

**ARKANSAS DEVELOPMENT
FINANCE AUTHORITY**

**COMPLIANCE
MONITORING POLICIES AND
PROCEDURES MANUAL FOR THE
HOME PROGRAM**

**Adopted by Board of Directors
July 17, 2003**



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ARKANSAS DEVELOPMENT FINANCE AUTHORITY
HOME PROGRAM
MONITORING AND COMPLIANCE PROCEDURES

Introduction

The Arkansas Development Finance Authority (ADFA or the Authority), a public body politic and corporate, with corporate succession, was created May 1, 1985 by Act 1062. This act abolished the former Arkansas Housing Development Agency that had existed since 1977. ADFA was created in part to assist low-income and under-served Arkansans in the financing, development and preservation of affordable housing. In this quest, ADFA receives and administers funds provided by the HOME Investment Partnerships Act (the HOME Program) as a Participating Jurisdiction (PJ) through the U. S. Department of Housing and Urban Development (HUD).

ADFA is responsible for monitoring the HOME Program. During the period of affordability, ADFA's Compliance Monitoring staff will audit files and conduct on-site inspections of all completed HOME-funded projects, to-wit: rental units, single-family homeowner rehabilitation, acquisition rehabilitation, and Tenant-Based Rental Assistance (TBRA).

The purpose of monitoring is to ensure that housing and housing-related services are being delivered in accordance with the HOME requirements. Specifically, Program rules require that funds be used to provide housing and housing-related services for low- and very-low-income residents; that any housing produced with HOME funds meet quality standards and is decent, safe and sanitary; and that the housing opportunities created with HOME funds are available and affordable for specific periods of time. Affordability periods can range from five to twenty years, depending on the type of project and amount of HOME funds. The HOME Program guidelines appear in 24 CFR Part 92 of the HOME Investment Partnerships Program Final Rule dated September 16, 1996 (with May 28, 1997, technical corrections and August 22, 1997, amendments) (the Final Rule).

This Monitoring Policies and Procedures Manual is presented to provide an overview of procedures as they pertain to the HOME Program. This manual is designed to provide guidance to HOME program participants in maintaining (1) program and project records; (2) records pertaining to rents, income of tenants, and Affirmative Fair Housing guidelines throughout the affordability period; and (3) compliance with minimum housing quality standards for safe, decent, and sanitary conditions. The guidelines herein are not intended to be all-inclusive. In the event of a conflict, the HOME Program guidelines will control. Participants and recipients are responsible for compliance with amendments and updates to the HOME guidelines.

The participant or recipient is responsible for compliance with the requirements of the HOME Program rules. ADFAs obligation to monitor the projects for compliance does not make ADFAs liable for a participant's or recipient's non-compliance. Non-compliance with HOME Program requirements can be costly, as it can lead to the repayment of HOME funds. Continued non-compliance may adversely affect an applicant's current and future participation in the HOME program. ADFAs reserves the right to implement additional policies as needed.

Any questions regarding this Manual should be directed to:

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Arkansas Development Finance Authority
423 Main Street, Suite 500
Little Rock, AR 72201 or
P. O. Box 8023
Little Rock, AR 72203-8023
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I. Scope of the Monitoring Inspection

When a project is selected for review, ADFA staff will contact the owner or manager at least two (2) weeks before the scheduled visit. ADFA staff will schedule an initial review of multi-family projects within the first year of project completion to review tenant files; property management and financial viability; marketing procedures; tenant selection criteria; rent and occupancy records; project financial records (e.g. bank statements, income and expenses, security deposit account, reserve account income and expenses). After the initial visit, ADFA staff will schedule monitoring reviews as follows:

Multi-family rental projects will be selected based on the total number of units in the project:

1 – 4 units	every three years
5 –25 units	every two years
26 or more units	annually

Homeowner rehabilitation and Homebuyer projects will be reviewed annually.

Agencies that administer Tenant-Based Rental Assistance (TBRA) will be monitored annually during the term of the TBRA assistance.

For projects of up to 5 units, ADFA staff will review all tenant files and units. For projects of more than 5 units, ADFA staff will randomly select 20% of tenant files and units for monitoring. Staff will focus in the areas of record keeping, fair housing, tenant files, housing quality standards (hqs), and other terms or conditions. Additionally, owners or recipients must complete and submit the Annual Project Compliance Reports for Rental, Homebuyer and Homeowner projects. Samples of the Compliance Reports are [attached hereto as Exhibits A](#).

Required Period of Affordability

	Period of Affordability
Rehabilitation or acquisition of existing structures with HOME investment per unit of:	
Less than \$15,000	5 years
\$15,000 - \$40,000	10 years
\$40,000 or more	15 years
Refinance of Rehabilitation project:	
Any Amount	15 years
New construction, including acquisition of new units:	
Any amount	20 years

II. Program Records

We recommend that each project owner or manager prepare a binder titled “ADFA HOME Compliance” for each project. Since the information in the binder will be reviewed by ADFA staff during each visit, the binder must contain copies of the following:

1. HOME Application for funding (current on top);
2. HOME Agreements (current on top);
3. Previous monitoring reviews, audits, and correspondence by ADFA, Rural Development, HUD, etc);
4. Evidence of compliance with Section 3 Policy (ensure that employment and other economic opportunities generated by Federal financial assistance for housing and community development programs be directed, to the greatest extent feasible, toward low- and very-low income persons, particularly those who are recipients of government assistance for housing);
5. Current Affirmative Fair Housing Marketing Plan;
6. Completed ADFA Fair Housing Data Sheet;
7. HOME Rents and HOME Income Limits (current on top); these are available on the HUD or ADFA web sites;
8. Utility Allowances (current on top);
9. Leases;
10. Tenant Selection Criteria;
11. Total number of HOME units in the property, and identified as “floating” or fixed”;
12. Rents charged on each unit,
13. Change in ownership documentation, if applicable;
14. CHDO Approval Certification from ADFA, if applicable (current on top); and
15. Evidence of paid real estate taxes and homeowners insurance, as applicable for homebuyer/homeowner program.

III. General Project Records

ADFA staff will review Project records for the following documents:

1. Description of each HOME-assisted activity;
2. Copy of site plan to show the location of building and units;
3. Sources and application of funding;
4. Number of units and identification of units or tenants associated with HOME funds;
5. Identification of all sources of rental assistance, as applicable;
6. Compliance with maximum per-unit subsidy limits and subsidy layering guidelines;

7. Compliance with minimum property standards;
8. Compliance with lead-based paint requirements for projects constructed before January 1, 1978, specifically, we expect the file to contain the following forms, as applicable to each file:
 - Disclosure Notices
 - Risk Assessment Reports
 - Notices of Hazard Reduction and Clearance Reports
 - Waivers
 - Copy of Work Write-up and Contractors' Bids for the job
 - Evidence that qualified workers were employed (e.g. copies of contractor's certificates, licenses, etc.)
 - Response to children with elevated blood lead level
9. Compliance with income targeting, affordability and lease requirements;
10. Evidence of compliance with Consolidated Plan; and
11. For TBRA, compliance with written tenant selection policies, lease provisions and other applicable requirements.

IV. Record Retention

1. For rental housing, general records must be kept for five (5) years after project completion, and tenant income, rent, and inspection information must be kept for the most recent five years, until five years after the affordability period ends;
2. Homeownership records must be kept for five (5) years after project completion. For resale/recapture, records must be kept for five years after the affordability period ends;
3. TBRA records must be kept for five (5) years after rental assistance ends;
4. Written agreements must be kept for five (5) years after the agreement ends;
5. Displacement and acquisition records must be kept for five (5) years after final payment to displaced persons; and
6. Litigation, claim negotiation, audit, monitoring reports, inspections or other action reports must be kept until end of action or a specified required period, whichever is later.

Owners and managers must be aware that some developments may have utilized other federal funding or Low Income Housing Tax Credits (LIHTC). The record retention requirements of those programs may differ from the HOME requirements. Owners must comply with the record retention requirements of each program.

V. Fair Housing

No person in the United States may, on the grounds of race, color, national origin, religion, sex, handicap, or familial status, be excluded, denied benefits or subjected to discrimination under any provisions funded in whole or in part by HOME funds. HOME recipients and activities must comply with all of the following Federal laws, executive orders, and regulations pertaining to fair housing and equal opportunity. The major laws are summarized below:

Title VI of the Civil Rights Act of 1964, as amended (42 U.S.C.2000d et.seq.) states that no person may be excluded from participation in, denied the benefits of or subjected to discrimination under any program or activity receiving Federal financial assistance on the basis of race, color or national origin.

The Fair Housing Act (42 U.S.C. 3601-3620) prohibits discrimination in the sale or rental of housing, the financing of housing, or the provision of brokerage services against any person on the basis of race, color, religion, sex, national origin, handicap, or familial status. Furthermore, section 104(b)(2) of the Act requires that each grantee certify to the secretary of HUD that it is affirmatively furthering fair housing. The certification specifically requires grantees to conduct a fair housing analysis, develop a fair housing plan, take appropriate actions to overcome the effects of any impediments identified, and maintain records on the analysis, plan, and actions in this regard.

Equal Opportunity in Housing (Executive Order 11063, as amended by Executive Order 12259) prohibits discrimination against individuals on the basis of race, color, religion, sex or national origin in the sale, rental, leasing or other disposition of residential property or in the use or occupancy of housing assisted with Federal funds.

Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) prohibits age discrimination in programs receiving Federal financial assistance.

Americans with Disabilities Act (42 U.S.C.12131; 47 U.S.C., 155, 201, 218 and 225) provides comprehensive civil rights to individuals with disabilities in the areas of employment, public accommodations, state and local government services, and telecommunications. The Act, also referred to as the ADA, also states that discrimination includes the failure to design and construct facilities (built for first occupancy after January 26, 1993) that are accessible to and usable by persons with disabilities. The ADA also requires the removal of architectural and communication barriers that are structural in nature in existing facilities. Removal must be carried out when readily achievable, easily accomplishable, and able to be carried out without much difficulty or expense.

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in federally assisted programs on the basis of disability.

As part of the Fair Housing element of the review, ADFA staff will review the following:

1. Recipient's methods for informing the public or potential tenants about fair housing laws. ADFA will look for the posting of the Equal Housing Opportunity symbol on all advertising and exterior property signs;
2. Availability of Equal Housing Opportunity information, and visibility of the Equal Housing Opportunity symbol on correspondence, exterior property sign, and in office where tenant applications are taken;
3. Data on the extent to which each racial and ethnic group and single-headed households (by gender of household head) have applied for, participated in, or benefitted from, any program or activity funded in whole or in part with HOME funds;
4. Records demonstrating actions taken to meet the requirements of **Section 3** of the Housing Development Act of 1968, as amended (12 U.S.C. 1701u). The purpose of Section 3 is to ensure that the employment and other economic opportunities generated by Federal financial assistance or housing and community development programs be directed toward low and very low income persons, particularly those who were recipients of government assistance for housing.
5. Affirmative Fair Housing Marketing Plan (HUD form 935.2).
6. Number of handicap-accessible parking spaces and their proximity to accessible units and ramps;
7. Design of handicap-accessible units (if units are chosen as part of the random selection by ADFA staff) and placement of units. Accessible units must be distributed throughout the sites;
8. Waiting lists and sign-in sheets.

In buildings that were ready for first occupancy after March 13, 1991, and have an elevator and four (4) or more units, ADFA staff will verify that:

1. There is at least one building entrance on an accessible route;
2. Public and common areas are accessible to persons with disabilities;
3. Doors and hallways are wide enough to accommodate wheelchairs;
4. Light switches, electrical outlets, thermostats, and other environmental controls are in accessible locations;
5. Reinforced walls are built in bathrooms for later installation of grab bars; and
6. Kitchens and bathrooms are usable by persons in wheelchairs.

This list is not meant to be all-inclusive. ADFA staff may also interview tenants.

VI. Tenant Files

We require that files be maintained in a consistent order in file folders. ADFA staff will randomly select 20% of tenant files and units for all HOME-assisted projects except TBRA recipients, for which we will select 10% or a minimum of five tenant files and units, whichever is higher.

We examine tenant files in order to:

1. Confirm that income, rent, and utility allowances are within program guidelines;
2. Ensure that all documents are completed, signed, and dated by all appropriate parties;
3. Review the lease for signatures, dates, and prohibitive language. Initial leases must have terms of at least one year. Subsequent leases may be less than one year if agreed upon by tenant and owner. ADFA recommends that all leases be executed in one year terms;
4. Review Tenant Agreements;
5. Review signed authorization for release of income, employment and asset information;
6. Review and document annual income, subsidized rent, tenant contribution, utility allowance, and gross rent;
7. Ensure that third party employment and income verifications are completed, signed, and dated by all parties;
8. Ensure that Zero Income Statements are executed, if applicable;
9. Ensure that appropriate asset verifications are used;
10. Ensure that income recertifications with source documents are completed annually;
11. Review original tenant applications;
12. Review unit inspection forms;
13. Review signed statement by tenant regarding the brochure-“Protect Your Family From Lead in Your Home”; signed Lead-based paint Disclosure Form; signed Lead-based Hazard Evaluation Form, if applicable; and
14. Review tenant complaint forms and responses.

VII. Recertification of Tenant Income

Tenant eligibility must be verified at initial occupancy and must be recertified annually. ADFA staff will look for third-party source documents to confirm verifications. In some instances, a tenant may be receiving other income-based assistance (i.e. Section 8 voucher). Owners or managers may obtain a written statement of family size and income from the other program administrator as a form of source documentation. Income determinations must show that all residents of HOME-assisted units are at or below 50 percent or 80 percent of the area median income, adjusted for family size.

Source documents or verifications used for income determinations must be in the file and available for review. ADFA staff will look for signed income certifications. Owners or managers may use the Tenant Income Certification (TIC) included herein as Exhibit B or a TIC utilized by other federal programs. The documentation must be sufficient to support the information in the certification and compliance report.

In addition to on-site reviews, ADFA staff will conduct desk reviews of annual Project Compliance Reports submitted by owners. The Project Compliance Report form will be mailed to owners by June 15th each year. The reports must be completed and returned to ADFA no later than July 31 of each year during the affordability period.

VIII. Maintaining Compliance with HOME Occupancy Requirements

Projects with Fixed HOME-Assisted Units

Over Income HOME-assisted Units: If the income of a household residing in a HOME-assisted unit rises above 50 percent of area median income (AMI) but is still below 80 percent at recertification, High and Low HOME Rent units may “float” in fixed projects. The unit would become a High HOME Rent unit. The next available HOME unit would be designated a Low HOME Rent unit.

If the income of a household in a HOME-assisted unit rises above 80 percent of AMI at recertification, the household may continue to rent the unit and the household must pay monthly rent equal to the lesser of:

- ___ the rent permitted by state law; or
- ___ 30 percent of the family’s adjusted monthly income at annual recertification.

If the project received Low Income Housing Tax Credits, the tax credit rent prevails.

Vacated HOME-assisted Units: When households vacate fixed HOME-assisted units, households in appropriate income categories must replace them. Low HOME rent units must be reoccupied by households with incomes at or below 50 percent of AMI and High HOME rent units must be reoccupied by households with incomes at or below 80 percent of AMI.

Projects with Floating HOME-assisted Units

Over Income HOME-assisted Rent Units: If the income of a household in a Low HOME rent unit increases above 50 percent of AMI but does not exceed 80 percent of AMI, the next available comparable unit must be reoccupied by a household with an income a or below 50 percent of AMI

If the income of a household in a HOME-assisted unit rises above 80 percent of AMI at recertification, the household must pay a monthly rent equal to the lesser of:

- ___ the rent permitted by law; or
- ___ 30 percent of the family's adjusted monthly income at annual recertification

If the project received Low Income Housing Tax Credits, the tax credit rent prevails.

The rent charged to over-income tenants in floating units is “capped” at market rent for comparable (unassisted) units in the neighborhood and the next available comparable unit must be occupied by a household in the appropriate income category to satisfy the project's HOME occupancy requirements.

Vacated HOME-assisted Units: If a floating HOME-assisted unit is vacated, the vacated unit must be reoccupied by an eligible household in the appropriate income category to satisfy the project's HOME occupancy requirements; or another comparable unit (i.e. non-HOME assisted) must be occupied by an eligible household of appropriate income and substituted for the vacant HOME-assisted unit;

Vacated HOME-assisted units that have been properly replaced by new units can then be leased to households at any income, provided the HOME-assisted units and non-assisted units are comparable in characteristics.

IX. Housing Quality Standards

ADFA staff will conduct inspections of the units that were randomly selected for file audits and will utilize the HUD Inspection Checklist. Owners may utilize the HUD inspection checklist for unit inspections or a similar form that provides essentially the same information. During Compliance Monitoring visits, ADFA staff will inspect the following:

1. Condition of grounds, parking lot, ramps, office, laundry and maintenance areas, and exterior buildings;
2. Breezeways or walkways;
3. Condition of interior stairs, rails, and common halls;
4. Exterior locks, window locks, and door frames;
5. Condition of carpets, flooring, windows and screens, caulking, walls, and ceilings in all rooms;
6. Light fixtures, switch plates, etc.
7. Conditions that may pose electrical hazards;
8. Condition of kitchen sinks, faucets, areas under sinks, stoves, exhaust fans, refrigerators, etc.;
9. Smoke detectors (must be operational);
10. Bathroom sinks, toilets, tubs or showers;
11. Adequacy and safety of heating and cooling units;

12. Peeling, chipping or deteriorating paint in structures built before 1978;
13. Overall condition of the unit; and
14. General health and safety issues.

ADFA reserves the right to request additional information, if applicable.

Owners or managers may be required to make immediate corrective measures for items that endanger general health and safety. Generally, owners or managers may be given up to sixty (60) days to correct other deficiencies. ADFA may permit additional time for corrective measures if circumstances warrant (e.g. weather conditions or circumstances beyond owner's control). ADFA, in its sole discretion, may schedule additional follow-up visits.

X. Income

The HOME Program was designed to benefit low-income families. A low-income household is described as a household with an income at or below 80 percent of the area median income, adjusted for family size. HUD publishes HOME low-income limits which are based on 80 percent of the area median income, with adjustments for household size. These figures are revised and made available annually.

Rental Housing and tenant-based rental assistance funded each allocation year must comply with an income eligibility "Program Rule". The Program Rule requires that at least 90 percent of the initial resident households have gross incomes at or below 60% of median income (adjusted for household size). The remaining households must have gross incomes at or below 80% of median income (adjusted for household size).

The Program Rule applies to the initial resident households. As residents move out, the "Project Rule" usually governs rents and eligibility for subsequent residents. Recipients must refer to executed HOME Agreements for specific projects for possible exceptions to the Project Rule.

The Project Rule has two provisions:

(a) All households residing in HOME-funded units must have gross incomes at or below 80% of median; and

(b) In addition, for properties with five or more HOME-assisted units, at least 20% of households must have gross incomes at or below 50% of median income.

Household incomes must be determined at the time of move-in and recertified annually. The HOME Program uses the definition of income as utilized for the HUD Section 8 Program.

Residents are required to report all income from all sources to the project owner or manager. When determining income from assets to be included in annual income, the actual income derived from the assets is included except when the cash value of all the assets is in excess of \$5,000.00, then the amount included in annual income is the higher of 2% of the total assets or the actual income derived from the assets.

Annual Income includes:

- Full amount (before payroll deductions) of wages and salaries, overtime pay, commissions, fees, tips, and bonuses and other compensation for personal services;
- Net income from the operation of a business or profession;
- Interest, dividends, and other net income of any kind from real estate or personal property;
- Full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits and other similar types of periodic receipts; including lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount;
- Payments in lieu of earnings, such as unemployment and disability compensation, workers compensation and severance pay;
- Welfare assistance;
- Periodic and determinable allowances, such as alimony and child support payments and regular contributions or gifts received from organizations or from person not residing in the dwelling;
- All regular pay, special pay and allowances of a member of the Armed Forces (except special pay for exposure to hostile fire).

Assets include:

- Stocks, bonds, Treasury bills, certificates of deposit, money market accounts;
- Individual retirement and Keogh accounts;
- Retirement and pension funds;
- Cash held in savings and checking accounts, safe deposit boxes, homes, etc.;
- Cash value of whole life insurance policies available to the individual before death;
- Equity in rental property and other capital investments, equity in property protected by bankruptcy;
- Divorce or separation agreement if the applicant or resident receives important consideration not necessarily in dollars.

Some exclusions may apply. Recipients must refer to HUD Handbook 4350.3 for a complete definition of annual income.

XI. The Lease

A standard lease may be used as long as it complies with HOME and Fair Housing regulations. Initial lease terms must be at least one year. ADFHA recommends one-year terms for subsequent leases. The lease must address such issues as causes for termination or non-renewal; the consequences of violation of the lease, rent amount, rent increases, and utilities. Leases must not contain any of the following prohibited provisions:

- Agreement to be sued. Agreement by the tenant to be sued, admit guilt, or consent to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
- Agreement regarding treatment of property. Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition does not apply to an agreement by the tenant concerning disposition of personal property remaining in the unit after the tenant has moved out. The owner may dispose of personal property in accordance with state law.
- Agreement excusing the owner from responsibility. Agreement by the tenant not to hold the owner or the owner's agents legally responsible for actions or failure to act, whether intentional or negligent.
- Waiver of notice. Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant.
- Waiver of legal proceedings. Agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense or before court decision on the rights of the parties.
- Waiver of a jury trial. Agreement by the tenant to waive any right to a jury trial.
- Waiver of right to appeal a court decision. Agreement by the tenant to waive the tenant's right to appeal or otherwise challenge in court a decision in connection with the lease.
- Agreement to pay legal costs, regardless of outcome. Agreement by the tenant to pay attorney fees or other legal costs even if the tenant wins the court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

XII. Homeowner Rehabilitation

ADFA Compliance staff will look for the following:

1. Evidence that the property is the principal residence of the person assisted with HOME funds;
2. Records demonstrating that the project meets the affordability requirements for the required period;
3. Annual inspection reports or other evidence the exterior of the property meets minimum Housing Quality Standards (HQS); and
4. Evidence of annual payment of real estate taxes and homeowners insurance.

XIII. Homebuyer Assistance

Homebuyer programs supported with HOME funds may only assist low-income homebuyers. Qualified households must be a low-income household; occupy the property as the principal residence; and purchase the property with an approved form of ownership. ADFA staff will confirm that homebuyers have obtained ownership interest permitted under the HOME program. The HOME program allows for fee simple title, 99-year leasehold interest, ownership or membership in a cooperative, or an equivalent form of ownership approved by HUD. Potential purchasers must be qualified before the sale. Appropriate Deed Restrictions must be executed.

The Compliance staff will review the following:

1. Homebuyer's affidavit that household will use the property as its principal residence;
2. Evidence of payment of real estate taxes and homeowners insurance throughout the affordability period.

XIV. Lead-Based Paint Requirements

The information on Lead Based paint requirements is presented here as an overview and is not intended to be all-inclusive. ADFA advises all persons to access the HUD website for specific guidance and exemptions to the rule.

The U.S. Department of Housing and Urban Development (HUD) published a final regulation, "Requirements for Notification, Evaluation and Reduction of Lead-Based Paint Hazards in Federally Owned Residential Property and Housing Receiving Federal Assistance". The purpose of the regulation is to protect young children from lead-based paint hazards in housing that is either receiving assistance from the Federal government or is being sold by the Federal government. The regulation establishes requirements that will control lead-based paint hazard in such housing that was built before January 1, 1978. Occupants in units constructed before 1978 must receive a disclosure notice and pamphlet describing lead-based paint hazards. Unit occupants must

receive a disclosure form from the landlord or property manager noting any known presence of lead-based paint. The landlord or property manager must keep a copy of the disclosure notice in each tenant's file. The tenant must sign this notice before occupying the unit.

Other lead-based paint requirements depend on whether or not the HOME assistance involves rehabilitation and the dollar amount of the rehabilitation.

The regulation is at part 35 of Title 24 of the Code of Federal Regulations (24 CFR part 35). The regulation became effective September 15, 2000.

See attached Summary of Lead-Based Paint Requirements by Activity, included herewith as Exhibit C.

Some commonly used terms are:

Abatement: any set of measures designed to permanently eliminate lead-based paint or lead-based paint hazards (see definition of "permanent"). Abatement includes: (1) the removal of lead-based paint and dust-lead hazards, the permanent enclosure or encapsulation of lead-based paint, the replacement of components or fixtures painted with lead-based paint, and the removal or permanent covering of soil-lead hazards; and (2) All preparation, cleanup, disposal, and post abatement clearance testing activities associated with such measures.

Bare Soil: soil or sand not covered by grass, sod, other live ground covers, wood chips, gravel, artificial turf, or similar coverings.

Certified: licensed or certified to perform such activities as risk assessment, lead-based paint inspection or abatement supervision, either by a State or Indian tribe with a lead-based paint certification program authorized by the Environmental Protection Agency ("EPA"), or by the EPA, in accordance with 40 CFR part 745, subparts L or Q.

Chewable Surface: An interior or exterior surface painted with lead-based paint that a young child can mouth or chew. A chewable surface is the same as an "accessible surface" as defined in 42 U.S.C. 4851b(2). Hard metal substrates and other materials that cannot be dented by the bite of a young child are not considered chewable.

Clearance Examination: an activity conducted following lead-based paint hazard reduction activities to determine that the hazard reduction activities are complete and that no soil-lead hazards or settled dust-lead hazards, as defined in this part, exist in the dwelling unit or worksite. The clearance process includes a visual assessment, collection, and analysis of environmental samples. Dust-lead standards are found at § 35.1320.

Common Area: a portion of a residential property that is available for use by occupants of more than one dwelling unit. Such an area may include, but is not limited to, hallways, stairways, laundry and recreational rooms, playgrounds, community centers, on-site day care facilities, garages and boundary fences.

Component: an architectural element of a dwelling unit or common area identified by type and location, such as a bedroom wall, an exterior window sill, a baseboard in a living room, a kitchen floor, an interior window sill in a bathroom, a porch floor, stair treads in a common stairwell, or an exterior wall.

Composite Sample: a collection of more than one sample of the same medium (e.g. dust, soil or paint) from the same type of surface, such as floor, interior windowsill or window trough, such that multiple samples can be analyzed as a single sample.

Containment: the physical measures taken to ensure that dust and debris created or released during lead-based paint hazard reduction are not spread, blown or tracked from inside to outside of the worksite.

Deteriorated Paint: any interior or exterior paint or other coating that is peeling, chipping, chalking, or cracking, or any paint or coating located on an interior or exterior surface or fixture that is otherwise damaged or separated from the substrate.

Dry Sanding: sanding without moisture and includes both hand and machine sanding.

Dust-Lead Hazard: surface dust that contains a dust-lead loading (area concentration of lead) at or exceeding the levels promulgated by the EPA pursuant to section 403 of the Toxic Substances Control Act or, if such levels are not in effect, the standards in § 35.1320.

Encapsulation: the application of a covering or coating that acts as a barrier between the lead-based paint and the environment and that relies for its durability on adhesion between the encapsulant and the painted surface, and on the integrity of the existing bonds between paint layers and between the paint and the substrate. Encapsulation may be used as a method of abatement if it is designed and performed to be permanent (see definition of permanent).

Enclosure: the use of rigid, durable construction materials that are mechanically fastened to the substrate in order to act as a barrier between lead-based paint and the environment. Enclosure may be used as a method of abatement if it is designed to be permanent (see definition of permanent).

Environmental Intervention Blood Lead Level (“EIBLL”): a confirmed concentration of lead in whole blood equal to or greater than $\mu\text{g}/\text{dL}$ (micrograms of lead per deciliter) for a single test or 15 – 19 $\mu\text{g}/\text{dL}$ in two tests taken at least 3 months apart.

Evaluation: a risk assessment, a lead hazard screen, a lead-based paint inspection, paint testing, or a combination of these to determine the presence of lead-based paint hazards or lead-based paint.

Expected to Reside: there is actual knowledge that a child will reside in a dwelling unit reserved for the elderly or designated exclusively for persons with disabilities. If a resident woman is known to be pregnant, there is actual knowledge that a child will reside in the dwelling unit.

Friction Surface: an interior or exterior surface that is subject to abrasion or friction, including, but not limited to, certain window, floor, and stair surfaces.

G means gram, mg means milligram (thousandth of a gram) and μg means microgram (millionth of a gram).

Hazard Reduction: measures designed to reduce or eliminate human exposure to lead-based paint hazards through methods including interim controls or abatement or a combination of the two.

HEPA Vacuum: a vacuum cleaner device with an included high efficiency particulate air (“HEPA”) filter through which the contaminated air flows, operated in accordance with the instructions of its manufacturer. A HEPA filter is one that captures at least 99.97 percent of airborne particles of at least 0.3 micrometers in diameter.

Housing for the Elderly: retirement communities or similar types of housing reserved for households composed of one or more persons 62 years of age or more, or other age if recognized as elderly by a specific Federal housing assistance program.

HUD-owned Property: residential property owned or managed by HUD, or for which HUD is a trustee or conservator.

Impact Surface: an interior or exterior surface that is subject to damage by repeated sudden force, such as certain parts of doorframes.

Interim Controls: a set of measures designed to reduce temporarily human exposure or likely exposure to lead-based paint hazards. Interim controls include, but are not limited to, repairs, painting, temporary containment, specialized cleaning, clearance, ongoing lead-based paint maintenance activities, and the establishment and operation of management and resident education programs.

Interior Windowsill: the portion of the horizontal window ledge that protrudes into the interior of the room, adjacent to the window sash when the window is closed. The interior windowsill is sometimes referred to as the window stool.

Lead-based Paint: paint or other surface coatings that contain lead equal to or exceeding 1.0 milligram per square centimeter or 0.5 percent by weight or 5,000 parts per million (ppm) by weight.

Lead-based Paint Hazard: any condition that causes exposure to lead from dust-lead hazards, soil-lead hazards, or lead-based paint that is deteriorated or present in chewable surfaces, friction surfaces, or impact surfaces, and that would result in adverse human health effects.

Lead-based Paint Inspection: a surface-by-surface investigation to determine the presence of lead-based paint and the provision of a report explaining the results of the investigation.

Lead Hazard Screen: a limited risk assessment activity that involves paint testing and dust sampling and analysis as described in 40 CFR 745.227(c) and soil sampling and analysis as described in 40 CFR 745.227(d).

Paint Removal: a method of abatement that permanently eliminates lead-based paint from surfaces.

Paint Stabilization: repairing any physical defect in the substrate of a painted surface that is causing paint deterioration, removing loose paint and other material from the surface to be treated, and applying a new protective coating or paint.

Paint Surface to be disturbed: a paint surface that is to be scraped, sanded, cut, penetrated or otherwise affected by rehabilitation work in a manner that could potentially create a lead-based paint hazard by generating dust, fumes, or paint chips.

Paint Testing: the process of determining, by a certified lead-based paint inspector or risk assessor, the presence or absence of lead-based paint on deteriorated paint surfaces or painted surfaces to be disturbed or replaced.

Permanent: an expected design life of at least 20 years.

Play Area: an area of frequent soil contact by children of less than 6 years of age, as indicated by the presence of play equipment (e.g. sandboxes, swing sets, sliding boards, etc.) or toys or other children's possessions, observations of play patterns, or information provided by parents, residents or property owners.

Reevaluation: a visual assessment of painted surfaces and limited dust and soil sampling conducted periodically following lead-based paint hazard reduction where lead-based paint is still present.

Rehabilitation: the improvement of an existing structure through alterations, incidental additions or enhancements. Rehabilitation includes repairs necessary to correct the results of deferred maintenance, the replacement of principal fixtures and

components, improvements to increase the efficient use of energy, and installation of security devices.

Replacement: a strategy of abatement that entails the removal of building components that have surfaces coated with lead-based paint and the installation of new components free of lead-based paint.

Risk Assessment: (1) an on-site investigation to determine the existence, nature, severity, and location of lead-based paint hazards; and (2) the provision of a report by the individual or firm conducting the risk assessment explaining the results of the investigation and options for reducing lead-based paint hazards.

Soil-lead Hazard: bare soil on residential property that contains lead equal to or exceeding levels promulgated by the U.S. Environmental Protection Agency pursuant to section 403 of the Toxic Substances Control Act or, if such levels are not in effect, the following levels: 400 µg/g in play areas; and 2000 µg/g in other areas with bare soil that total more than 9 square feet (0.8 square meters) per residential property.

Standard Treatments: a series of hazard reduction measures designed to reduce all lead-based paint hazards in a dwelling unit without the benefit of a risk assessment or other evaluation.

Substrate: the material directly beneath the painted surface out of which the components are constructed, including wood, drywall, plaster, concrete, brick or metal.

Target Housing: any housing constructed before 1978, except housing for the elderly or persons with disabilities (unless a child of less than 6 years of age resides or is expected to reside in such housing for the elderly or persons with disabilities) or any zero-bedroom dwelling. In the case of jurisdictions that banned the sale or use of lead-based paint before 1978, HUD may designate an earlier date.

Tenant: the individual named as the lessee in a lease, rental agreement or occupancy agreements for a dwelling unit.

Visual Assessment: the act of looking for, as applicable, (1) deteriorated paint; (2) visible surface dirt, debris and residue as part of a risk assessment or clearance examination; or (3) the completion or failure of a hazard reduction measure.

Wet Sanding or wet scraping: a process of removing loose paint in which the painted surface to be sanded or scraped is kept wet to minimize the dispersal of paint chips and airborne dust.

Window Trough: the area between the interior windowsill (stool) and the storm window frame. If there is no storm window, the window trough is the area that receives both the upper and lower window sashes when they are both lowered.

Worksite: an interior or exterior area where lead-based paint hazard reduction activity takes place. There may be more than one worksite in a dwelling unit or a residential property.

XV. Rental Housing

HOME requirements for rent and occupancy must be met at project lease-up and throughout the project's affordability period. In addition to meeting HOME rent and occupancy requirement, projects must also maintain property standards and comply with other Federal requirements, such as fair housing laws, lead-based paint, affirmative marketing, etc. There are many different types of eligible property: single-family units, high-rise and garden apartments, or condominium units used for rentals. Projects may contain mixed income units or 100% HOME-assisted units.

Owners of projects that will consist of both HOME-assisted and non-assisted units must determine if the HOME-assisted units will be "fixed" or "floating". Fixed means that the HOME rent and occupancy requirements apply to specific units throughout the affordability period. Floating unit is a comparable unassisted unit that is substituted when a HOME-assisted unit goes out of compliance (i.e. because of increases in tenant income). The designation of fixed or floating units must be established before any disbursement of HOME funds.

Tenant Eligibility

At initial occupancy, property owners must determine whether prospective tenants of HOME-assisted units qualify as low-income households. Income eligibility is based on anticipated income. When collecting income verification documentation, property owners or managers must consider any likely changes in income. For example, wage statements that reflect overtime earnings and tax returns should be reviewed carefully to identify trends. Tenant eligibility must be determined according to one of three possible definitions of income. ADFA recommends the use of the Section 8 definition of income.

During the on-site review, ADFA staff will look for the following:

1. Tenant's application;
2. Income verification documents (wage statements, interest statements, unemployment compensation statements, Zero Income statements, etc.)
3. A copy of the HOME income limits and other materials necessary to establish the household's eligibility;
4. Occupancy records to determine percentage of units occupied by households earning 80%, 60% and 50% of area median income;
5. Proper HOME rents; and
6. Utility allowances.

Ongoing Monitoring Checklists are attached as Exhibit D.

* Minimum Property Standards:

Activity	Minimum Property Standard to be Met
Tenant- Based Rental Assistance	Section 8 Housing Quality Standards
<p>Acquisition of existing housing (no rehabilitation or construction)</p> <p>Rehabilitation</p>	<p>Applicable state or local housing quality standards and code requirements</p> <p style="text-align: center;">or</p> <p>If no local standards/codes apply, Section 8 HQS</p> <p>State and local code requirements and local written rehabilitation standards</p> <p style="text-align: center;">or</p> <p>If no local codes apply, one of the following national model codes: Uniform Building Code (ICBO) National Building Code (BOCA) Standard Building Code (SBCCI)</p> <p style="text-align: center;">or</p> <p>Council of American Building Officials I – or 2 family code (CABO)</p> <p style="text-align: center;">or</p> <p>Minimum property standards at 24 CFR 200.925 or 200.926 (FHA)</p> <p style="text-align: center;">and</p> <p>Accessibility requirements for persons with disabilities where applicable</p>
New Construction	<p>State and local code requirements</p> <p style="text-align: center;">or</p> <p>If no state and local codes apply, one of the following national model codes: Uniform Building Code (ICBO) National Building Code (BOCA) Standard Building Code (SBCCI)</p> <p style="text-align: center;">or</p> <p>Council of American Building Officials I – or 2 family code (CABO)</p> <p style="text-align: center;">or</p> <p>Minimum property standards at 24 CFR 200.925 or 200.926 (FHA)</p> <p style="text-align: center;">and</p> <p>Model Energy Code</p>

	and Accessibility requirements for persons with disabilities where applicable and Site and neighborhood standards at 24 CFR 893.6(b)
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Rent Requirements

The rents for HOME-assisted units cannot exceed HUD-prescribed maximum HOME rents. To ensure soundness of the project, HUD does not require project owners to reduce rents below the HOME rents in effect at the time of project commitment. Multi-family rental projects have two HOME rent levels: “High HOME rents” and “Low HOME rents”. HUD publishes these rents annually for each county or metropolitan statistical area. Rental amounts are available on HUD’s website at www.hud.gov/cpd/home/limits/rent/rentlimt.html. New rents become effective thirty (30) days after HUD publishes the new amounts. Keep in mind, however, that tenants’ rents should not be adjusted until their leases are renewed.

The High and Low rents represent the maximum that tenants can pay for rent and utilities combined. These rents also represent the maximum amount from all sources that the owner may receive for HOME-assisted units, including both tenant contribution and Section 8 or HOME-funded rental assistance. There is, however, one exception to this rule. If the project receives Federal or state project-based rental assistance for tenants with incomes at or below 50 percent of area median income, the rent limits from the project-based rental assistance program can be used.

High HOME rents are the lesser of:

- (a) The Section 8 Fair Market Rents (FMRs) for existing housing; or
- (b) 30 percent of the adjusted income of a family whose annual income equals 65 percent of median income, as published by HUD.

Low HOME rents depend upon the number of units. For properties with five (5) or more HOME-assisted units, at least 20 percent of HOME-assisted units must have rents that are no greater than:

- (a) 30 percent of the tenant’s monthly adjusted income; or
- (b) 30 percent of the annual income of a family whose income equals 50 percent of median income, as published by HUD; or
- (c) If a project has a Federal or state project-based rental subsidy and the tenant pays no more than 30 percent of his or her adjusted income toward rent, the maximum rent may be the rent allowed under the project-based rental subsidy program.

The FMRs and HOME High and Low Rents include utility allowances. This means that if the tenant pays utilities, the maximum allowable HOME rents must be reduced

accordingly. Utility allowances prepared by the local public housing agency may be used when adjusting rents.

Calculating High HOME Rents

HUD publishes High and Low HOME rents annually. To calculate the High HOME rent, follow these steps:

1. On the rent limit chart provided by HUD, find the row labeled Fair market Rent or “FMR” and follow this row across to the appropriate number of bedrooms for the unit.
2. On the rent limit chart, find the row labeled 65 Percent Rent Limit and follow it to the column for the number of bedrooms in the unit.
3. Determine which of the two rents (the FMR or 65% rent limit) is lower. This is the High HOME rent.
4. Subtract any tenant-paid utilities from the High HOME rent established in step 3. This is the maximum actual rent that can be charged to the tenant.

Calculating Low HOME Rents

To calculate the Low HOME rent:

1. Follow the same steps outlined above except that the 50 Percent Rent Limit figures must be used instead of the 65 Percent Rent Limit figures.
2. If a project receives Federal or state project-based subsidies and the tenant pays no more than 30 percent of his or her adjusted income for rent, the maximum rent may be the rent allowable under the project-based subsidy program.
3. If the Low HOME rent as calculated above is higher than the High HOME Rent, then the High HOME Rent must be used. This can occur when the High HOME Rent is equal to the FMR and the FMR is lower than the Low HOME Rent.

When leasing mixed-income projects, managers must ensure that a sufficient number of units are leased or held available to meet the low- and very-low income targeting requirements and that rents charged to tenants in HOME-assisted units are within the published High and Low HOME Rent limits.

ADFA staff will compare the HUD-provided High and Low HOME rents and utilities to the actual rents charged for HOME-assisted units.

XVI. Tenant-Based Rental Assistance (TBRA)

TBRA funds are used to help eligible low-income households pay for housing costs, including rent, utilities, and security deposits. The most common use of TBRA funds is to make up the difference between the amount a household can afford to pay for housing and a local rent standard.

All HOME funds used for TBRA activities must benefit tenants whose incomes are at or below the HUD low-income limit, defined as 80% of area median income. In addition, at least 90% of TBRA participants and households in HOME-assisted rental units assisted with each fiscal year's allocation of HOME funds must have incomes at or below 60% of area median income. TBRA programs may use the Section 8 definition of income, the Census Long Form definition of annual income, or the IRS definition of adjusted gross income for eligibility purposes.

ADFA contracts with Public Housing Authorities (PHA) to administer TBRA funds. ADFA staff will visit annually each facility that administers TBRA funds to review tenant files and housing quality standards of the unit. ADFA staff will look for evidence of the following:

1. Records demonstrating compliance of contracts with individual households for a maximum of two years;
2. Records demonstrating compliance with lease specifications;
3. Records demonstrating compliance with income qualifications; an applicant's income determination is considered valid for up to six months. If TBRA has not been awarded within that period, a new income determination must be completed;
4. Records demonstrating compliance with tenant selection plan;
5. Records (HQS reports) demonstrating that Unit inspections were made at initial move-in and annually during the term of the TBRA assistance;
6. Documentation certifying the eligibility of the unit in each tenant's file;
7. Records pertaining to lead-based paint disclosure notice and pamphlet; the notice must be signed by the tenant;
8. Records demonstrating that only eligible costs are funded with TBRA (rent, utility costs, security deposit); and
9. Records demonstrating that rents are reasonable.

ADFA, in its sole discretion, may conduct interim inspections to ensure that units meet minimum housing quality standards.

TBRA Documentation Requirements

Application, Eligibility Verification, and Disposition Records	An application should be on file for each applicant, together with documentation of a determination of the applicant's basic eligibility and preferences. Each file should contain documentation on of the final disposition of the household's application.
TBRA Coupon	A copy of the executed coupon should be retained in the files of all approved TBRA recipients.
Request for Unit Approval	A copy of all Requests for Unit Approval, including those that were rejected, should be maintained.
PJ/Owner Contract	Once the household locates a unit, the owner must agree to participate in the program. The tenant file must include a copy of the executed contract between the owner and the PHA.
Property Inspections	Copies of all inspection reports should be maintained in the file. Any deficiencies in paint surfaces must be clearly detailed.
Notification of Defects (Lead-based Paint)	If deficiencies in paint surfaces are found, a copy of the written notification from the administering agency to the owner should be documented in the file. A copy of the clearance examination report should be in the file if additional work was required.
Administering Agency's Response to Lead-Poisoned Children	The following documents should be in the file: Documents identifying poisoned children; Risk Assessment Report; Clearance Report; Lead Hazard Evaluation and Lead Hazard Reduction Notices; Documentation that Lead Hazard Evaluation and Lead Hazard Reduction Notices were provided to the tenant; and Copies of quarterly letters to the Public Health Agencies with names of children under age 6 living in TBRA units.
Lease and Lease Addendum	The HOME Program allows owners to use their own leases if they meet HOME requirements. ADFA will review leases to

	ensure that they do not contain any prohibited language. ADFA will review tenant files to ensure that an executed lease and lease addendum are in the file.
Tenant Payment	The tenant file should document the tenant payment amount and the TBRA payment. ADFA will verify that the tenant and the PHA are paying appropriate amounts, given the structure of the program and its payment standard.
Annual Income Recertification	Tenant income must be verified annually to establish continued income eligibility. ADFA will review tenant files to determine if annual determinations are being completed accurately and on time. Supporting documentation must be retained in the files.
Documentation of Termination	When a tenant leaves the TBRA program, the PHA must document the date and reason for leaving.

Minimum and Maximum Payment: The HOME Program rules establish a maximum TBRA assistance payment and require the PHA to establish a minimum tenant payment. The PHA may use its discretion in setting this minimum payment level. The minimum payment may be established as a dollar figure (such as \$50.00) or as a percentage of income (such as 10% of monthly income). The maximum amount that the HOME TBRA program may pay to assist any given household is the difference between 30 percent of the household's adjusted monthly income and the jurisdiction-wide rent limit established by the PHA, known as the payment standard. Two options apply for the payment standard.

1. If the PHA does not establish its own payment standard, then the payment standard must be based upon the Section 8 Fair Market Rents. The payment standard must not be less than 80 percent of the published FMRs and not more than the FMR or area-wide exception rent.
2. The PHA may also develop a payment standard based on local market conditions.

Once established, the payment standard remains constant for all similarly sized units for the entire program. The PHA may, however, approve a unit-specific standard for up to 20 percent of the units in the TBRA program. If desired, the standards for these units can be up to 10 percent higher than the regular standard.

XVII. Community Housing Development Organizations (CHDO)

CHDOs, in accordance with the activities they are undertaking, are subject to the same program compliance monitoring as other partners in the HOME program. ADFA staff will review the following:

1. Certification of Eligibility from ADFA (current on top);
2. The organizational make-up of funded CHDOs to ensure eligibility;
3. Records demonstrating compliance of eligible CHDO activities, i.e.:
 - Acquisition or rehabilitation of rental housing
 - New construction of rental housing
 - Acquisition or rehabilitation of homebuyer properties
 - New construction of homebuyer properties
 - Direct financial assistance to purchasers of HOME -assisted housing that has been sponsored or developed with HOME funds;
4. Records demonstrating compliance with progress reports to track whether or not funds will be committed within 24 months of HOME funding availability;
5. Records demonstrating compliance with requirements for set-aside funds, operating expenses, project-specific loans and capacity building;
6. Records demonstrating that actual expenditures have not exceeded the approved amounts and that they were used for eligible costs; and
7. Copies of minutes.

XVIII. Combining HOME Funds with Low Income Housing Tax Credits

Rental projects that combine HOME funds with Low Income Housing Tax Credits (LIHTC) must be structured to ensure compliance with the requirements of both programs.

Tax credit projects must meet one of two minimum set-asides: 20/50 or 40/60. 20/50 means that at least 20 percent of the units must be rented to tenants with incomes at or below 50 percent of the area median income. The 40/60 set-aside means that at least 40 percent of the units must be rented to tenants earning at or below 60 percent of area median income. When combining HOME and tax credits, occupancy requirements depend on the type of credit taken and the type of HOME funding provided:

In order to take the 9 percent credit in conjunction with below-market HOME loans, joint HOME/tax credit projects must meet a higher occupancy standard than either the tax credit program or the HOME program. Together, they require 40 percent of the units to be occupied by tenants with incomes at or below 50 percent of area median income. Such projects are not eligible for the 130 percent increase in basis for projects in “qualified census tracts” or “difficult development areas”. To receive the 130 percent

increase, the project must either take the 4 percent credit or use the HOME funds at or above the applicable Federal rate.

In all other cases (when HOME funds are provided in some form other than a below-market interest rate loan) projects must ensure that they meet both sets of program rules. For example, a project receiving a market-rate loan can comply with both sets of rules by establishing a 20 percent set-aside for households with incomes at or below 50 percent of the area median income (as long as all remaining HOME-assisted units are leased to tenants with incomes at or below 80 percent of the area median income).

RULES FOR COMBINING HOME FUNDS AND LIHTC

	Tax Credit Rule	Combining Tax Credits with HOME
Occupancy Requirements	At least 20 percent of units must be reserved for households with incomes at or below 50 percent of area median income OR 40 percent of the units must be reserved for households with incomes at or below 60 percent of area median income.	If HOME funds are provided at below the market interest rate, at least 40 percent of the units must be reserved for households with incomes at or below 50 percent of area median income to qualify for the 9 percent credit. Otherwise, at least 20 percent of units must serve households at or below 50 percent of area median income to meet HOME requirements.
Rent Requirements	Rents for qualified units must not exceed the rent limit set for the LIHTC program. HUD limits are set by bedroom size and are based on the qualifying incomes of an imputed household size.	For units to qualify as both tax credit and HOME-assisted units, rents cannot exceed either program limit. Low HOME rent units are subject to Low HOME rents and tax credit limits, whichever is lower. High HOME rent units are subject to High HOME rents and tax credit limits, whichever is lower.
Establishing Tenant Eligibility	Documentation: All sources of income must be verified. Acceptable documentation of income must be provided.	Documentation: Initial tenant eligibility documentation for both programs is the same. Use the Section 8 definition of income.

	<p>Definition: The tax credit program defines income using the Section 8 definition of annual gross income.</p> <p>Asset Income: Assets of \$5000 or less: tenants certify asset amount and income. Use actual income.</p> <p>Assets above \$5000: verify amount and income. Use larger of actual income from assets or imputed asset income</p>	<p>Definition: Use the Section 8 definition of income.</p> <p>Asset Income: Follow more stringent HOME rules and verify all asset income.</p>
Reexamination of Income	Re-examinations are performed annually following the same procedures as at initial certification. ADFA is not currently considering any waivers from re-examinations.	The project must follow the more stringent tax credit requirements. ADFA is not currently considering any waivers of re-examinations.
Over-Income Tenants	Rent for over-income tenants remains restricted.	HOME rules defer to tax credit rules-rent remains restricted. In no case can the rent exceed limits set by the tax credit program.
Monitoring	<p>Over-income is defined as 140 percent of the project rent limit.</p> <p>Projects are monitored by the second year the last building of the development is placed in service and once every three years throughout the affordability period. A random selection of 20 percent of tenant files</p>	<p>ADFA will monitor HOME/tax credit projects in accordance with guidelines of each program. In case of a conflict, the more stringent rule will apply.</p> <p>ADFA will monitor rental projects based on total number of units and annually for other HOME-assisted projects.</p>

	<p>and units will be reviewed.</p> <p>Affordability Period: IRS mandates a 15-year affordability period. Developers will extend the affordability period an additional 15 years, for a total of 30 years, by terms of a land use restriction agreement.</p> <p>Owners must submit a statement of compliance annually along with occupancy status reports.</p>	<p>The HOME affordability periods are as follows: up to \$15,000=5 years \$15,000-\$40,000=10 years; \$40,000 or more= 15 years. For a refinance of Rehabilitation project=15 years; New construction=20 years.</p> <p>Recipients must submit Project Compliance Reports annually for HOME units and LIHTC Owners Certification and occupancy status reports.</p>
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When tenants receive additional subsidies through rental assistance programs such as Section 8, additional requirements apply.

In 1989 the IRS ruled that if the tenant portion of rent increases above the tax credit maximum allowable rent, thereby reducing the Section 8 subsidy, the higher rent may be charged. Owners must ensure that the total tenant payment does not exceed the maximum tax credit rent at time of move-in.

HOME allows the rent to be raised to the rental assistance program limit only if the tenant pays no more than 30 percent of adjusted income, the subsidy is project-based (not tenant-based) and the tenant's income is less than 50 percent of the area median income.

In a joint HOME/tax credit unit, the most restrictive requirements apply.

Samples of checklists, forms and exhibits follow.

Adopted by the Board of Directors of the Arkansas Development Finance Authority this
_____ day of _____, 2003.

By: _____
Freddie Mobley, Chairman

ATTEST:

By: _____
Mac Dodson, President/Secretary