

Tax-Exempt Bond Compliance Training

October 3, 2016

(Updated 6/2017)

Virginia Housing Center

Agenda

- 9:30 - Registration
- 10:00 - Training begins
- 11:00 - Break
- 12:00-1:00 - Lunch (provided)
- 1:00 - Training continues
- 2:00 - Break
- 3:30ish - Class end

About VHDA

- Self-supporting, not-for-profit, created by the Commonwealth of Virginia in 1972, to help Virginians attain quality, affordable housing.
- VHDA provides mortgages, primarily for first-time homebuyers and for developers of quality rental housing. We use no state taxpayer dollars, but raise money in the capital markets to fund our loans.
- We teach free homeownership classes, and help people with disabilities and the elderly make their homes more livable.
- VHDA works with lenders, developers, local governments, community service organizations and others to help put quality housing within the reach of every Virginian.
- Since our founding, VHDA has financed more than 182,000 single family homes and 144,000 multifamily units.

VHDA Funding/Programs

- Federal Programs - Tax Credits; Section 8
- Tax-exempt Bonds – pre'86; AMT; 501c3
- Taxable Bonds – SPARC, MU, MUMI
- REACH – from VHDA's net revenue (40%)

Leads to program complexity – lower incomes, rents restrictions, conflicting program rules

Goals/policies align with VA State Housing Policy

Program Types

Last count – ~60 different “process” types in Housing & Development Software (HDS)

- Taxable (TX) and Tax Exempt (TE)
- Home/RD/REACH/SPARC/HCD
- TX & TE, etc. with & w/o Tax Credits (TC)
- Exchange – TCAP (TC Assist. Pgm - 2009 programs)
- S8/236/RAP
- MUMI
- EUA (TC properties in extended use period)
- **ANY COMBO** of the above & others not listed...

TE Bonds Overview

- Internal Revenue Code (IRC) sets out Treasury's framework for raising \$\$'s to run the gov't
- Tension between raising \$\$'s & steering social policy (ex: encouraging homeownership or charitable deductions)
- Ability to sell TE bonds is given by Congress which allows for some loss of tax revenue for public good
- Congress provides the categories of tax-exemption. Multifamily housing is one of those categories

TE Bonds Overview

- Rules allow VHDA to sell TE bonds & lend proceeds of those bonds to provide construction and/or permanent mortgages
- IRC Section 142 imposes many rules to ensure public purposes are met. VHDA monitors compliance with those rules.
- If requirements not met, VHDA is at risk for substantial penalties

TE Bonds Overview

- Minimum set asides for income – 2 most used CURRENTLY are:
20% of units at 50% of AMI AFS or
40% of units at 60% of AMI AFS
- Remainder at 150% AMI not AFS
 - May be other limits that apply – from other programs
 - Min. set aside limits are Adjusted for Family Size (AFS) – remember though, mix funding types, you mix limits
- Rent limits? – apply to TC, not VHDA funding

VHDA Regulatory Agmt

- Best advice is to get a copy of and READ the Regulatory Agreement
- Reflects income limits & other rules

Reg Agmt – example – pg 1

9096

BK 2498 PG 0067

VIRGINIA HOUSING DEVELOPMENT AUTHORITY

REGULATORY AGREEMENT

CONVENTIONAL MULTI-FAMILY RENTAL HOUSING DEVELOPMENT

THIS AGREEMENT, made and entered into this 28th day of , by and between Virginia limited liability company (herein referred to as the "Mortgagor") and the VIRGINIA HOUSING DEVELOPMENT AUTHORITY, a political subdivision of the Commonwealth of Virginia, (herein referred to as the "Authority") whose address is 601 S. Belvidere Street, Richmond, Virginia, 23220.

WITNESSETH:

WHEREAS, the Mortgagor has received a mortgage loan commitment (the "Commitment") from the Authority for a mortgage loan (herein referred to as the "Mortgage Loan") to finance on the Property (the "Property") described in Exhibit A attached hereto a housing development (which development, including the Property and all assets of whatsoever nature situate, owned or used in or arising out of or otherwise relating to the development, is herein referred to as the "Development"), pursuant to the provisions of the Virginia Housing Development Authority Act, being Chapter 1.2 of Title 36 of the Code of Virginia (1950), as amended, (herein referred to as the "Act");

WHEREAS, simultaneously herewith the Mortgagor has executed and delivered to the Authority a deed of trust note (the "Note") evidencing the Mortgage Loan and a deed of trust (the "Deed of Trust") securing the repayment of the Mortgage Loan; and

Reg Agmt - example

Low
Income
40% at
60%
AFS

c. The Mortgagor covenants and agrees that, beginning on the date on which at least 10% of the units in the Development are first occupied (as determined by the Authority), and ending on the later of the dates set forth in (2) of subsection b of this Section but in no event ending prior to the date of payment in full of the Mortgage Loan, at least forty percent (40%) of the units in the Development will be occupied by individuals and families whose incomes do not exceed sixty percent (60%) of the area median gross income. For the purpose of satisfying the foregoing requirement, the incomes of individuals and families and area median gross income shall be determined in a manner consistent with determinations of lower income and area median gross income under Section 8 of the United States Housing Act of 1937, as amended. Determinations under the preceding sentence shall include adjustments for family size.

Students

Notwithstanding the foregoing, the incomes of occupants of a unit shall not be considered to meet the income limits under this subsection c if all the occupants of such unit are students (as defined in Section 152(f)(2) of the Internal Revenue Code). A unit shall not fail to be treated as in compliance with this subsection c merely because it is occupied (1) by an individual who is a student and receiving assistance under title IV of the Social Security Act or enrolled in a job training program receiving assistance under the Job Training Partnership Act

Reg Agmt - example

or under similar federal, state or local laws or (2) entirely by full-time students if such students are (i) single parents and their children and such parents and children are not dependents (as defined in Section 152 of the Internal Revenue Code determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B) thereof) of another individual or (ii) married and file a joint return.

Change
in HH
Comp

A unit occupied by an individual or family whose income at the commencement of occupancy does not exceed the applicable income limit under this subsection c shall, upon becoming vacant, be treated as occupied by an individual or family whose income does not exceed such applicable income limit, until reoccupied (other than for a temporary period not to exceed 31 days) at which time the character of the unit shall be redetermined on the basis of the new occupant's income. Moreover, upon a change in the family or household composition of the occupant of a unit, the character of the units shall, if required by the Authority, be redetermined on the basis of the then current income and the new family or household composition of such occupant.

Annual
LI Verif
& Cert

The determination of whether the income of the occupants of a unit in the Development exceeds the applicable income limit under this subsection c shall be made at least annually on the basis of the then current income of the occupants. The preceding sentence shall not apply if during such year no unit in the Development is occupied by a new occupant whose income exceeds the income limit in this subsection c. If the income of the occupants of a unit in the Development shall not exceed the applicable income limit under this subsection c upon commencement of such occupants' occupancy of such unit (or as of any prior determination pursuant to the preceding sentence), the income of such occupants shall be treated as continuing not to exceed the applicable income limit under this subsection c. The preceding sentence shall cease to apply to any occupants whose income as of the most recent such determination of income hereunder exceeds one hundred forty percent (140%) of the applicable income limit under this subsection c if after such determination, but before the next determination, any unit of comparable or smaller size in either (i) the Development (if the Development is not a project with respect to which low-income housing credit is allowed) or (ii) the building in which the unit is located (if the Development is a project with respect to which low-income housing tax credit is allowed under Section 42 of the Internal Revenue Code) is occupied by new occupants whose income exceeds the applicable income limit under this subsection c.

140%
AU Rule

Reg Agmt - example

Form 8703

60% at
150%
Moderate
Income

Recertifica-
tion

Rent
Surcharge

g. In each year prior to the later of the dates set forth in subsection b(2) of this Section, the Mortgagor shall submit to the Secretary of the Treasury (at such time and in such manner as the Secretary of the Treasury shall prescribe) an annual certification as to whether the Development continues to meet the requirements of subsection c of this Section.

h. The Mortgagor further covenants and agrees that, until payment in full of the Mortgage Loan, the remaining sixty percent (60%) of the units in the Development not subject to compliance with subsection c of this Section will be occupied or held available for occupancy by persons and families whose incomes (as determined in the manner described in subsection c of this Section) as of the date of their initial occupancy of such units do not exceed one hundred fifty percent (150%) of the area median gross income as determined by the Authority (without adjustments for family size).

i. The incomes of the persons and families occupying all of the units in the Development shall be subject to re-examination and redetermination as provided herein and in the Authority's Rules and Regulations in effect on the date of such redetermination, and if the income (as determined in the manner described in subsection c of this Section) of any such person or family exceeds one hundred fifty percent (150%) of the area median gross income as then determined by the Authority (without adjustments for family size), such person or family may be required by the Authority to pay a rental surcharge prescribed by the Authority or the tenancy of such person or family may be terminated, all in accordance with the Authority's Rules and Regulations then in effect; provided, however, that if the unit occupied by such person or family is subject to the requirements of section 42 of the Internal Revenue Code of 1986, as amended, the amount of such rental surcharge shall not cause the rent (including such surcharge and any utility allowance) to exceed the maximum rent that may be charged for the unit in order to continue to be treated as a "low-income unit" as defined in section 42(i)(3) of the Internal Revenue Code of 1986, as amended.

j. In the case of any residents who occupy units in the Development on the date hereof, the Mortgagor shall require each such resident to certify, in such form and at such time prior to the expiration of the presently remaining term of his lease as the Authority shall require, as to his income and other matters relating to his eligibility for occupancy of his unit in the Development and shall examine and determine the income and eligibility

Minimum Set Aside (Low-Income “LI” Units)

- 20/50
 - 40/60
- ~~25/60 (NYC)~~
~~15/40 (Deep Rent Skewed)~~

Ex: 150 unit property – either 30 or 60 units must be occupied or held available for occupancy by households initially meeting the move-in income restriction, adjusted by family size (AFS)

Minimum Set Aside

- New construction - at the time 10% of the total units are occupied, the minimum set aside must be met – either occupied by qualified HHs or units held available for occupancy
- Existing property – if receiving new TE Bond funding – must document minimum set aside within 60 days after loan closing

Minimum Set Aside

- Minimum set aside must be **continually maintained** throughout the life of the loan
- Importance cannot be emphasized too much

Minimum Set Aside

Cushion units – in addition to meeting the minimum set aside, VHDA will begin requiring a certain number of additional units to be rented to qualifying households. # of units still to be determined

Currently – cushion units are strongly recommended

Cushion Calculation

- 40% @ 60%

150 unit property $150 * 40\% = 60$ LI

60 LI $* 15\% = 9$ additional LI

Total LI units = 69

- 20% @ 50%

150 unit property $150 * 20\% = 30$ LI

30 LI $* 15\% = 4.5$. Round up to 5 additional LI

Total LI units = 35

Minimum Set Aside

- **Cushion units are important**
- If minimum set aside is met only “to the unit” and a mistake is made or a HH exceeds 140% at a recertification & a HH moves in over the LI maximum, the property is in noncompliance
- And...all vacant units that were “held available for occupancy” for LI HHs & that were counted as part of the minimum set aside will lose LI status
- **Renting comes to a stop until enough LI HHs occupy the # of units required to satisfy the minimum set aside**

Moderate Income

- Applies to households in units not required to meet the minimum set aside
- Move-in income may be up to 150% of the AMI (not AFS). If over, apply adjustments on Worksheet **B**. If still over, HH not eligible to move in.

See Forms on
VHDA's website

Income Limits

- TE bond program uses income limits published by HUD. Look for MTSP (Multifamily Tax Subsidy Program – same as is used for TC)
- HUD revises #'s annually; VHDA publishes on our website by geographic region

Income Limits

- MTSP
- HERA (Housing & Economic Recovery Act) – placed in service before 1/1/09 and with 20% at 50% or 40% at 60% minimum set asides
- Confusing? Confirm with your CO

Richmond Income Limits

HUD Median Income for Fiscal Year 2016

Virginia State Median Income: \$77,500.00

Effective Date: 3/28/2016

*30%: Extremely Low-Income | 50%: Very Low-Income | 80%: Low-Income

2 person HH AFS

50% = \$29,000

60% = \$34,800

150% = \$108,600 (\$72,400*150%)



Search Criteria

City:

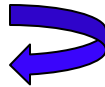
Search Results

Sort by: [Jurisdiction](#) | [Median Income](#)

Richmond city

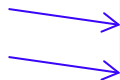
MSA: Richmond, VA MSA

Median Income: \$72,400.00



Click on a column header for sorting.

Percentage	One	Two	Three	Four	Five	Six	Seven	Eight
30%	\$15,200.00	\$17,400.00	\$20,160.00	\$24,300.00	\$28,440.00	\$32,580.00	\$36,730.00	\$40,890.00
40%	\$20,280.00	\$23,200.00	\$26,080.00	\$28,960.00	\$31,280.00	\$33,600.00	\$35,920.00	\$38,240.00
50%	\$25,350.00	\$29,000.00	\$32,600.00	\$36,200.00	\$39,100.00	\$42,000.00	\$44,900.00	\$47,800.00
60%	\$30,420.00	\$34,800.00	\$39,120.00	\$43,440.00	\$46,920.00	\$50,400.00	\$53,880.00	\$57,360.00
80%	\$40,550.00	\$46,350.00	\$52,150.00	\$57,900.00	\$62,550.00	\$67,200.00	\$71,800.00	\$76,450.00



Non-Adjusted Income Limits for Richmond city				
Percentage:	50%	80%	100%	150%
Income:	\$36,200.00	\$57,920.00	\$72,400.00	\$108,600.00



HERA Example

Both tax-exempt bonds issued under Sec. 142 and Tax Credit properties may use the following HERA limits **IF** they meet the placed in service requirements and are in the areas listed

For 2015 and 2016 the following localities were identified as HERA areas of the state:

- Blacksburg-Christiansburg-Radford, VA
- Harrisonburg, VA
- Augusta County, Staunton City, Waynesboro City
- Roanoke, VA
- Winchester, VA



Please Note: Only LIHTC or Section 142 Tax Exempt Bond Funded properties in the identified HERA localities that placed in service prior to January 1, 2009 can use the HERA limits. All other LIHTC or Section 142 Tax Exempt Bond funded properties in these localities that placed in service after that date must use the regular income limits and/or rents based on placed in service date.

Tax Credit & HERA Income Limits Documents

 2016

 2015

 2014

 2013

 2012

 2011

 2010

Hold Harmless

Applies to TE & TC properties:

Example: The 50% income limit for a one person household in Accomack County in 2010 was \$18,700. In 2011 it was \$18,200, in 2012 it was \$18,450, in 2013 it was \$18,550, in 2014 it was \$18,450, and in 2015 it is \$18,600. A LIHTC or Section 142 Tax Exempt Bond Funded property that placed in service in Accomack County on or after 01/01/2009 but prior to 5/14/2010 should continue to use the highest 2010 income limits and rents in 2016.

Owners are encouraged to carefully review income limits published annually since placing in service to ensure the appropriate income limits and rents are being utilized to benefit the property. VHDA is providing the link below to assist owners in the determining the appropriate limits to use.

http://www.huduser.org/portal/datasets/il/il16/index_mtsp.html .

Once you click on the link above, click on the button that says “**Click Here for FY 2016 MTSP Documentation**”. You should select the state of Virginia and a list of VA counties appears. Select the county where your property is located and then click on the “next screen” button. You will then see the current income limits and a table informing you of the limits you should be using based on when your property placed in service.

Example

- 50% income limit for 1 person in Richmond MSA
- 2012----\$26,500
- 2013 & 2014----\$25,900
- 2015----\$26,000
- 2016----\$25,350
- Section 142 tax-exempt bond funded property that placed in service on or after 1/1/2009 but before 12/10/2012 should continue to use the highest 2012 income limits in 2016

Find Highest Allowed Income

https://www.huduser.gov/portal/datasets/il/il16/index_mtsp.html



FY 2016 MULTIFAMILY TAX SUBSIDY PROJECTS DOCUMENTATION SYSTEM

Select a state:

- Tennessee - TN
- Texas - TX
- Utah - UT
- Vermont - VT
- Virgin Islands - VI
- Virginia - VA
- Washington - WA
- West Virginia - WV
- Wisconsin - WI
- Wyoming - WY

Then select a county:

- Prince Edward County, VA
- Prince George County, VA
- Prince William County, VA
- Pulaski County, VA
- Radford city, VA
- Rappahannock County, VA
- Richmond city, VA
- Richmond County, VA
- Roanoke city, VA
- Roanoke County, VA
- Rockbridge County, VA

View County Calculations

Choose your state & county, then click on View County Calculations

Find Highest Allowed Income

Result will reflect the highest year allowed to use based on placed in service date

Determination of Maximum Income Limits

The following table outlines the maximum set of Income Limits for existing projects within Richmond city to use based on the projects Placed in Service Date:

Richmond city, Virginia	
Vintage of Maximum Income Limits	
Placed In Service Date	Maximum Income Limits
On or before 12/31/2008	FY2012
1/1/2009 to 5/13/2010	FY2012
5/14/2010 to 5/31/2011	FY2012
6/1/2011 to 11/30/2011	FY2012
12/01/2011 to 12/10/2012	FY2012
12/11/2012 to 12/17/2013	FY2015
12/18/2013 to 3/05/2015	FY2015
3/06/2015 to 3/27/2016	FY2015
3/28/2016 to Present	FY2016

General Public Use

- Units must be available for general public use.
Ex: may not restrict rental of units only to employees of ABC Corp.
- No corporate leasing

Application Process Overview

- Comprehensive Application
- Verify income, and assets, if necessary – BEFORE MI
- Calculate income
- Determine if HH qualifies & at which level
- Enter data – correctly - into WTCMS
- Print and sign Tenant Income Certification – Effective Date is MI Date

Forms/Guides

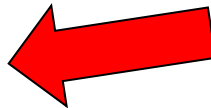


VHDA Multifamily Loan Compliance



We use various loan products to finance affordable housing communities. Income and occupancy restrictions are imposed for all loan sources. For detailed information on the income/occupancy guidelines for a specific loan, please choose from the selection below.

- [Forms and Documents](#)
- [Loan Compliance Guidelines](#)
- [Compliance Workshops and Training](#)



More Information

- [Income and Rent Limits](#)
- [Web Tenant Compliance Management System \(WTCMS\)](#)
This system is accessible through any PC web browser. To work with WTCMS, you must complete a registration form and submit it to VHDA for approval.

[Updates and Announcements](#)

[Compliance Workshops and Training](#)

[Multifamily Loan Servicing](#)

[VHDA Multifamily Loan Compliance](#)

[Project-based Section 8 and Section 236/RAP](#)








[Low-Income Housing Tax Credit Compliance](#)

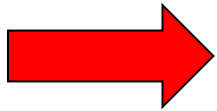
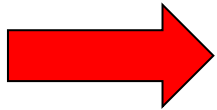
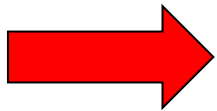
[Income Limits & Fair Market Rents](#)

[Multifamily Financial Reporting Requirements](#)

Required VHDA Forms

- Privacy Ltr – each adult, sign once before MI
- Lease Addendum – sign with any NEW lease
- Worksheet B – helps qualify a HH for a 150% unit

	Lease addendum (Spanish Version)	1/1/2007
	Lease addendum (Required if financed by VHDA)	1/1/2007
	Conventional Loan Program Worksheet A	11/1/2005
	Conventional Loan Program Worksheet B	11/1/2005
	ES01 (Transitional, Emergency, Special Needs Housing Report)	5/1/2005
	Privacy letter (MD202)	3/1/1999
	Privacy letter (MD202 - Spanish Version)	3/1/1999



Admin Items

- Privacy Act Letter – may be separate or may include complete language in Application (all adults must sign once)
- Lease Addendum – may be separate or may include complete language in lease
- Lease term – not less than 30 days nor more than 24 months
- Security Deposits & notices – follow Landlord Tenant Act & your procedures

Admin Items

- Tenant Selection Plan – have one, post it in the office/community room & follow it
- Any area of the property being rented out? Ex: Cell Towers, pool, community room or other business income uses? If so, may need to evaluate use of bond \$'s for the specific portion of the property used. Contact your CO.

Application Process

- Rental Application – comprehensive – answer ALL questions – interview applicants
- Government Data Collection & Dissemination Practices Act Letter (Privacy Act Ltr) – each adult signs before verifications
- Reference Inquiries – according to property's Selection Criteria
- Full-Time Student Information/Certification

Household Composition

- Who is included in a HH?
- HUD Handbook 4350.3, Change 4, Chapter 3
- http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg/4350.3

Household Comp - Included

- Most everyone in the family, including foster children/adults
- Children away at school & home on breaks
- Unborn children, children in process of being adopted, children 50% custody
- Temporarily absent family members – ex: work in another state, in hospital/rehab, in military (except adult children, unless leaving dependent), children of the family but in foster care
- Choice to include or not: persons permanently in hospital/nursing home

Household Comp – Not Included

- Live-in Aide
- Guests

See Definitions in HUD
Handbook 4350.3

Eligibility

- Student Status (applicable to LI units)
- Income – gross annual compared to # of HH members
- Consistent application of eligibility requirements in written Selection Criteria

Full-Time Students

- As of 7/30/2008, all TE properties follow the same rules as TC with regard to housing HHs comprised entirely of full-time students
- IRC Section 151(c)(4) defines FT student – for 5 calendar months is FT at educational organization maintaining a regular faculty and curriculum. Months need not be consecutive.

Full-Time Students

- Includes elementary, junior and senior high schools, colleges, universities, and technical, trade and mechanical schools.
- Night schools, real estate school, GED studies, on- the-job training and correspondence schools are not included

Student Rule Exceptions

HHS comprised entirely of FT students that are otherwise eligible may occupy a unit if meeting at least one exception:

- All adults are married and eligible to file a joint tax return. Rev Rule 2013-17 extends this to lawfully married same sex-couples
- All adults are single parents and neither they nor any of their children are dependents of a third party

Student Rule Exceptions

- At least one member of the HH receives assistance under Title IV of the Social Security Act now known as Temporary Assistance for Needy Families (TANF)
- 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 program
- At least one member of the household was previously in foster care (within 5 years of effective date of initial cert)

How Many Student HHs?

150 unit property

- LI units – 60
- Cushion units – 9
- Moderate units – 81

Whose Income is Counted

Figure 5-2: Whose Income is Counted?

	Employment Income	Other Income (including income from assets)
Members		
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
Nonmembers		
Live-in aide	No	No
NOTE: The earned income of a full-time student 18 years old or older who is a dependent is excluded to the extent that it exceeds \$480.		

Application Process cont'd

- Verify Income – written, 3rd party. Exs: employer verification, 4-6 consecutive pay stubs, Social Security award letters
- Verify Assets – total assets > \$5,000, 3rd party verify; total assets \$5,000 or less, resident certifies. Include any income from assets in overall qualifying HH income
- Clarify any confusion/questions/blanks – call source and write notes on clarification record

Income

- Definition of Income: HUD Handbook 4350.3, Change 4, Chapter 5. Exhibit 5-1 – inclusions/exclusions
- Verification of Income: HUD Handbook 4350.3, Change 4, Appendix 3 – Acceptable Forms of Verification

See HUD Handbook 4350.3 at:

http://portal.hud.gov/hudportal/HUD?src=/program_offices/administration/hudclips/handbooks/hsg/4350.3

Assets

- Definition of Assets: HUD Handbook 4350.3, Change 4, Chapter 5.
Exhibit 5-2 – Assets
- Verification of Assets: HUD Handbook 4350.3, Change 4, Appendix 3 – Acceptable Forms of Verification

See HUD Handbook 4350.3 online

Asset Verification

- VHDA follows TC rule on asset verification
 - total cash asset value exceeds \$5,000 verify assets. Include as income the greater of actual or imputed interest
 - Total cash asset value \$5,000 or less, residents sign certification form. Include as income any actual income received from assets

Verifications

- Valid up to 120 days from date of receipt by owner
- Verifications must support a TIC signed and effective at MI or recertification
- Date stamp your verifications

Application Process cont'd

- Calculate Income
- Determine if income qualifies HH as:
 - LI HH or
 - Moderate HH
 - If Moderate, may apply adjustments if gross >150% of median



Income

- Use current circumstances to calculate income anticipated to be received for the future 12 months.
- Project income by annualizing current income

Calculation of Income

Once all sources of income are known and verified, owners must convert reported income to an annual figure. Convert periodic wages to annual income by multiplying:

1. Hourly wages by the number of hours worked per year (2,080 hours for full-time employment with a 40-hour week and no overtime);
2. Weekly wages by 52;
3. Bi-weekly wages (paid every other week) by 26;
4. Semi-monthly wages (paid twice each month) by 24; and
5. Monthly wages by 12.

To annualize other than full-time income, multiply the wages by the actual number of hours or weeks the person is expected to work.

General Calculation Exs:

Pension – Social Security

$\$980.40 \times 12 \text{ months} = \$11,764.80$ (rounded to \$11,765)
gross annual income.

Regular Employment

Check stubs – gross pay 1) \$120; 2) \$145; 3) \$125; 4)
\$130 – total gross pay = \$520

$\$520 / 4 = \130 average gross pay per week

$\$130 \times 52 \text{ weeks} = \$6,760$ gross annual income

Example – Anticipated Increase in Hourly Rate

February 1 Certification effective date
\$7.50/hour Current hourly rate
\$8.00/hour New rate to be effective March 15

(40 hours per week x 52 weeks = 2,080 hours per year)

February 1 through March 15 =	6 weeks
6 weeks x 40 hours =	240 hours
2,080 hours minus 240 hours =	1,840 hours

(check: 240 hours + 1,840 hours = 2,080 hours)

Annual Income is calculated as follows:

240 hours x \$7.50 =	\$1,800	
\$1,840 hours x \$8.00 =	\$14,720	
Annual Income		\$16,520

Alimony or Child Support

Owners must count alimony or child support amounts awarded by the court unless the applicant certifies that payments are not being made *and* that he or she has taken all reasonable legal actions to collect amounts due, including filing with the appropriate courts or agencies responsible for enforcing payment.

Income from a Business

When calculating annual income, owners must include the net income from operation of a business or profession including self-employment income. Net income is gross income less business expenses, interest on loans, and depreciation computed on a straight-line basis.

**Example – Use Actual Income from Assets When
Total Net Family Assets are \$5,000 or Less**

Type of Asset	Cash Value	Actual Yearly Income
<i>Certificate of Deposit</i> \$1,000 withdrawal fee \$50 interest @ 4%	\$950	\$40
<i>Savings Account</i> \$500 interest @ 2.5%	\$500	\$13
<i>Stock</i> \$300 Not paying dividends	\$300	\$0
	<hr/>	<hr/>
Total	\$1,750	\$53

The total cash value of the family's assets is \$1,750. Therefore, the amount that is added to annual income as income from assets is the actual income earned or \$53.

**Example – Determining Income from Assets
When Net Family Assets Exceed \$5,000**

Type of Asset	Cash Value	Actual Yearly Income
<i>Checking Account</i> (non-interest bearing)	\$455	\$0
<i>Savings Account</i> (interest at 2.5%)	\$6,000	\$150
<i>Stocks</i> (not paying dividends this year)	\$3,000	\$0
Total	\$9,455	\$150

Total cash value of assets is greater than \$5,000. Therefore, it is necessary to compare the actual income from assets to the imputed income from assets.

Total cash value of \$9,455 is multiplied by .06% = \$5.67.
Add actual income of \$150 to household income to qualify.

Worksheet B for Moderate Income Units



Application Process cont'd

- Enter data into WTCMS
- Print Tenant Income Certification (TIC)
- Each resident(s) 18+ and management sign and date TIC
 - Provide resident a signed copy
 - Retain original in resident's file

WTCMS

Web Tenant Compliance Management System

- Site managers will enter data into this system **CONSTANTLY** – move-ins/outs, transfers, changes in HH composition, annual recerts for LI & 3-year recerts for moderate - for ALL units
- Print TICs to sign
- Track HH members, income amount & type, rent, race/ ethnicity, etc.
- VHDA staff will use data for annual reviews

WTCMS

- Must register individually in WTCMS to access system
- Registrants cannot have same e-mail address
- Register ONCE – if you change companies, contact CO to get info on re-assigning properties

WTCMS

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VHDA > Business Partners > Property Owners & Managers

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Property Owners and Managers

Share

Rules about IRS
income occupancy
restrictions.

[Learn More](#)

Pause Previous Next

Search Income and Rent Limits

Managing a VHDA-financed and serviced rental property? Use this information to ensure compliance with income and rent limits for your property.



Access Web Tenant Compliance Management System (WTC)

Looking for the ease of online? Here you can electronically manage building, unit and tenant data for your assigned properties.



Mortgagor/Grantee Audit Guide

Know how to report changes in fixed asset accounts or owner's equity? Use this guide to ensure you're in compliance.



Updates and Announcements

Compliance Workshops and Training

Multifamily Loan Servicing

VHDA Multifamily Loan Compliance

Project-based Section 8 and Section 236/RAP

Low-Income Housing Tax Credit Compliance

Income Limits & Fair Market Rents

Multifamily Financial Reporting Requirements

Upcoming Events

No Events Scheduled

WTCMS Help

- Online User Guide
- Contact your assigned Compliance Officer (CO)
- VHDA Help Desk – 804-343-5758
- HelpDesk@vhda.com

- On-line help request system – reviewing effectiveness
- YouTube video “how to” segments – in next several months

New Certification

Overview

Members

Income & Assets

Effective Date 9/28/2016

Monthly rent – check the #'s

Rent

Rent 0.00

Utility Allowance 0.00

Utility Type * Select a utility type

Rent Designation * Select a rent designation

Rent Assistance 0

Assistance Type Select an assistance type

Source Federal Rent Assistance Select a Src Federal Rent Assistar

Total Monthly Rent Assistance 0.00

Federal Rent Assistance Amount 0.00

Income

Income Designation * Select an income designation

Ex: 50%, 60%, 150%

Demographics

Household Type

Social Services

Single Parent

Student Code

- Select a student code
- Select a student code
- Extended Use Period
- Is Previous Foster Care
- Job Training Program
- Married/Joint Return
- None
- Single Parent/Dependent Child
- TANF Assistance

Programs

Program HUD Type Income Status

[Add Program](#)

FT Student Exceptions

Actions

Save

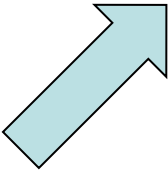
Cancel

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Version: 16.0.0.0

Billy Joel's Details

First Name *	<input type="text" value="Billy"/>	Birth Date *	<input type="text"/>
Middle Initial	<input type="text"/>	Marital Status	Select a marital status ▼
Last Name *	<input type="text" value="Joel"/>	Gender	Select a gender ▼
Relationship *	Select a relationship ▼	Special Status	Select any special statuses
Last 4 SSN *	<input type="text"/>	Disabled	Yes ▼ Select Disabled status Yes No Tenant Declined to Respond Missing
Alien Reg. Number	<input type="text"/>		
Races *	Select any races		
Ethnicity	Select an ethnicity ▼		



If accessible units required

New Certification

Overview Members **Income & Assets**

Income

Member	Source	Amount	
Billy Joel	Non-Federal Wage	20000	edit delete
		\$20,000.00	

[Add Income](#)

Assets

Member	Asset Type	Cash Value	Annual Income	Asset Status	
Billy Joel	Cash/Demand Deposit Accounts	100	0	Current	edit delete
		\$100.00	\$0.00		

[Add Asset](#)

Deductions

No Deductions
[Add Deduction](#)

Actions

Save Cancel

Add Income

Member: Billy Joel

Source: Non-Federal Wage

Amount: 20000

Ok Cancel

Check income #'s



TENANT INCOME CERTIFICATION

Certification Date: 9/28/2016

Move-in Date: 9/28/2016

Certification Type: Move-In

PART I - DEVELOPMENT DATA

Property Name: _____ Building: 1
 Address: _____ BIN#: Building 1
 County: VA Richmond City Unit Number: 01 # Bedrooms: 2

PART II - HOUSEHOLD COMPOSITION

Last Name	First Name	Relationship	Age	Gender	Race	F/T Student	SSN	Disabled?
Joel	Billy	Head of Household	66	Male	White	No	1234	Yes

PART III - GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

Full Name	Income Source	Amount
Billy Joel	Non-Federal Wage	\$20,000
Total Income:		\$20,000

PART IV - INCOME FROM ASSETS

Type of Asset	C/I	Cash Value of Asset	Annual Income from Asset
Cash/Demand Deposit Accounts	Current	\$100	\$0
Totals:		\$100	\$0
Cash Value Total (If over \$5,000)	Passbook Rate		Imputed Income
\$0	X 0.06%	=	\$0

Enter the greater of the Annual Income from Asset Total or the Imputed Income Total: **TOTAL INCOME FROM ASSETS \$0**

Total Annual Household Income from all Sources (Part III Total Income + Part IV Total Income from Assets)	\$20,000
------------------------------------------------------------------------------------------------------------------	-----------------

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full-time student.

Upon penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature (Date) Signature (Date)

PART V - DETERMINATION OF INCOME ELIGIBILITY

Total Annual Income
From all Sources: **\$20,000**

Recertification Only
Current Income Limit x 140%
\$0
N/A

Current Owner Income Designation: 60% AMI

Current Income Limit per Family Size:	\$31,800	Current Non AFS Income Limit:	\$45,360
Household Meets Current Income Restriction		Household Meets Current Non-AFS Income Restriction	
Household Income at Move-In:	\$20,000	Household Size at Move-In:	1
Move-In Income Limit per Family Size:	\$31,800	Move-In Non AFS Income Limit:	\$45,360
Household Meets Move In Income Restriction		Household Meets Move In Non-AFS Income Restriction	



PART VI - RENT

Tenant Paid Rent:	\$900	Rent Assistance:	\$0
Utility Allowance:	\$100	Owner Rent Designation:	60% AMI
GROSS RENT FOR UNIT: (Tenant Paid Rent plus Utility Allowance)	\$1,000	Maximum Allowable Rent:	\$1,021
		Unit Meets Rent Restriction:	YES

PART VII - STUDENT STATUS

ARE ALL OCCUPANTS FULL-TIME STUDENTS? **NO** If yes, Enter Student explanation* (also attach documentation) *Student Explanation

<div style="border: 1px solid black; width: 40px; height: 40px; margin: 0 auto;"></div>	<ul style="list-style-type: none"> 1) TANF Assistance 2) Job Training Program 3) Single parent/Dependent child 4) Married/Joint returns 5) Formerly in Foster Care 6) Extended Use Period
-----------------------------------------------------------------------------------------	-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

PART VIII - PROGRAM TYPE

Mark the program(s) listed below for which this household 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.

<u>Program</u>	<u>HUD Type</u>	<u>Income Status</u>
<input type="checkbox"/>		

SIGNATURE OF OWNER/REPRESENTATIVE

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

SIGNATURE OF OWNER/REPRESENTATIVE

DATE

Annual Recertification

- **Minimum set aside – LI units** – due annually within 12 months following previous, complete income (& asset verification, if >\$5K), must sign TIC
- MI date January 16, 2016
- Recertification due January 16, 2017

Annual Recertification

- IRC Sec. 142(d)(3) requires annual determination that LI HH income meets the minimum set aside requirement
- IRC 142(d)(3)(B) states that - a HH properly income qualified at move-in will still qualify as LI at recertification if total income does not exceed 140% of the then-current income limit AFS

140% Calculation

- 2-person 60% income maximum = \$34,800
- $\$34,800 * 140\% = \$48,720$
- Annual recert HH income \leq \$48,720 – no change
- counts as a LI unit
- Annual recert HH income $>$ \$48,720 continues to be counted as a LI HH as long as the next available unit in the property is rented to a LI qualifying HH.
 - Keep track to be able to prove which LI qualifying unit moved in next.

Available Unit Rule

- TE only properties – is a property-wide rule
- TE combined with TC – is a building rule

150% Overall Income Limit

- What is the 150% limit:
 $\$72,400 * 150\% = \$108,600$
- What happens if the HH is above 150% of the AMI?
 - Apply adjustments from Worksheet B
 - If still above 150%, impose rent surcharge
 - HH may continue to live in the unit

Annual Recertification – What ELSE do you Document?



STUDENT STATUS

3-Year Recertification

- **Moderate income – 150% units** – due within 3 years following previous, verifications not necessary, must sign TIC and enter into WTCMS
- MI date January 16, 2016
- Recertification due January 16, 2019

Rent Surcharge

- If total adjusted income using Worksheet B at any recertification exceeds the moderate income maximum based on 150% AMI, HH may continue to occupy the unit but owner may impose a surcharge on rent.
- Surcharge Table may be found online with other loan forms

See Form on VHDA's website

Changes in LI HH Composition TE only

- Verify new member's income & add to current HH income
- Determine if HH total income qualifies within current LI maximum. If within:
 - Complete **Initial** cert in WTCMS. Sign TIC
 - Complete recerts annually from new Initial Cert date

Changes in LI HH Composition TE only

- If HH total income is above current LI maximum
- Complete **Interim** cert in WTCMS
- Change unit status in WTCMS (i.e., it's no longer a LI unit, but a 150% moderate unit)
- Complete recerts every 3rd year from existing cert date
- Ensure enough HHs remain qualified to satisfy the minimum set aside requirement

Changes in **Moderate** HH Composition TE Only

- No verification of new HH member's income is necessary
- Complete screening, signing lease, etc. as for any other applicant
- Complete an **Interim** cert in WTCMS. Sign TIC
- Unit status and recertification schedule will not be altered (complete every 3 years)

Change in HH Composition Combination Property

TE & < 100% TC

(i.e., both 40% @ 60%)

Use strictest test which is TE only rule

- Verify new member's income & add to current HH income
 - If HH total income within current LI max, complete **Initial** cert & sign TIC, recert annually from new Initial cert date
 - If HH total income above current LI max, complete **Interim** cert , change unit status in WTCMS (i.e., it's no longer a LI unit, but a moderate unit), sign TIC & recert every 3rd year from new Initial cert date

Change in HH Composition Combination Property TE & 100% TC

- Verify new member's income
- Complete **Interim** cert, sign TIC
- No change in unit status or recert schedule as all new MI's must qualify because of the TC requirement

Unit Transfers

- HHs may transfer to another unit anywhere in the property
- Verify HH total income as if a new move-in and enter data into WTCMS
 - If HH total income is within current qualifying LI limit units swap status
 - If HH total income is above LI, transfer still takes place, but unit is re-designated as moderate
- If HH above 150%, apply Worksheet B, allow move & may implement rent surcharge

File Format

- Establish a File Maintenance Format
 - Organize documents in a logical manner
 - Set up file by sections
 - Permanent file documents (Lease Agreement/Addendum, Privacy Letters)
 - Certifications/Verifications
 - Correspondence/Notices
 - Maintenance
 - Use a document checklist
- Keep files in private place. Be mindful of sensitive information

Audit...what?!...why?!

- Doesn't everyone do exactly what they promised?
- Ensure people receive the benefits of those programs



VHDA Audit

- On site at least every 3 years – review files & complete physical inspection
- # files to review – 20% of the LI units + > 5 or 5% of the moderate income units
- Audit process – review administrative procedures, required documentation
- Physical – same units, for the most part, & all common areas

VHDA Audit

- Reports that reflect use (or non-use) of WTCMS – at least quarterly
- Reports from WTCMS to determine compliance with minimum set aside - annually

Timeframe

- Requirements are in place throughout life of loan
- Documents must be retained for 6 years past the life of the loan
- Applicable for the most part to LI units as purpose is to be able to document property continually met the minimum set aside

Effect of Noncompliance for Owner

- Unless corrected within the stated period repercussions include reduced ability for funding future properties, technical default of the mortgage, and possibly foreclosure by VHDA
- Owner is the party at risk

Effect of Noncompliance for VHDA

- Unless corrected within a reasonable period, will cause the bonds to become taxable from the date of issuance
- Reasonable = 60 days from the date noncompliance is discovered
- VHDA is the party at risk

IRS Audit

- ~1,000 Bond properties annually vs.
- ~300 TC properties

Form 8703

- Owner must complete & file this form annually with the IRS during Qualified Project Period (1st 15 years).
- VHDA requests a copy of the form annually
- Obtain Form & instructions:
<https://www.irs.gov/uac/Form-8703,-Annual-Certification-of-a-Residential-Rental-Project>

Form 8703

Form **8703**
(Rev. September 2013)
Department of the Treasury
Internal Revenue Service

Annual Certification of a Residential Rental Project

(Complete a separate Form 8703 for each project.)

For calendar year

OMB No. 1545-1038

► Information about Form 8703 and its instructions is at www.irs.gov/form8703.

Part I General Information

Check if Amended Return

Operator of project	Taxpayer identification number of operator
<input type="text"/>	<input type="text"/>
Street address, city or town, state or province, country, ZIP or foreign postal code	
<input type="text"/>	
Owner of project	Taxpayer identification number of owner
<input type="text"/>	<input type="text"/>
Street address, city or town, state or province, country, ZIP or foreign postal code	
<input type="text"/>	
Address of building/project (Do not use P.O. box.)	Report number (For IRS Use Only)
<input type="text"/>	<input type="text"/> <input type="text"/> <input type="text"/>

1 Check the box for the test elected for the project:

a 20-50 test

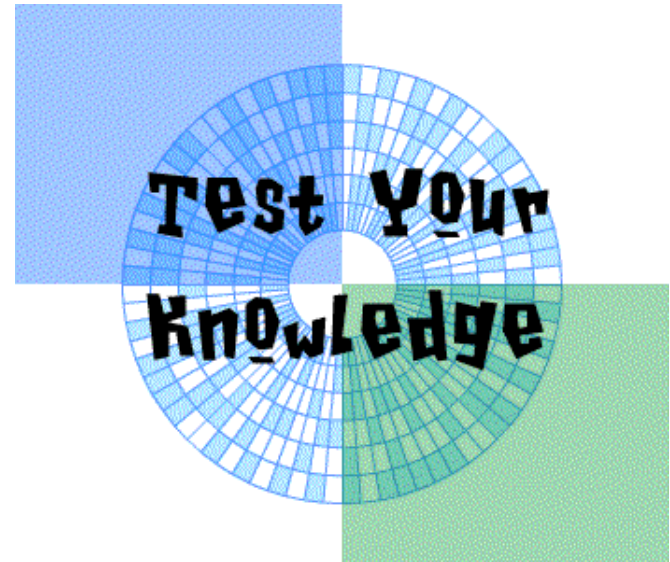
b 40-60 test

c 25-60 test (NYC only)

d 20-60 test
(GO Zone, Midwestern disaster areas,
and Hurricane Ike disaster areas only)

e 40-70 test
(GO Zone, Midwestern disaster areas,
and Hurricane Ike disaster areas only)

Calculation Examples & Quickie Quiz Questions



Miscellaneous Topics

- Remember to register your property on www.VirginiaHousingSearch.com
- Additional training opportunities – see Mid Atlantic AHMA website or click link on VHDA's Compliance Workshops and Training web page

Updates & Communication

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Updates and Announcements

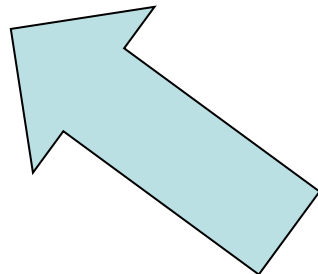
[Share](#)

Please sign up to receive periodic updates that will address:

- ▶ Changes to existing programs
- ▶ New loan programs
- ▶ Modifications to processes and procedures
- ▶ Changes in Social Security, Medicare, and other programs that impact property managers

This will be our primary method of communicating important updates regarding VHDA's multifamily programs.

[Sign Up for Updates](#)



Updates and Announcements

[Compliance Workshops and Training](#)

[Multifamily Loan Servicing](#)

[VHDA Multifamily Loan Compliance](#)

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[Multifamily Financial Reporting Requirements](#)

VHDA E-Book

VHDA E-book: www.VHDA.com/renters

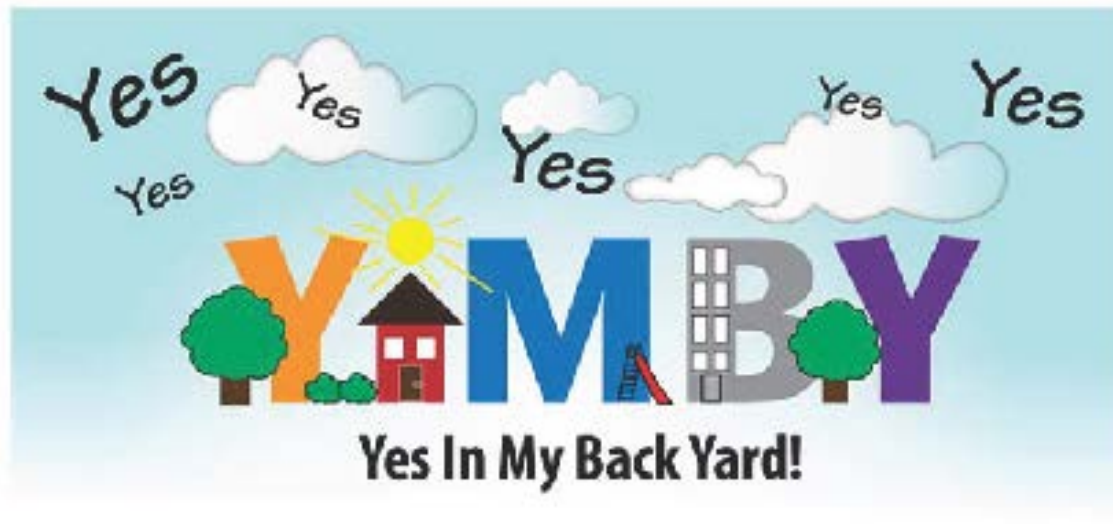
Click on **Renter Education**, blue block on right

- Are You Financially Ready to Rent?
- The Ins & Outs of Credit
- How to Find the Right Place
- Handling the Application Process
- Understanding the Lease Agreement
- Getting Back Your Security Deposit
- Life as a Renter: Rights & Responsibilities
- Housekeeping, Maintenance & Repairs
- The Right Way to Terminate the Lease

Resources for Developers



How to encourage "YIMBY" in your community



YIMBY (Yes In My Back Yard) embraces affordable housing. It is an attitude to overcome the opposition to affordable housing. Listed below are links to tools and educational resources for developers and housing professionals to help encourage YIMBYism.



Thank You for Attending!