

Key Housing Credit Compliance Issues

November 21, 2013




Windsor Wire Webinar Series

Student Rules

 **Greg Proctor**

Windsor Compliance





SHCM Webinar Series
Key Housing Credit Compliance Issues

The Impact of HUD 4350.3 Rev-1
student rules on LIHTC Properties


**HUD 4350.3 Rev-1 Change-4
Occupancy Handbook**

- Effective August 7th, 2013
- EIV included
- Included a transmittal of changes
- Note 8/13 date on bottom of changed pages




EIV and Anticipated Income

- ▶ EIV is discussed for the first time in the handbook. Still does not apply to tax credit properties.
- ▶ Despite the discussion in Chapter 5 about EIV, HUD still tells us that the owner should generally use current circumstances to anticipate next 12 months income.
- ▶ If information is available on changes that will occur in the next 12 months, we are use that income to anticipate income.



Treatment of Family Members

- ▶ Foster children or adults are never dependents
- ▶ Since foster children or adults are not dependents, you count their entire income, not just \$480 if they are fulltime students over the age of 18.
- ▶ A unborn child is not considered a dependent for income purposes either!



Retirement Accounts

- ▶ If the tenant is receiving periodic payments the account should be listed as income on the TIC. It is not treated as an asset.
- ▶ If the tenant is not receiving periodic payments but has access to the balance in the account you should list this as an asset.
- ▶ If the tenant cannot access the balance and does not receive periodic payments, you do not count as an asset or as income.



Retirement Accounts (cont)

- ▶ IRA's and Keogh's are treated as assets even if it results in a penalty unless benefits are received periodically.
- ▶ HUD specifically states that you "include in annual income any retirement benefits received through periodic payments". It further states that you "do not count any remaining amounts in the accounts as an asset".



Verifications

- ▶ Cannot use EIV for third party verification even though HUD requires it.
- ▶ HUD has removed the 14 day waiting period for response to 3rd party request.
- ▶ The Work Number is now considered 3rd Party Upfront-income verification (UIV).
- ▶ Written document from a 3rd party that is dated within 120 days of receipt by owner is valid.



Verifications (cont)

- ▶ Oral verification from source is acceptable as long as it is ascertained that the person on the phone is the party he or she claims to be. Required documentation is noted in paragraph 5-18.C
- ▶ Family Certification is acceptable only if the information cannot be verified by another acceptable method. Required documentation is noted in paragraph 5-18.E.
- ▶ Owners may witness the tenant signatures in lieu of notarized statement.



Verifications (cont)

- ▶ Verifications are valid for 120 days from the date of the receipt by the owners not the effective date of the certification.
- ▶ Verifications over 120 days are not valid.
- ▶ Time limits do not apply to Age, Disability Status, Family Membership, Citizenship Status,



Caveats

- ▶ State Agencies have discretion regarding implementation of changes to 4350.3.
- ▶ The IRS has not changed the 8823 Guide to reflect these changes.
- ▶ The IRS holds requirements for verification is much broader than HUD's.
- ▶ Check with your State Agency before making wholesale changes to the way you calculate and verify income and assets!





Questions?
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Keeping Your Certifications Moving

Stacy Day, SHCM
 Vice President, Compliance, Ambling Management



Management Operations

Leasing
 Rentals
 Budgets
 Turnkey



Compliance Operations

Certifications
 student rules
 state audits



MANAGE+ COMPLIANCE +MENT
 OPERATIONS



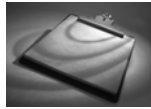
Pre-Qualify the Applicant

- ▶ Pre-Qualify your applicants on the phone
 - Discuss the Affordable Housing Program
 - Discuss Income Restrictions
 - Discuss Qualifying Criteria
- ▶ Set an appointment to take the application
 - confirm an average time needed to complete the application and who should be at the appointment (all legal adults)



Pre-Qualify the Applicant

- ▶ Make your applicant aware of what information is needed during the application process – use a checklist when you are on the phone to be sure all items are addressed.



Be Prepared!

- ▶ Have application packages prepared with mandatory forms used for all applicants.
- ▶ Have an organized “forms drawer” that will allow you to quickly access additional forms that may be needed for the application.



Be Prepared!

- ▶ Have a system in place that allows the files to be organized through each step of the application process:



- ▶ Move ins to be processed
- ▶ Recerts to be processed
- ▶ Sent for Compliance Approval (if applicable)
- ▶ Approved – Prepare MI/Recert Paperwork
- ▶ Approved – Ready to Sign



Be Prepared!

- ▶ A designated processing system will allow everyone in the office to assist with processing files for quicker approvals and move ins.
- ▶ During heavy processing times, an organized system will allow others to easily assist at your community when things are able to be located quickly!



Be Prepared!

- ▶ Have a clean, organized area available for taking applications.
- ▶ Keep privacy in mind when taking the application. Personal, private information will be discussed.
- ▶ Ensure pending applications are not accessible when taking new applications be mindful of protecting the information of your applicants/residents.



Taking the Application

Take the application in the office

Sit with your applicant during the application process to explain what information is being requested

Review the application prior to the applicant leaving the office to ensure all questions are answered and appropriate forms have been obtained



Taking the Application

Inform your applicant they will need to notify you if there are any changes in the information provided during the application process (change in job, student status, household composition, [phone number](#), etc.)

Discuss a realistic time frame for getting the application approved and a move in date scheduled



Taking the Application

- ▶ Provide a [Bring Back Checklist](#) for your applicant if they need to provide you with any documents that may have been missed during the initial application process



ABC Apartments
123 Maple Street
San Diego, CA 92103
Phone: 616-222-6556
Fax: 616-222-6557
Email: renting@abcapartments.com

BRING BACK CHECKLIST

The following information or documentation is required to process your Application.
Please return the items below as soon as possible.

- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____
- _____

▶

Taking the Application

The Goal

- Application
- Approval
- Move In



Don't lose your applicants in the paperwork process!



Processing the Application

- ▶ Begin processing the applicant's file right away!
- ▶ Start with the quickest screening processes to eliminate denials immediately
 - ▶ [Credit](#)
 - ▶ [Criminal](#)
 - ▶ [Landlord](#)



Processing the Application

- ▶ Contact the verifying sources to confirm their information and establish a personal relationship:
 - ▶ Let them know who you are
 - ▶ Tell them why you are calling
 - ▶ Confirm they are the appropriate person to fill out the verification
 - ▶ Confirm you have the correct fax/email
 - ▶ Be mindful of when you are calling



Processing the Application

Files and Paperwork all look the same!

- ▶ Use a color coded filing system for current and pending files:

Green – Pending Move In Files
Yellow – Pending Recert Files
Manila – Current Resident Files

- ▶ Allows for a quick evaluation of processes during a site visit.



Processing the Application

- Reporting accurate numbers is critical –pending applications are anticipated to be turned into move ins.
- Ensure you are only processing viable applications – if there has been no contact/response from an applicant for an extended period of time, they may no longer be interested.



Confirming the Move In

Once all appropriate information has been obtained, reviewed and the applicant is confirmed to be an eligible household, contact your applicant to schedule the move in.



Preparing the Move In Paperwork

- ▶ Prepare the move in paperwork ahead of time to allow the move in to go quickly and smoothly.



Finalizing the Paperwork

Remember to double check the final resident file to ensure all signatures have been obtained (by the resident and management), put the file together and file in the filing cabinet.



Looking ahead....

Recertification time will be here before you know it! Don't forget to address the recert process as you are discussing the Lease requirements. This will make the (fun and exciting) recert process a bit easier!





Marketing Affordable Properties

Karen J. Newsome
WinnResidential
11-21-2013



SHCM's Are Multi-Taskers!

Beyond the Regs/Rules/Audits/Paperwork
You've Also Got To Keep the Property Full

- ✓ Social Media & How You Fit In
- ✓ Marketing On A Limited Budget



Social Media & How You Fit In



Did You Know?

According to a recent survey from PewResearch Center

85%
of Both Men & Woman Use The Internet



Race and Ethnicity Have No Internet Boundaries

White, Non Hispanic – 86%

Black, Non Hispanic – 86%

Hispanic (English/Spanish Speaking) – 80%



A Little Variance in Ages

18-29 ----- 96%

30-49 ----- 93%

50-64 ----- 85%

65+ ----- 58%

But the older baby boomers are getting there!



Household Income Only Shows a Slight Difference

Less than 30,000/yr.	75%
30,000-49,000	90%
50,000-74,999	93%
75,000 +	99%



Use Increases with Education Level

No High School Diploma	61%
High School Grad	80%
Some College	94%
College Grad	97%



According to VentureBeat, American users spend over **6 HOURS** a Month interacting on Facebook – that means

Over **900 Million**
Monthly Active Users!!!



55%

of Active Facebook Users Access the Network From Their Mobile Device.



According to AllThingsD, in a recent two year period the number of phones sold:

60.1 Million iPhones
&
21.3 Million Samsungs

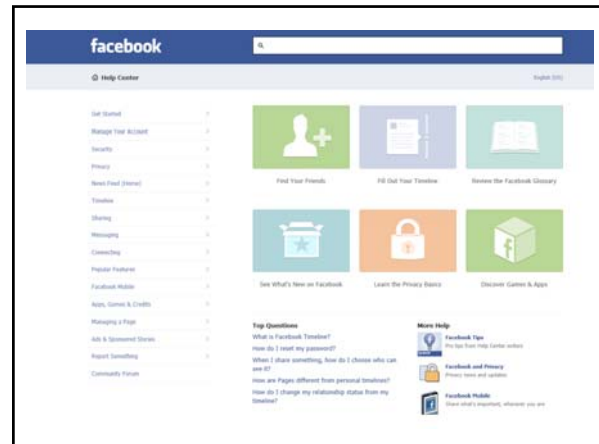
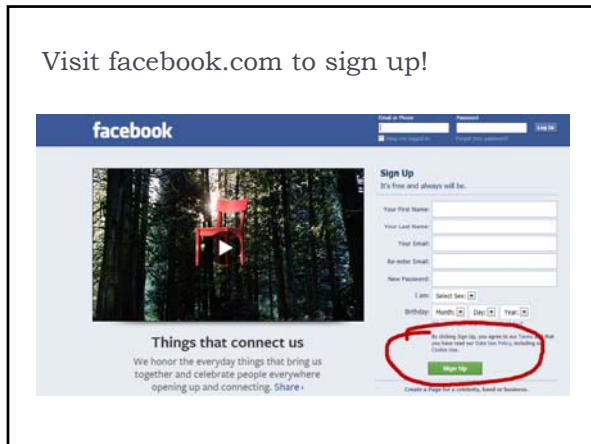


THAT EQUALS:

81.4 Million Phones
Sold in **ONLY 24 MONTHS!!!**



Visit facebook.com to sign up!



Contact Facebook and Facebook Support

5 Ways To Get Help Using Facebook

- 1. "Ask" the Facebook Help Center and get immediate answers.**
Enter your question into help search and get your answer from our database of common questions. If you can't troubleshoot your issue with our instructions, we'll provide you with a custom form to contact us for further support.
- 2. Discuss your issue with the Facebook community.**
Check out our forum to get support from other Facebook users.
- 3. Contact a developer if you need help with an app.**
Most games and apps you use on Facebook aren't created by Facebook. For support, please submit a form to the developer.
- 4. Explore our safety tips and resources.**
Check out the Safety Center for information, videos and resources.
- 5. Follow Facebook support pages.**
You can get updates from Facebook about known issues, security and privacy by following our official pages. Also, check out Facebook Tips for pointers on using Facebook.

What are your fears about using

facebook

- ✓ No one will **LIKE** me!
- ✓ When will I find the **TIME** to post?
- ✓ When I find the time, **WHAT** should I post?
- ✓ Residents will post **NEGATIVE** comments.
- ✓ My staff will become Facebook **CRAZY**







How do I get people to like my fan page??

- ✓ Add your Facebook address to:
 - E-mail Signature
 - Letterhead
 - Business Cards
 - Property Website
 - Other Advertising Sources
 - Completed Service Requests
 - Office Correspondence
 - Newsletters







✓ Become a fan of LOCAL:

- Businesses
- Restaurants
- Recreational Groups
- Points of Interest
- Civic Leaders
- Municipalities
- Schools & Universities







What types of posts should I create??

- ✓ Post Daily, Some Ideas are:
 - Community Events
 - Traffic Updates
 - Weather Reports
 - Local Activities (weekend tips)
 - Coupons / Local Online Deals (Groupon)
 - New Restaurants
 - The Night Before... Game Scores
 - Recipes of the Week
 - Bingo



Should you respond to negative posts??

- ✓ YES!! **ALL POSTS** are an opportunity to:
 - Provide Exceptional Customer Service
 - Provide Real Time Solutions
 - Be A Part Of Banter
 - Create Friends
 - Build A Community
 - Retain Your Residents



What will you gain from using at your property?

- ✓ A Content Rich Facebook Page Will:
 - Earn You Informed Residents
 - Facilitate Positive Resident/Staff Relationship
 - Create Ambassadors Of Your Community
 - Build Community Stakeholders
 - Offer Free Viral Marketing

- ✓ A Content Rich Facebook Page Will:
 - Develop An Engaged Staff

14% of Americans are actively disengaged at work.



Remember – PLEASE DON'T

- Forget that Facebook is established at your property.
- Post less than perfect property photos.
- Post photos of individuals/residents unless you have permission.
- Begin negative banter of any kind.
- Talk about your personal life or accept friend requests via your personal Facebook account.
- Post rents or specials.
- Create wall posts if a resident has sent you a private message.
- Be intimidated by it. **It is easy to get the hang of once you try it!**



Marketing On A Limited Budget



CLOSING THE GAP
Capturing Max Tax Credit Rents

Headlines Read "Apartment Vacancy Rates Fall to Decade Low!!"

- National Average Occupancy is **96.5%**
(8% increase over previous year)
- National Average Rent is **\$1,072**
(4% increase over previous year)



Exceptional Curb Appeal



✓ Corporate Outreach:

- Know Where Your Residents Work
- Go One Step Further on Employment Verifications
- Drop Off Breakfast/Local HR Offices
- Host An On-Site Luncheon
- Visit New Residents at Their Workplace
- www.Indeed.com or other job websites



✓ Create Local Partnerships:

- Add Flyers To Pizza Boxes
- Create Table Tents
- Sponsor A Local Little League Team
- Join Your Chamber of Commerce
- Participate in Fundraising Walks



✓ Host Events For The Greater Community:

- Hearing/Eyesight Screening
- Flu Clinic/Red Cross Blood Drive
- Mail For Hero's
- Toys For Tots Collection Center
- Food Drive Collections



✓ Senior Marketing Opportunities:

- Medical Clinics, Pharmacies, Doctor Offices
- Host Yoga/Exercise Groups
- Financial Planning Seminars
- Bingo/Game Nights
- Book Clubs
- Sponsor A Senior Center Event
- Resident Referrals For Sister Communities
- Computer Workshops



✓ **Marketing for Artist & Local Preferences:**

- Sponsor Gallery Events/Openings
- Visit Craft Shows/ Information for Vendors
- Create Flyers w/ For Artist Supply Stores
- Direct Mailing w/ Local Partners (Utility Co.)
- Senior Center Involvement
- Schools & Universities
- Voting Precincts



You Want To Keep Your Great Current Residents!

The average **COST OF LOSING** a resident is **\$2,900**



Now It's Up To You!
We Hope We've Given You a Lot to Consider!

*Thank you to
The First Ladies of Marketing!*
Them On Facebook!



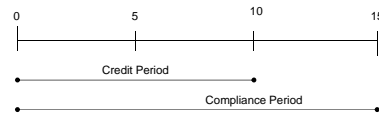
Credit Recapture

Presented by
Grace Robertson
Internal Revenue Service
November 21, 2013

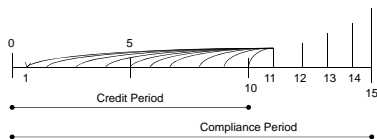
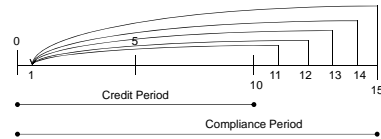


What credit is recaptured?

- ▶ Claim credit for 10 years (credit period)
- ▶ Provide low-income housing for 15 years (compliance period)
- ▶ A portion of the credit claimed each year is associated with providing housing in years 11-15. This portion is the "accelerated credit"



- ▶ Total Allowable Credit: \$150,000
- ▶ Allowable over 10 years:
 $150,000 \div 10 = \$15,000/\text{year}$
- ▶ Allowable over 15 years:
 $\$150,000 \div 15 = \$10,000/\text{year}$
- ▶ Accelerated Portion:
 $(\$15,000 - \$10,000) \div \$15,000$
 $\$5,000 \div \$15,000 = 1/3 \text{ or } .333$



When is credit recaptured?



Eligible Basis
 x Applicable Fraction
 Qualified Basis
 x Applicable Percentage
 Annual Allowable Credit

Eligible Basis: cost of qualifying property
Applicable Fraction: percentage of qualified low-income units
Qualified Basis: equals Eligible Basis x Applicable Fraction
Applicable Percentage = Present Value Discount Factor



IRC §42(j)(1) In general. If--

(A) as of the close of any taxable year in the compliance period, the amount of the qualified basis of any building with respect to the taxpayer is less than

(B) the amount of such basis as of the close of the preceding taxable year, then the taxpayer's tax for the taxable year shall be increased by the credit recapture amount.



Myths about Recapture



Question: Is it true that recapture is not required if the noncompliance is corrected within the correction period provided by the state agency; i.e., before the Form 8823 is sent to the IRS?

Answer: No.



Question: Is it true that recapture is not required if the noncompliance is corrected before a state agency inspects/reviews the project?

Answer: No. Even though the state agency does not file a Form 8823, the taxpayer was noncompliant and subject to recapture.



Question: Is it true that recapture is not required if rent charged in excess of the gross rent limit is refunded to the tenant or applied to the tenant's future rent?

Answer: No.



Question: Is it true that recapture is not required if the noncompliance is corrected within a reasonable time after it is discovered?

Answer: Generally, no. There is a special rule for recapture events resulting from a casualty loss.



Question: Is it true that recapture is not required if the noncompliance is de minimis?

Answer: No.



Questions?



CONTACT INFORMATION
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Thank You!

