Tenant Paid Rent (TP) + Utility Allowance UA) + Other Non-Optional Charges. ***Include rental assistance received if the unit is HOME-assisted.**
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 for the building (or 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.

***Full time status is determined by the educational institution attended by the student.**

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, Affordable Housing Disposition Program (AHDP) or other housing program, leave those sections blank.

Tax Credit:	Mark the appropriate box indicating the household's designation. If the property does not have any occupancy requirement in addition to those required by Section 42, mark the box that corresponds to the building's minimum set aside. Upon recertification, if the household's income exceeds 140% of the current income limitation imposed by Section 42, mark "OI" (for over-income).
HOME:	If the property participates in the HOME program and the unit this household will occupy will count towards the HOME program set asides, mark the appropriate box indicting the household's designation.
Tax Exempt:	If the property participates in the Tax Exempt Bond program, mark the appropriate box indicating the household's designation.
AHDP:	If the property participates in the Affordable Housing Disposition Program (AHDP) program, and this household's unit will count towards the set-aside requirements, select the appropriate box to indicate if the household is a "VLI" (very low-income), "LI" (low-income), or "OI"* (over-income, at recertification) household.
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). Documenting and determining eligibility (including completing and signing the Tenant Income Certification), and

ensuring such documentation is safely and securely maintained in the tenant file, is extremely important and should be conducted by someone well trained in 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.

PUBLIC BURDEN STATEMENT

Public reporting burden for this collection of information is estimated to average 4 hours for each response. This includes the time for collecting, reviewing, and reporting the data. The information will be used to measure the number of units of housing financed with the Low-Income Housing Tax Credit (LIHTC) that are produced each year. The information will also be used to analyze the characteristics of these housing units, and will be released to the public.

EMPLOYMENT VERIFICATION

THIS SECTION TO BE COMPLETED BY MANAGEMENT AND EXECUTED BY APPLICANT/RESIDENT

The property owner/managing agent must mail, fax or e-mail this form directly to the applicant/resident's employer.

To: _____ From: _____

Fax #: _____ Fax #: _____

E-Mail: _____ E-Mail: _____

Re: _____ _____ XXX-XX-_____

Printed Name of Applicant/Resident | Unit # (if assigned) | Last Four Digits of SS#

I hereby authorize the release of my employment information.

_____ _____

Signature of Applicant/Resident | Date of Signature

THIS SECTION TO BE COMPLETED BY EMPLOYER

The above-named individual has applied for, or is currently residing in, rental housing in a community that was developed under Section 42 of the Internal Revenue Code. Provisions of the Code require verification of all income received. The information you provide will remain confidential and only be used for the purpose of determining program eligibility. Please return the completed form to the Owner/Agent listed above. For items that do not apply to this employee, Insert "N/A" on the space(s) provided.

Employee Name: _____ Job Title: _____

Present Employed: ☐ Yes Hire Date: _____ ☐ No Last Date of Employment: _____

Current GROSS Wages/Salary: $ _____ Average # of Regular hours worked per week: $ _____

From / / to / /

GROSS Year-To-Date Earnings: _____ _____ _____

Frequency of Pay (check one): ☐ Hourly ☐ Weekly ☐ Bi-weekly ☐ Semi-monthly ☐ Monthly ☐ Yearly ☐ Other

Average # of Overtime hours worked per week: _____ Overtime Rate: $ _____ Per hour

Average # of Shift Differential Hours/Week: _____ Shift Differential Rate: $ _____ Per hour

Commissions, bonuses, tips, other: $ _____ Are these earnings included in the YTD figure listed above? Yes ☐ No ☐

Commissions, bonuses, tips, other: ☐ Hourly ☐ Weekly ☐ Bi-weekly ☐ Semi-monthly ☐ Monthly ☐ Yearly ☐ Other

Effective date:

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

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

Does the employee participate in a 401K/Retirement account? ☐ Yes ☐ No Employee can access the account? ☐ Yes ☐ No

If the account can be accessed, how much can the employee withdraw without retiring or losing employment? $ _____

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

_____ _____ _____

Printed Name of Verifier | Signature of Verifier | Date of Signature

_____ _____ _____

Title of Verifier | Phone Number | Fax Number

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

VERIFICATION OF STUDENT STATUS / FINANCIAL ASSISTANCE

THIS SECTION COMPLETED BY MANAGEMENT AND EXECUTED BY STUDENT

This student verification is being delivered in connection with the undersigned's eligibility for residency in the following community:

Project Name: _____ Unit Number (if assigned): _____

Building Address: _____

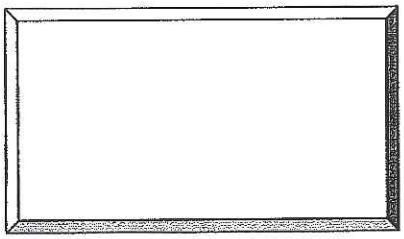
I hereby grant disclosure of the information requested below from _____
Name of Educational Institution

_____
Student Signature

_____
Printed Name of Student

_____ _____
Date Student ID#

Return Form to:



THIS SECTION TO BE COMPLETED BY EDUCATIONAL INSTITUTION

This above-named individual has applied for residency or is currently residing in housing that requires verification of student status and any educational assistance he/she is receiving. Please provide the information requested below:

Is (or was) the above-named individual a student at this educational institution? ☐ YES ☐ NO

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

Date the student enrolled as such: _____ **Expected date of graduation:** _____

Please enter the amount(s) of Financial Aid (i.e. grants, scholarships, stipends, other public and private sources, etc.) being received to attend school below, *excluding student loans.*

	Source(s)	Awarded Amount	Beginning Date	Ending Date
Scholarships	_____	$ _____	_____	_____
Grants	_____	$ _____	_____	_____
Other	_____	$ _____	_____	_____
Tuition*	_____	$ _____	_____	_____

*(*Do not include amounts awarded for books, housing, or other living expenses unless they are defined by the institution as "tuition".)*

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

Signature: _____ Date: _____

Print your name: _____ Phone: _____

Title: _____

Educational Institution: _____

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

UNEMPLOYED AND/OR ZERO INCOME CERTIFICATION

To this form is to be completed by the Applicant/Tenant.
Source documentation must be obtained for all unearned income receive.

Project Name:_____ Unit # _____

Applicant/Tenant Name: _____ # of Months Unemployed: _____

Most Recent Employment Termination Date (if applicable): _____

CHECK ALL THAT APPLY:

( ) I am currently unemployed and receive unemployment benefits. My weekly benefit amount is: $_____

( ) I am currently unemployed and DO NOT receive unemployment benefits.
(Attach an employment history printout for the past 12 months from the Employment Division.)

( ) I am currently unemployed, DO NOT receive unemployment benefits, but DO receive unearned Income (i.e. SS, TANF, Disability). List unearned income source(s): _____

( ) I DO NOT anticipate securing employment within the next 12 months. Please explain: _____

_____

The following sources of funds will be used to pay for my rent and other necessities: _____

_____

( ) I anticipate securing employment within the next 12 months. Occupation desired: _____

Has new employment been secured? ( ) No ( ) Yes, my new employment will being on: _____

I anticipate earning the following annual income in the next 12 months: $ _____

The anticipated employment income listed is based on earnings from my previous employment. ( ) No ( ) Yes

( ) I have ZERO income and hereby certify to the following:

1. I do NOT currently (or expect to) receive income from any of the following sources:
   a) Wages from employment (including commissions, tips, bonuses, fees, etc.);
   b) Income for operation of a business;
   c) Rental income from real or personal property;
   d) Interest or dividends from assets;
   e) Social Security payments, annuities, insurance policies, retirement funds, pensions,or death benefits;
   f) Unemployment or disability payments;
   g) Public assistance payments;
   h) Periodic income such as alimony, child support, or gifts received from persons not living in my household;
   i) Sales from self-employed resources (Avon, Mary Kay, Shaklee, etc.);
   j) Financial Assistance awarded or provided while attending college;
   k) Any other source not named above.
2. No other party pays for items (such as rent, household goods, etc.) on my behalf.
3. 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.
4. I will use the following sources of funds to pay for rent and other necessities: _____

_____

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

_____	_____	_____
Signature of Applicant/Tenant	Printed Name of Applicant/Tenant	Date

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

UNDER $ 5,000 ASSET CERTIFICATION

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

Household Name: _____ Unit No. _____

Development Nam _____ City: _____

1. My/our assets include:

(A) Cash Value*	(B) Int. Rate	(A*B) Annual Income	Source	(A) Cash Value	(B) Int.Rate	(A*B) Annual Income	Source
$		$	Saving Account	$		$	Checking account
$		$	Cash on hand	$		$	Safety Deposit Box
$		$	Certificates of deposi	$		$	Money Market funds
$		$	Stocks	$		$	Bonds
$		$	IRA Accounts	$		$	401K Accounts
$		$	Keogh Accounts	$		$	Trust Funds
$		$	Equity in Real Estate	$		$	Land Contract
$		$	Lump Sum Receipts	$		$	Capital Investment
$		$	Life Insurance Policies (excluding Term)				
$		$	Other Retirement/Pension Funds not named above:				
$		$	Personal property held as an investment**:				
$		$	Other (list):				

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

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

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

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

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

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

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

Applicant/Tenant	Date	Applicant/Tenant	Date
Applicant/Tenant	Date	Applicant/Tenant	Date

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.

INCOME VERIFICATION
FOR TENANTS WITH SECTION 8 CERTIFICATES OF VOUCHER

TO: FROM:

_____ _____

_____ _____

_____ _____

_____ has applied for residensy in/is a resident of unit _____ of _____, a low Income Housing Tax Credit development. As part of our processing, we must obtain verification of household anticipated gross annual income.

Number occupants: _____ Number bedrooms: _____

☐ Move in ☐ Re-certification

Permission by: _____ _____

(Applicant Signature) (Date)

Under Section 42(g) of the Internal Revenue Service (as amended) and the Low Income Housing Tax Credit Program, the anticipated gross annual household income for the above reference household cannot exceed $_____, the applicable income limit for this unit. The applicant has reported an anticipated annual household income $_____.

Please complete the section below and return this from in the enclosed self-addressed, stamped envelope or fax it back to my office at _____. Thank you in advance for your prompt attention.

Sincerely, _____

Apartment Manager

The following is to be completed by the public housing authority:

The combined anticipated gross annual household income of the tenants in the above reference unit does not exceed the applicable income limit under section 42(g) of the internal Revenue Code, as amended.

Anticipated Gross Annual Income stated above _____ agress/ _____ Does not agree with our record.

_____ _____ _____

(Signature) (Date) (Phone #)

_____ _____

(Printed Name) (Title)

The Low Income Housing Tax Credit Program is a Federal low-income rental housing program governed by the Internal Revenue Service. Section 42 of the Internal Revenue Code requires owners to determine annually the income eligibility of all tenants occupying tax credit units.

PUERTO RICO HOUSING FINANCE AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
ALTERNATE CERTIFICATION

**** To be used only by 100% Tax Credit and Bond Projects ****

Property: Unit Number:

Move-in Date: Effective Date:

I. HOUSEHOLD COMPOSITION

List all occupants of the unit and indicate if full-time student:

Occupant (s)	Birth date	Full Time Student (Y/N)
		-
		-
		-
		-
		-
		-

Are any of the above Adult occupants original members of the household? Yes ☐ No ☐

Date additional member was added to the household composition:

Total household income combined exceeds 140% Yes ☐ No ☐

% Set Aside: Gross Household Income: Current Income Limits:

II. RENT

Tenant Paid Rent: Utility Allowance: Gross Rent:

Rent Assistance: Gross Rent Limit for this unit: Last Rent Change Date:

III. FULL TIME STUDENTS EXCEPTIONS

Answer only if all members are full-time students: (Definition of student: Anyone who has been or will be a full-time student at an educational institution with regular facilities and students during 5 months of the year this Certification is completed.)

If yes, are the students married and filing a joint tax return?	Yes ☐ No ☐
If yes, does the household receive Temporary Assistance to Needy Families (TANF)?	Yes ☐ No ☐
If yes, is the household comprised of a single parent & child(ren) none of whom are dependents of a third party?	Yes ☐ No ☐
If yes, are the students enrolled in a job training program under the Job Training Partnership Act?	Yes ☐ No ☐
Full-time student formerly in foster care.	Yes ☐ No ☐

Certification Effective Date:

HOUSEHOLD QUESTIONNAIRE

Household certifying for the following Program(s):

- ☐ Move-in _____
- ☐ Initial Cert _____
- ☐ Recertification _____
- ☐ Add a Member _____
- ☐ Section 8
- ☐ Housing Tax Credit
- ☐ HOME
- ☐ Section 236
- ☐ Other _____

Date & Time Rec'd: _____

Rent Amount $ _____

Property Name _____ Bldg/Unit # _____

HOUSEHOLD COMPOSITION

Applicants/residents, complete this application in your own handwriting. List all persons who will be living in the unit. Give the relationship of each family member to the head of household. If this eligibility application is being completed by an applicant who is applying for occupancy with an existing household, only include the information for the new applicant.

Each household member age 18 years or older and under age 18 if head, spouse, or co-head of household must disclose income and assets and sign and date this application. All Housing Tax Credit Program households must also complete an Annual Student Certification.

	HOUSEHOLD MEMBER'S NAME	RELATIONSHIP	DATE OF BIRTH	HAS/WILL THIS PERSON BE A STUDENT *DURING THIS AND/OR THE UPCOMING CALENDAR YEAR? YES/NO	SOCIAL SECURITY NUMBER
1		**HEAD**			
2					
3					
4					
5					
6					
7					
8					

* Include public and private elementary, junior & senior high, college, university, technical, trade, and mechanical schools. Do not include on-the-job training courses.

HOUSEHOLD INCOME

List current and anticipated income for the twelve-month period beginning on the anticipated move-in date or effective date of recertification. **Include all full time, part time or seasonal income even if completing this application in the off-season.**

DOES ANY MEMBER RECEIVE OR EXPECT TO RECEIVE

(Check **Yes** or **NO** to each item, as applicable, and include gross monthly amount. List sources on page 2):

YES	NO		Gross Monthly Amount
		1. Wages, salaries (include overtime, tips, bonuses, commissions, etc.)	$
		2. Does any member work for someone who pays them in cash or is self-employed	$
		3. Regular pay for a member of the armed forces	$
		4. Public Assistance (MFIP,GA)	$
		5. Worker's compensation	$
		6. Unemployment benefits or severance pay	$
		7. Student financial assistance (public or private, not including student loans)	$
		8. Child support (check yes if you have a court order, even if you are not receiving the full amount awarded)	$
		9. Alimony/ Spousal Maintenance	$
		10. Social Security income (including unearned income of minor children)	$
		11. Disability benefits including social security disability	$
		12. Regular payments from pensions (PERA, railroad, etc.)	$
		13. Regular payments from retirement benefits	$

YES	NO		
		14. Death Benefits	$
		15. Regular payments from annuities or life insurance dividends	$
		16. Regular payments from inheritance, insurance settlement, lottery winnings, etc.	$
		17. Net income from rental property	$
		18. Regular cash and non-cash contributions, assistance with paying bills or gifts from individuals not Living in the unit (not including groceries)	$
		19. Other (list) _____	$
		20. Other (list) _____	$

HOUSEHOLD ASSETS

DOES ANY HOUSEHOLD MEMBER (INCLUDING CHILDREN) HAVE MONEY HELD IN:

YES	NO		CURRENT BALANCE
		21. Checking Accounts (6 months average balance)	$
		22. Saving Accounts	$
		23. Stocks	$
		24. Capital Investments	$
		25. Bonds	$
		26. Trusts*	$
		27. Securities	$
		28. Whole or Universal Life Insurance Policy (do not include term life insurance)	$
		29. 401K*	
		30. IRA/KEOGH Accounts	
		31. Certificates of Deposit	
		32. Pension/Retirement/Annuity accounts	
		33. Money Market Funds	$
		34. Treasury Bills	$
		35. Safety Deposit Box	$
		36. Lump Sum Payment (i.e., inheritance, insurance settlement, lottery winnings, capital gains)	$
		37. Are any accounts held jointly with someone not in the unit? Which account and with whom?	$
		38. Other _____	$

*Include Trusts, 401K, etc., only if the accounts are accessible to the household prior to termination of employment, retirement, or death. If you are unsure, list the account and it will be verified.

YES	NO		Value
		39. Do you now own a home or other real estate? If yes, list address(es):	$
		40. Do you receive payments for a home you sold by contract for deed?	$
		41. Do you have any coin collections, antique cars, gems/jewelry, stamps or any other items held as an investment (wedding rings and personal jewelry do not count)?	$
		42. Are any assets held jointly with another person? List person and asset(s).	
		Enter combined cash value of all household assets	$

DO NOT LEAVE THIS SECTION BLANK.

Form 1.42, income and assets above, provide contact information for all "YES" checked items. All information must be verified. (If household member has more than one source of income and/or asset, use a separate line for each source. Use additional sheets, if necessary.)

Item Number	HH member	Name and mailing address of income or asset source	Contact Name & phone/fax number

Please attach documentation available to verify income (e.g., divorce/settlement papers, tax returns, social security benefit award letter, etc.).

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ANNUAL CERTIFICATION OF STUDENT STATUS

All household members 18 or older (or if under 18 and qualified as Head, Co-Head, or Spouse) must complete, sign and date this form upon move-in and annually during the Initial Compliance Period of the project (not applicable for the Extended Use Period).

Property Name: _____ BIN: _____ Unit #: _____

Household Occupants: _____ _____

_____ _____

THIS FORM IS TO BE COMPLETED BY APPLICANTS OR TENANTS ONLY

You have applied for, or currently reside in, a rental housing unit located in a development operating under Section 42 of the Internal Revenue Code. Provisions of the Code require certification and/or verification of student status to assist in determining program eligibility. Please check A, B or C as it applies to your household:

A. ☐ **Household contains at least one occupant who is a student, has not been a student, and will not be a student for any part of 5 months or more during thie current and/or upcoming calendar year** (months need not be consecutive), If this item is cheked, no further action is necessary.

B. ☐ **Household contains all students, but is qualified because the following occupant, _____, is a part-time student.** Verification of part-time student status (form OCHS.6) is required for at least one household member.

C. ☐ **Houshold contains all full-time students for any part of 5 months or more during the current and/or upcoming calendar year** (months need not be consecutive). If "C" applies, complete questions 1-5 below:

1.	Is at least one student receiving assistance under Title IV of the Social Security Act (i.e. AFDC, TANF, etc.)?	☐Yes	☐No
2.	Was at least one student previously under the care and placement responsibility of the state agency responsible for administering foster care? If yes, attach documentation of previous participation.	☐Yes	☐No
3.	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? If yes, attach documentation of current participation.	☐Yes	☐No
4.	Is at least one student a single parent with child(ren) *and* this parent is not a dependent of another individual *and* the child(ren) is/are not dependent(s) of someone other than the other (or absent) parent? If yes, attach third party documentation (i.e. tax return or a court order establishing custody).	☐Yes	☐No
5.	Are the students married and entitled to file a joint tax return? If yes, attach a copy of the marriage license or the most recently filed tax return.	☐Yes	☐No

Under penalty of perjury, I/we certify that the information presented in this certification is true and accurate to the best of my/our knowledge. I/we agree to notify management immediately of any changes in this household's student status. 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	Date	Signature of Applicant / Tenant	Date
Signature of Applicant / Tenant	Date	Signature of Applicant / Tenant	Date

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

PUERTO RICO HOUSING FINANCE AUTHORITY

SUBSIDIARY OF THE GOVERNMENT DEVELOPMENT BANK FOR PUERTO RICO

CERTIFICATION FOR BANK ACCOUNTS

Household Name: _____ Project Name / #Apt.: _____

TO BE COMPLETED BY THE FINANCIAL INSTITUTION

Name of the financial institution: _____

Telephone: _____

TYPE OF ACCOUNT	ACCOUNT NUMBER	CURRENT BALANCE	OPENING DATE	INTEREST % OF THE ACCOUNT	AMOUNT OF DIVIDENDS PAID AND DATE OF LAST PAYMENT

Balance of last 6 months in checking account

Account # _____ Interest % _____

Month	Balance
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____
_____	_____

If the account is closed, please indicate below the closing date.

Comments: _____

_____

_____ _____

Name of Authorized Official Signature of Authorized Official

_____ _____

Date Official Seal – Financial Institution

Note: This certification is not valid without the official seal of the financial institution.

PUERTO RICO HOUSING FINANCE AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
UTILITY ALLOWANCE INFORMATION

Complete for project. If different utility allowance sources are used in a project (i.e., Utility supplier and PHA) or the project consists of different unit types (i.e., apts and townhomes) complete a separate form for each

Project Name _____ BIN(s) _____

TC Project ID _____ Effective Date & Source of Utility Schedule _____

For each size unit that applies to your project, please indicate the utilities that are paid by the residents and the amount of the utility allowance from the source document.

Efficiency/Studio						
	Gas	Elec	Oil	L.P.	Other	UA Amount
Unit Heat						
Water Heat						
Cooking						
Unit Electric						
Water Svc						
Sewer						
Trash						
TOTAL:						

1 Bedroom						
	Gas	Elec	Oil	L.P.	Other	UA Amount
Unit Heat						
Water Heat						
Cooking						
Unit Electric						
Water Svc						
Sewer						
Trash						
TOTAL:						

2 Bedroom						
	Gas	Elec	Oil	L.P.	Other	UA Amount
Unit Heat						
Water Heat						
Cooking						
Unit Electric						
Water Svc						
Sewer						
Trash						
TOTAL:						

3 Bedroom						
	Gas	Elec	Oil	L.P.	Other	UA Amount
Unit Heat						
Water Heat						
Cooking						
Unit Electric						
Water Svc						
Sewer						
Trash						
TOTAL:						

Project owners and managers are urged to read 26 C.F.R. § 1.42-10 (April 1, 1994). Utility allowances are also addressed in PRHFA Compliance Monitoring Plan. **Documentation from the applicable utility source must be provided.**

PUERTO RICO HOUSING FINANCE AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
UTILITY ALLOWANCE CERTIFICATION

Property Name/Number: _____

Owner: _____

This Utility Allowance Certification includes supporting documentation from the following source(s):

- ☐ Owner's Average of Actual Consumption using actual utility usage data and rates for the building(s)
- ☐ HUD Utility Schedule Model from www.huduser.org/datasets/lihtc.html
- ☐ Energy Consumption Model using an energy and water and sewage consumption and analysis model from a properly licensed mechanical engineer

By signing below, Owner hereby certifies that the documentation is complete and accurate regarding utility costs associated with the above named property. Owner understands that Puerto Rico Housing Finance Authority may require additional information to substantiate the allowances provided herein. Owner also certifies to the following:

1. I am an authorized signor for the above named Owner of the property.

2. I have personally reviewed the documentation provided for this Utility Allowance.

3. The Owner's Average of Actual Consumption includes only continuously occupied units (50 or more weeks) in the most recent twelve-month period (most recent month is no older than 60 days from the effective date) for at least 25 units and representing each bedroom size, geographically dispersed across the property or all units if the property has less than 25 units. All units in the property are listed on the enclosed spreadsheet by bedroom size. Any units not included in the calculation have the reason listed on spreadsheet.

4. The HUD Utility Schedule Model uses rates that are no older than the rates in place 60 days prior to the effective date.

5. The Energy Consumption Model was completed by a mechanical engineer properly licensed in the Puerto Rico, and at a minimum takes into account specific factors including, but not limited to, unit size, building orientation, design and materials, mechanical systems, appliances, and characteristics of the building location. Utility rates are based on local rates and utility supplier(s) for the above property and are no older than the rates in place 60 days prior to the effective date. This engineer and owner are not related within the meaning of IRC section 267(b) or 707(b).

6. Estimates are based only on utilities that are metered to residents where residents receive a monthly bill specific to usage in their unit.

Based on the supporting documentation, I certify that the correct combined monthly average utility estimates for the above named project are as listed on the attached form(s) PRHFA-12.

Partner's Printed Name _____ Signature _____

Date _____

Utility Allowance based on Owner's Average of Actual Consumption or HUD Utility Schedule Model was compiled by (if different than person signing above):

Print Name _____ Signature _____

Company Name _____ Date _____

Engineer's Certification (required only when the Energy Consumption Model is used):

I hereby certify that I am a mechanical engineer properly licensed in the Puerto Rico, that the Energy Consumption Model complies with the minimum requirements in #5, above, and that I am not related to owner within the meaning of IRC section 267(b) or 707(b).

Print Name _____ Signature _____

Lic. No. _____ Date _____

Company Name _____

PUERTO RICO HOUSING FINANCE AUTHORITY
LOW INCOME HOUSING TAX CREDIT PROGRAM
PROPERTIES CONTACT INFORMATION FORM

PROPERTY INFORMATION:

Property Name: _____
Address: _____ City/Zip Code: _____
Telephone #: _____ Fax #: _____ County: _____
On-site Manager Name: _____ Email address: _____

OWNER INFORMATION:

Project Owner Partnership Name: _____
Project Owner Name: _____ Tax ID #: _____
Address: _____ City: _____ Zip Code: _____
Telephone #: _____ Fax #: _____
E-mail Address: _____

MANAGEMENT COMPANY INFORMATION:

Property Management Company: _____
Project Administrator Name: _____
Address: _____ City/Zip Code: _____
Contact Name: _____ E-mail Address: _____
Telephone #: _____ Fax #: _____ Tax ID#: _____
COL Contact Name (if different from above): _____
Telephone #: _____ Fax #: _____
E-mail Address: _____

Person(s) autorized to sign and submit compliance reporting forms:

_____ _____

_____ _____

_____ _____

Additional information: _____

_____

_____ _____
Project Owner Signature Date