

Arkansas Development Finance Authority



HOME Monitoring Operations Manual May 2010



This program operations manual was designed by ICF International under contract to the Arkansas Development Finance Authority. ADFA works in partnership with communities to design and manage successful affordable housing programs. As a part of this mission, ADFA provides outreach and tools to local governments, nonprofits, and developers on the HOME Program.

ADFA has contracted with ICF's Housing and Community Development Group to provide training, technical assistance, and program support related to affordable housing, economic development and community development programs. ICF provides services to federal, state, and local government agencies, tribes, non-profit organizations, and private enterprises nationwide.



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Chapter 1: HOME Monitoring Basics

Section 1. What is Monitoring?

Monitoring refers to the process and tools that HOME participating jurisdictions (PJs), including ADFA, use to ensure that compliance is achieved and maintained. Monitoring can be done internally to ensure that an organization itself is in compliance and it can be external, involving various types of reviews of organizations and projects typically using monitoring tools such as checklists. The end result of monitoring is an understanding of which areas are in compliance with applicable rules and requirements and which are not.

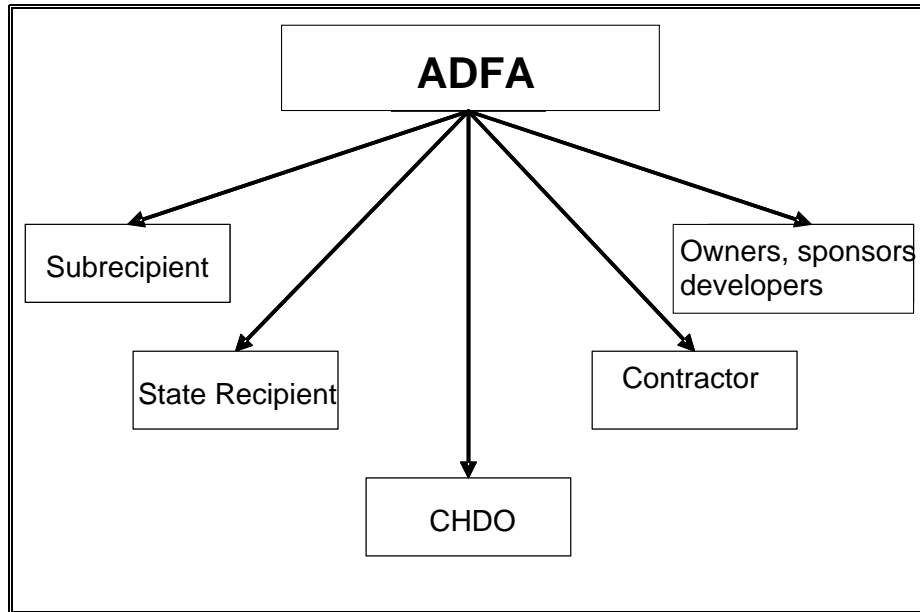
A. Parties to Monitor

It is ADFA's responsibility to monitor all entities that receive HOME funds (generally referred to as Recipients). The various Recipients ADFA must monitor include the following:

- **State Recipients.** State Recipients are units of local government designated by ADFA to receive HOME funds from its HOME allocation. ADFA, as the State PJ, is responsible for monitoring its State Recipients. State Recipients are monitored for administrative, financial, program, and project-related compliance.
- **Subrecipients.** Subrecipients are public agencies or nonprofit organizations selected by ADFA to administer HOME Program activities. Subrecipients may be other public agencies, public housing authorities or nonprofit organizations. State recipients that receive funds are also considered subrecipients. Subrecipients are monitored for administrative, financial, and program and project-related compliance.
- **Community Housing Development Organizations (CHDOs).** CHDOs are special nonprofits that own, sponsor, and/or develop affordable rental or homebuyer housing under minimum of 15 percent of ADFA's HOME Program funds. To be considered a CHDO, the nonprofit must meet certain qualifying criteria. CHDOs are not subject to Federal uniform administrative requirements, except for §84.21 which dictates general financial management standards. Finally, they are eligible for operating assistance and pre-development loans. ADFA is required to monitor CHDOs for all of the above.
- **Owners, Developers, and Sponsors.** Owners/developers/sponsors may either be for-profit or nonprofit organizations that receive funds to undertake affordable housing projects. They do not administer programs, but simply receive HOME funds to develop a project. If they are not CHDOs, they are monitored for compliance with project activity requirements only. ADFA and its Recipients monitor developers, owners, and sponsors, and primarily focus on performance and regulatory compliance (including eligible costs, labor standards, etc.). These entities differ slightly from CHDOs, but some of the same monitoring occurs.
- **Contractors.** Contractors are entities that are competitively procured to carry out a specified scope of work for a specified price. They can administer programs and/or provide necessary goods and services to ADFA or one of ADFA's Recipients. Contractors must maintain records and reports demonstrating compliance with HOME Program regulations and written agreements. ADFA monitors contractors for performance under agreements as well as compliance with applicable requirements.



Exhibit 1-1: ADFA Monitoring



Section 2. Why Monitor?

There are several important reasons for ADFA to monitor its HOME Program funds, how they are being utilized, and the outcomes that are achieved. As discussed previously, ADFA is legally required to ensure compliance with HOME and other applicable requirements. Beyond compliance issues, however, monitoring is an important way for ADFA to evaluate its programs in other ways including providing an opportunity to:

- Evaluate organizational and project performance;
- Check that resources are being used effectively;
- Ensure production and accountability; and
- Evaluate responsiveness to community needs.

A. Legal Requirements – Ensuring Program Compliance [§92.504]

Monitoring is a key method of ensuring compliance with the legal requirements of the HOME Program.

ADFA’s Responsibilities

ADFA, as the State PJ, is responsible for managing the day-to-day operations of its HOME Programs and ensuring that HOME funds are used in accordance with program requirements. Implementation of HOME Program activities by other Recipients does not relieve ADFA of this responsibility. As such, the phrase “the monitor” is used in this Guide to denote the ADFA staff person that is determining whether a particular program or project is in compliance with the HOME Program regulations and requirements.



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ADFA's key compliance responsibilities include:

- Executing written agreements/contracts that establish Recipients' (CHDOs, developers and other partners) responsibilities for receiving HOME funds;
- Monitoring and documenting Recipient activities for compliance with the terms of the agreement and program requirements;
- Conducting progress inspections and reconciling costs with work completed;
- Ensuring income-eligibility of clients served;
- Maintaining a system of documentation and reporting that accurately reflects compliance; and
- Ensuring information in Integrated Disbursement and Information System (IDIS) is accurate and current.

HUD Responsibilities

As the funding agency, HUD is required to monitor all HOME Participating Jurisdictions (PJs), including ADFA, to ensure they are in compliance with the regulations. Key monitoring responsibilities of HUD include:

- Monitoring the performance and compliance of all PJs' HOME activities;
- Reviewing the commitments, expenditures, and performance of PJs and subrecipients through the Integrated Disbursement and Information System (IDIS) and through its reports;
- Examining the Consolidated Plan, Action Plan, and Consolidated Annual Performance and Evaluation Report (CAPER) submitted by PJs;
- Conducting periodic on-site monitoring visits to review PJs' HOME Program activities; and
- Providing HOME resource materials and technical assistance to help subrecipients operate effective programs and comply with HOME requirements.

HUD will review the performance of a PJ in carrying out its responsibilities whenever determined necessary, but at least annually. However, HUD is not simply a regulatory body. One of its primary functions is to be a resource for communities. If ADFA encounters any compliance issues, HUD should be brought in early to help ADFA work toward a resolution. Exhibit 1-2 provides additional guidance regarding the HUD monitoring process.

The HUD Office of Inspector General is established by law to provide independent and objective reporting to the Secretary, Congress, and the American people through its audit and investigative activities. The Inspector General (IG) conducts a risk analysis to determine which PJs to monitor. The IG conducts thorough reviews of PJs on an as-needed basis depending on risk and provides a detailed report of its review to the PJ.



Exhibit 1-2: What Happens to a PJ When Monitored by HUD?

HUD staff members view monitoring, not as a once a year or periodic exercise, but as an ongoing process involving continuous communication and evaluation.

- HUD monitoring involves frequent telephone/email contacts, written communications, analysis of PJ reports (e.g., Action Plan, CAPER) and audits, IDIS reports and HOME reports available on the internet, and periodic meetings.
- HUD staff members are required to keep fully informed concerning participant compliance with program requirements and the extent to which technical assistance is needed.

HUD will determine which PJs to monitor using a risk analysis.

- Each program participant's past performance is analyzed and compared against the full spectrum of formula and competitive program participants and programs.
- This method ranks program participants in descending order, from highest to lowest risk. Three categories are used: high, medium, and low risk.
- The risk analysis results are recorded in CPD's Grants Management Process (GMP) information system.

Annually, CPD Field Offices develop Management Plans to facilitate achievement of HUD performance goals in delivering programs and services to our customers.

- Within the framework established by the national Management Plan goals and the local risk analysis results, each Field Office develops an annual work plan.
- The work plan identifies the actions that will be taken to assess program participant performance, including which participants will be monitored, the type of monitoring (e.g., in-depth, limited, on-site, remote), the programs/functions to be monitored, the expected monitoring dates, and needed resources (staff, travel funds, etc.).

Monitoring is conducted either through remote monitoring (similar to desk monitoring) or via on-site monitoring.

- Remote Monitoring: Conducted off-site, typically at the Field Office, based upon analysis of information from the program participant, including interviews.
- On-site Monitoring: Monitoring that is conducted at the program participant's geographic location.

B. Monitoring to Improve Program Design, Management and Performance

Monitoring is not just a way to comply with legal requirements, but is also instrumental in program assessment and management. Monitoring allows ADFA to examine whether or not it is responding to community needs, is using resources efficiently and effectively, and to appropriately adjust programs and policies. In addition, monitoring allows for a review of program procedures and project designs to ensure they are effective and meet Consolidated Plan and Action Plan goals. Finally, monitoring is a necessary component to comply with the CPD Outcome Performance Measurement system or other performance measurement systems.



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It allows the ADFA to assess whether projects are successful in achieving key objectives and outcomes.

Responding to Community Needs

The HOME Program is a block grant that provides considerable flexibility in implementing affordable housing programs that meet local housing conditions and needs. Monitoring programs in relation to those needs can help ADFA determine whether or not HOME funds are being used to address the highest affordable housing priorities of the jurisdiction. Monitoring allows ADFA to ensure that its programs are in line with the Consolidated Plan, which should represent the actual needs of the community, rather than only those needs that are politically popular. In addition, for large jurisdictions where program staff carry out single components of HOME activities, monitoring often provides the "big picture" of all funded activities. This broader perspective is useful in evaluating the overall impact of the program.

Using Resources Efficiently and Effectively

ADFA must be concerned with the efficiency and effectiveness of service delivery. Monitoring systems can help determine how well services are being provided and at what cost. This is important because it is possible for ADFA to use its HOME funds in accordance with all of the HOME requirements, address the jurisdiction's highest priority housing needs, and still be able to improve the effectiveness of its HOME program. Under the HOME program, expenses must be reasonable, but materials should always be of good quality.

Ensuring Program Procedures and Project Designs Are Effectively Implemented

Internal and external monitoring provides information on the effectiveness of the program design, policies and procedures. When monitoring reveals compliance areas that a number of Recipients are in non-compliance, ADFA should evaluate its internal program design and implementation to see if it can address the issue by modifying its own systems. In addition, ADFA may determine that the Recipient's project design or program procedures are not effectively delivering HOME Program funds. Data from monitoring can provide the needed feedback to make changes for future programs that will improve compliance. Feedback from monitoring may also impact future funding decisions and ADFA's strategy to improve the efficiency of internal and external operations. Monitoring may also help to measure if the benefits have been distributed in an equitable manner. Chapter 8 includes a further discussion of ways to utilize the information gained from the monitoring process to improve performance.



Section 3. Definitions of Monitoring

In addition to the considerable amount of documentation required to demonstrate compliance with the HOME Program, monitors should also consider three components when monitoring:

- The structures that are built or rehabilitated with program funds;
- The actual beneficiaries of program expenditures; and
- The documents that describe and record the actions and intentions of the program administrators and participants.

Monitoring for HOME compliance falls into four general areas, program monitoring, administrative and financial monitoring, project monitoring, and long term monitoring. Program monitoring focuses on overall program performance. The items monitored vary depending on the activity undertaken, as discussed in each of the activity chapters (Chapters 4 – 7). Project monitoring, on the other hand, focuses on the compliance of an individual project. The items monitored vary depending on the activity undertaken, as discussed in each of the activity chapters (Chapters 4 – 7). Administrative and financial monitoring refers to the monitoring of the requirements pertaining to the administration and financial management of ADFA and HOME Recipients, which is covered in Chapter 3 (Administrative and Financial Requirements). Long term monitoring pertains to projects, such as rental housing, that have long term requirements or restrictions and thus monitored to ensure compliance.

As the State PJ, ADFA is required to monitor for HOME compliance under each of these areas. Staff from across ADFA, including both the Compliance Department and the HOME Program Department, play a role in this process. The specific items that ADFA staff members are responsible for monitoring are outlined in Chapters 3-7. In general, program, administrative and financial, and project monitoring responsibilities are shared between ADFA Compliance staff and HOME program staff while long term monitoring is solely under the purview of the Compliance staff.

A. Program Monitoring

Program monitoring determines whether the Recipient has proper procedures, files and forms in place to carry out a program in compliance with the regulations and whether it is following those procedures. Program monitoring can help evaluate the overall health of a program's systems and procedures, but the monitor must differentiate between systemic problems (ones that are present across projects) and problems that might be limited to specific projects. Program monitoring involves the examination of the following items:

- **Application for HOME Funds.** The Recipient's application documents the basis on which the project was selected for funding. Project activities should conform reasonably to those described in the application.
- **Policies and Procedures.** Written policies and procedures should be in place and should be followed in the implementation of activities.
- **Program Files.** These include the Recipient's HOME application, memos, and other written communication documents.



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- **Financial Files.** These include documentation of disbursements or payments, including supporting documentation such as bank statements, accounting records, copies of checks and other financial documents.
- **Project Files.** Project files include the documentation of funding agreement, work write-ups, bids, change orders, and income eligibility and other relevant documents for each beneficiary assisted. These files must be organized in a logical, accountable system.
- **CHDO Files.** This includes the documentation of CHDO certifications and recertifications, CHDO set-aside projects and financial assistance.

Program monitoring also includes a review of the overall HOME Program administration to ensure adherence to uniform administrative requirements, meet the goals of the Consolidated Plan, and build and maintain the capacity of CHDOs and other nonprofit developers, sponsors, or owners.

B. Administrative and Financial Monitoring

Administrative and financial monitoring ensures that Recipients are administering the program properly (i.e., using funds from authorized sources, tracking funds, using proper methods of record keeping, and managing finances appropriately). Many of these requirements are codified for Recipients through the written agreement with ADFA. See Chapter 3 (Administrative and Financial Requirements) for more information on administrative and financial monitoring.

C. Project Monitoring

Project monitoring ensures that each funded project meets all project requirements (i.e., property standards for new construction, cost restrictions, etc.). Project monitoring involves a review of sample files and inspection of units. If a Recipient is involved in the development, sponsorship or ownership of a substantial project, monitoring should determine whether an appropriate level of subsidy has been provided and appropriate payments made. ADFA requires progress reports and regularly scheduled meetings to monitor the development while in progress. For rental projects ADFA also analyzes the projects for financial stability, management capacity and other long-term viability issues.

Finally, project monitoring involves a review of compliance with several other federal regulations including environmental review, the Uniform Relocation Act, the Lead Safe Housing Rule, and others.



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Exhibit 1-3: Key HOME Requirements to Monitor

Homeowner Rehab	Homebuyer	Rental	TBRA
Owner Income	Owner Income	Tenant Income	Tenant Income
Owner Occupancy	Owner Occupancy	Unit Occupancy	Occupancy Standards
Property Ownership	Property Ownership	Affordable Rents	Reasonable Rents
Property Type	Property Type	Property Type	Allocation of Funds
Property Location	Property Location	Property Location	Payment Standards
HOME Subsidy (Type and Amount)	HOME Subsidy	HOME Subsidy	Level of Assistance
Property Value	Property Value	Cost Allocation	Length of Assistance
Property Standards	Property Standards	Property Standards	Property Standards
Eligible Activities	Eligible Activities	Eligible Activities	Eligible Activities
Affordability Period	Affordability Period	Affordability Period	Lease Requirements

D. Long Term Monitoring

Long-term monitoring begins when HOME project funds have been expended and a project is completed. Long-term monitoring ensures compliance with requirements related to the rents, income of tenants, affirmative marketing and fair housing, the condition of the property, and principal residence and resale/recapture provisions (homebuyer). These are requirements that are imposed for periods of five to 20 years, depending on type of project and amount of HOME funds.



Section 4. Timing of Monitoring

Effective monitoring is not a one-time event, but an ongoing process of planning, implementation, communication, and follow-up. As a result, HOME monitoring activities are most effective when distributed throughout its program year. Monitoring involves many people from inside and outside ADFA and requires detailed information, reports, meetings, and documentation. HOME compliance monitoring responsibilities are completed by the Compliance department as well as other ADFA staff and departments.

A. Phase I: Initial Review of Project Eligibility

Phase I monitoring responsibilities are carried out by HOME program staff at ADFA. During this phase, ADFA reviews applications for eligibility. Sample steps in this phase include (see activity chapters for more information):

- Reviewing projects to ensure people are income-eligible;
- Ensuring Environmental Review and other pre-approval processes have been completed and documented;
- Assessing whether proposed activities and costs are necessary and reasonable;
- Checking organizational capacity and past performance; and
- Verifying that the level and type of housing benefits that will be produced are consistent with those anticipated in the Consolidated Plan.

This phase culminates with signing a written HOME agreement, which codifies all HOME and other federal regulatory requirements, as well as project specific details such as targeting income levels, number of HOME assisted units, required timelines and reporting, and the terms and conditions for program income or project proceeds. The agreement should include timeline or milestones ADFA will use during Phase II to gauge the progress of the project.

B. Phase II: Review during Project Development and Completion

Again, HOME program staff at ADFA are generally responsible for Phase II monitoring. During this phase, ADFA ensures the project is moving along and is completed in the established timeframe. Sample steps in this phase include (see activity chapters for more information):

- Review of monthly reports to ensure that project development costs are HOME eligible;
- Monitoring the completion of project milestones to identify performance and completion issues;
- Conducting physical inspections to ensure that the quality of the construction and adherence to applicable property standards; and
- Review of reports to ensure that initial occupants of the project are income eligible.

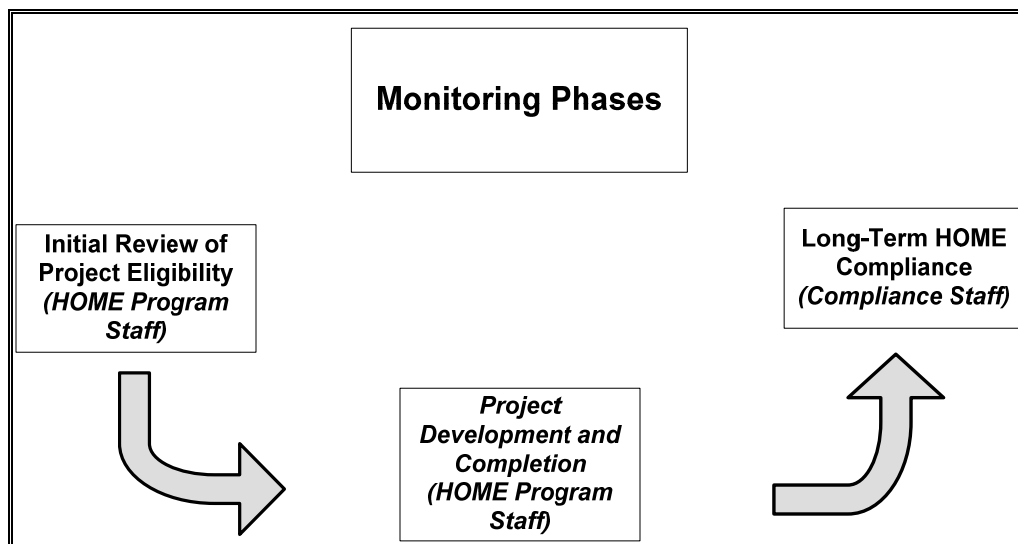


C. Phase III: Review for Long-Term HOME Compliance

During this phase, ADFA Compliance staff monitors for compliance with long-term requirements such as affordability, property standards, and resale. Sample steps in this phase include the following for a rental housing project (see activity chapters for more information):

- Annual reexamination of tenant income documentation and leases;
- Checking the number, location, rents and utilities of HOME rental units;
- Inspecting the physical condition of rental units;
- Analyzing rental projects for financial stability, management capacity and other long-term viability issues;
- Verifying that file/record keeping is consistent with a Recipient's application for HOME funds; and
- Enforcing other requirement as outlined in deed restrictions/covenants on rental and homebuyer properties.

Exhibit 1-4: Monitoring Phases



Section 5. Developing and Implementing an Annual Monitoring Plan

To organize all of its monitoring efforts, ADFA will develop an annual monitoring plan that serves as a readily accessible guide for the people and organizations involved. This annual monitoring plan will articulate ADFA's strategy for conducting a thorough review for HOME compliance as dictated in this manual. The plan should be practical and allow ADFA to monitor successfully with the staff and time resources available.



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An annual monitoring plan will address a number of areas:

- **Monitoring Priorities.** The plan will identify the ADFA's monitoring goals and strategies, highlighting areas to which staff should pay special attention during the monitoring year. A risk analysis may be developed to prioritize which grants are targeted for technical assistance and monitoring.
- **Ongoing Schedule.** The plan will clearly identify the check-points that ensure a minimum level of review for all activities during the year and the scope and frequency of those reviews. This component will identify specific reports to be generated and reviews to be conducted, as well as establish the frequency and timing of such reviews. ADFA currently tracks this information in the Monitoring Schedule Excel database.
- **Monitoring Staff.** The monitoring schedule will identify specific staff who will perform key actions. This information is also tracked in the Monitoring Schedule Excel database.
- **Desk and On-Site Monitoring.** The plan will also identify the program areas and partners that will be subject to desk or on-site reviews during the coming monitoring year. (The process of selecting areas for on-site reviews is discussed later.)
- **Follow-up Activities.** The plan will detail procedures for communicating the results of reviews with internal and external staff and the methods for obtaining and incorporating their feedback. The plan can also outline required timelines for responses to monitoring findings and a system of disciplinary actions for Recipients who fail to respond. These items are outlined explicitly in this manual as well as in the Internal Monitoring Procedures for Compliance Staff.

In the development and preparation of a monitoring plan, ADFA will determine the goals for its HOME Program. Key questions include:

- What tracking system exists for ADFA's portfolio of projects for long term compliance? Does the tracking system include the number of HOME-assisted units, income levels, and affordability period?
- What is the path that HOME Program funds follow once they arrive in the community? What kinds of entities are funded by the HOME Program in the jurisdiction? Consider the staff positions, agencies and key offices that are involved.
- Are internal and external relationships governed by the written agreement clearly defined?
- Who is responsible for what? An effective monitoring system depends upon a clear sense of who is responsible for which activities.
- Who manages the HOME activities? ADFA and/or Recipients? Which staff persons approve rehabilitation loans or inspect structures? Who tracks expenditures?
- Is there a central resource inventory of current HOME and other Federal regulations or other program guidance? Is new reference material quickly added to such an inventory? Implementation of a library of HOME documents is useful when staff turnover occurs.
- Where are the files located? Who is responsible for maintaining files? Is there an internal tracking system to check on the status of draw requests, the environmental review, labor standards, reporting and past monitoring findings?



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A. Identify Overall Monitoring Objectives

Initially, the results of the previous year's HOME monitoring activities can serve as the basis for the plan for the coming year. Previously identified problem areas should be closely scrutinized to ensure that the problems have been addressed and do not recur. As the year progresses, HOME monitoring and program staff will meet periodically to review results, revise the monitoring plan if additional areas need more in-depth review, and address any problem areas.

ADFA's monitoring objectives will be determined by its responsibilities under the HOME Program and its affordable housing goals for the community. Appropriate objectives may include:

- Identifying and tracking program and project results;
- Identifying technical assistance needs of CHDO and Recipient staff;
- Ensuring timely expenditure of HOME funds;
- Documenting compliance with program rules;
- Preventing fraud and abuse; and
- Identifying innovative tools and techniques that support affordable housing goals.

While all of these objectives are important, the emphasis on one or more of them may shift from year to year. Emphasis may be placed on areas that prior monitoring reviews have identified as common compliance issues. ADFA may choose to also target program policies, training, and technical assistance to assist partners to avoid future compliance issues. Given available staff and resources, ADFA may find it helpful to rank monitoring goals based upon perceived risk, a cyclical schedule, or other factors.

B. Develop a Monitoring Strategy

A well-designed monitoring strategy will help ADFA Compliance staff use the appropriate level of effort to ensure performance and compliance in each focus area. In general, a comprehensive HOME monitoring strategy involves a two-pronged approach:

1. Ongoing Monitoring

A sufficient level of monitoring is built into ADFA's service delivery system and is performed throughout the year. This will involve an examination of both routine and special reports from HOME program staff and Recipients. This information enables the monitor to assess performance and identify any compliance problems. The annual monitoring plan should identify the format and frequency with which internal and external staff will prepare project or program-related reports.

Recipients expend HOME funds for projects pursuant to written agreements. These agreements specify milestones and deadlines, as well as the form and frequency of reports. Progress reports from these entities will be regularly reviewed by ADFA staff to ensure they are within budget and complying with project deadlines. ADFA staff must also review payment requests for the eligibility of all costs. Tying the submission of performance and project status reports to the submission of invoices is an effective way to ensure that reports are submitted in a timely manner.

Based on the data submitted, ADFA staff will generate internal reports on the status of every HOME-funded activity. Program-wide data, such as the number of units developed,



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number of families assisted, and the ongoing amount of HOME funds expended, will also be tracked.

2. On-site Monitoring

In addition to the ongoing monitoring of all activities, ADFA selects certain HOME program areas or organizations for in-depth monitoring each year. ADFA monitors TBRA, homeowner rehabilitation and homebuyer projects annually and monitors rental projects every one to three years (based on the total number of units). On-site monitoring involves a visit to the project to gather specific information and observe actual program elements. On-site monitoring is especially appropriate if there is a strong potential for problems. During an on-site review, monitors evaluate overall performance and determine if compliance problems exist. Site visits often enable the monitor to identify aspects of the program or project that are contributing to a problem. Compliance staff must prepare and distribute a report summarizing the results of the review and describing any required follow-up activity.

By using this two-pronged approach, ADFA can define the scope of its monitoring based on the circumstances of individual HOME activities or partners. The oversight performed as part of ongoing monitoring can identify potential problems early, prevent compliance violations, and help improve performance. On-site monitoring usually provides the most comprehensive review because it allows access to actual project records, staff, and clients.

C. Assign Roles to Management and Monitoring Staff

The monitoring plan will also identify specific staff members and their responsibilities. ADFA's monitoring plan will include not only Compliance staff and their responsibilities, but also HOME program staff who engage in monitoring activities. Below are aspects that may be incorporated.

- **Job Descriptions.** Job descriptions identify the roles and responsibilities of all staff involved in the monitoring process. Job descriptions ensure that important monitoring tasks don't "fall through the cracks" and provide a clear delineation of duties among monitoring participants.
- **Choosing the Right Staff.** Typically, HOME monitoring staff members are assigned based on the organizations, projects or programs with which they have experience and technical knowledge. Monitoring is completed by both ADFA Compliance staff and HOME program staff.
- **Getting an Outside Perspective.** In cases where a new perspective is warranted, an experienced staff person with no previous relationship to the organization or program may add value to the monitoring process. If staff members are assigned to agencies or regions, ADFA may find it helpful to rotate those assignments on a regular basis.

D. Develop Monitoring Schedule and Deadlines

Different kinds of projects have different monitoring schedules. ADFA Compliance staff create a monitoring calendar annually based on their Monitoring Schedule Excel database, ensuring that tasks are completed in an orderly and organized fashion.



E. Use Risk Factors to Set Priorities

With limited staff and time, ADFA may not perform on-site reviews of all HOME-funded activities or Recipients. Therefore, it is helpful to determine which Recipients and program areas warrant the investment of staff time and attention required by an on-site review and to explore alternative methods to provide compliance coverage. A sound basis for making this decision is a risk assessment, in which program and monitoring staff evaluate the likelihood that a project, program, or Recipient has violated HOME regulations, failed to comply with program requirements, or is vulnerable to fraud and abuse. This evaluation may also focus on activities that carry performance risk, such as poor housing unit production, a low number of residents assisted, or slow expenditures.

For a reliable risk assessment, it is useful to gather information from a wide variety of sources, including written reports, HOME program staff, and community residents. ADFA Compliance staff should review results of previous on-site visits, follow-up actions, and recent program activity.

A risk assessment involves the following steps:

- **Step 1: Identify the risk factors that generally affect program performance.**
 - Risk factors are characteristics of the program that are likely to affect the program's overall performance. For example, some programs are more complex than others, making them more difficult to administer. For this reason, "program complexity" is one risk factor. Similarly, the depth and skills of staff can affect performance; therefore "recipient capacity" is another risk factor. A new activity for a recipient may carry greater risk. If ADFA staff members have received client complaints concerning a project, they may also want to consider this as a risk factor.
 - Exhibit 1-5 provides a list of risk factors. ADFA will want to assess these factors annually with input from participants in the monitoring process to update as necessary.
- **Step 2: Identify subfactors, if necessary.**
 - Risk factors may be sufficiently complex to require refinement. In such cases, it helps to identify subfactors.
 - For example, as shown in Exhibit 1-5, the risk factor "program complexity" is a function of the type of program, the number of projects, number of contractors, and other subfactors.
- **Step 3: Assign each risk factor a weight, depending on its importance.**
 - Some factors have a greater impact on program performance than others; therefore, they should receive more weight in the assessment. For example program complexity may have more impact on program performance than staff capacity, or vice versa. ADFA will consider their relative importance and assign appropriate weights.
 - Exhibit 1-5 provides weights for each factor using a scale from 1 to 20, but ADFA will re-assess this scale on an annual basis.



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- **Step 4: Establish a set of criteria for judging performance under each factor (or subfactor).**
 - To rate programs' risks consistently, a defined set of criteria is needed. For example, to determine if the number of projects poses a risk to performance, ADFA may establish a series of thresholds that correlate with risk – e.g., more than four projects may pose significant risk, while two to four is a moderate risk and one project is the lowest risk.
 - Exhibit 1-5 provides criteria for each subfactor.
- **Step 5: Assign points to each of the criterion.**
 - Each criterion should have points associated with it. For example, for the risk factor “number of projects”, more than four projects may be worth five points, two to four projects may be worth three points, and one project is worth one point.
 - Exhibit 1-5 provides points for each criterion, on a scale of 1 to 5. Again, ADFA will review annually.

When all Steps 1 through 5 are complete and the protocol is in place (see Exhibit 1-5), a risk assessment can be performed according to standard procedures using the following steps:

- **Step 1:** Review each Recipient's program using the risk assessment protocol. Rate the program on each of the risk factors (or subfactors) identified and assign them points based on the criteria.
- **Step 2:** Multiply points by the assigned weights for each factor to calculate the weighted points for each factor.
- **Step 3:** Total all the weighted points to calculate the total risk.
- **Step 4:** See the example provided as Exhibit 1-6. In order to use risk factors to set priorities, it is important to consider these factors that contribute to poor performance or compliance violations:



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Exhibit 1-5: Sample Risk Assessment Protocol

FACTOR	SUBFACTOR	CRITERIA	POINTS	WEIGHTS
Program Complexity	Type of program	Homebuyer new construction	5	10
		Rental new construction	5	
		Homebuyer acquisition and rehabilitation	4	
		Rental rehabilitation	4	
		Homebuyer financial assistance	3	
		Homeowner rehabilitation	2	
		TBRA	2	
	Other	2		
	Number of projects	4 or more	5	5
		2-4	4	
		1	2	
	Use of several contractors	Yes	5	5
		No	0	
	Multiple transactions and parties	Yes	5	5
		No	0	
Multiple lenders and funding sources	Yes	5	5	
	No	0		
Project Complexity	Number of units	100+	5	10
		26-99	4	
		5-25	3	
		2-4	2	
		1	1	
	Inexperienced developer	Yes	5	10
		No	0	
	Inexperienced general contractor	Yes	5	10
		No	0	
	Project during initial rent-up phase	Yes	5	10
No		0		
Level of Funding	Amount of HOME funds	\$1 million+	5	20
		\$500,000-\$999,999	4	



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FACTOR	SUBFACTOR	CRITERIA	POINTS	WEIGHTS
		\$100,000-\$499,999	3	10
		\$30,000-\$99,999	2	
		Under \$30,000	1	
	Multiple funding sources	Tax Credits with HOME	5	
		Other HUD funding with HOME	4	
		Other sources	2	
		HOME only	0	
Recipient Capacity	Experience of staff	Never undertaken project before	5	20
		Never undertaken project before but have capacity	4	
		Undertaken project before, but need TA or consultant help	3	
		Undertaken project and have capacity	0	
	Low productivity or unusually high activity	Yes	5	10
		No	0	
	Lack of progress spending HOME funds	Yes	5	10
		No	0	
	Significant change in goals/direction of organization	Yes	5	5
		No	0	
Staff Capacity	Staff turnover	Yes	5	15
		No	0	
	Inexperienced staff	Yes	5	15
		No	0	
	Change in agency or program leadership	Yes	5	10
		No	0	
Quality of Reporting and Documentation	Status of project submissions or progress reports	Never submits reports	5	10
		Submitted infrequently with errors	4	



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FACTOR	SUBFACTOR	CRITERIA	POINTS	WEIGHTS
		Submitted infrequently without errors	3	
		Submitted frequently with errors	2	
		Submitted frequently without errors	1	
	Audit findings or no audit done	Yes	5	10
		No	0	
	Low quality documentation	Yes	5	15
		No	0	
	Failure to meet schedules	Yes	5	15
		No	0	
	Failure to comply with HOME agreement	Yes	5	20
		No	0	
	Past Compliance Problems	Not monitored last year	Yes	5
No			0	
Reoccurring monitor findings		Yes	5	10
		No	0	
Inability to clear up outstanding issues/compliance violations		Yes	5	20
		No	0	
Letters of complaint from beneficiaries or investigations		Yes	5	5
		No	0	
Poor performance/compliance in other programs administered by the agency		Yes	5	5
		No	0	



Exhibit 1-6: Risk Assessment Example

A PJ rates two of its CHDOs to decide which one should be monitored more intensively this year. For simplicity, we will use a protocol that has only three risk factors: type of program, amount of HOME funds, and staff turnover.

First the PJ assigns weights to each of these factors. The PJ uses the weights provided in the Sample Risk Assessment Protocol provided as Exhibit 1-5. It assigns the following weights: type of program (10), amount of HOME funds (10), and staff turnover (15).

Next, the PJ records points based on the characteristics of the CHDOs' programs. This PJ uses the point schedule and criteria provided in Exhibit 1-5.

- CHDO 1 runs a new construction program (5 points), receives \$60,000 in HOME funds (2 points) and has experienced staff turnover in the last year (5 points).
- CHDO 2 runs a rental rehabilitation program (4 points), receives \$250,000 in HOME funds (4 points) and has had no staff turnover in the past year (0 points).

To calculate the CHDOs' scores, the PJ calculates the weighted points for each factor by multiplying weights by points. Then, the PJ calculates the CHDO's total score by adding all the weighted points. See the calculations below.

CHDO 1 Risk Factors	Weights	Points	Weighted Points
Type of program: Homebuyer New Construction	10	x 5	= 50
Amount of HOME funds: \$60,000	10	x 2	= 20
Staff Turnover: Yes	15	x 5	= 75
			Total: 145
CHDO 2 Risk Factors	Weights	Points	Weighted Points
Type of program: Rental Rehab	10	x 4	= 40
Amount of HOME funds: \$250,000	10	x 3	= 30
Staff Turnover: No	15	x 0	= 0
			Total: 70

Based on these totals, CHDO 1 has a higher risk score (145 total points) than CHDO 2 (70 total points) because of its staff turnover. The PJ should allocate more monitoring resources towards CHDO 1 than CHDO 2.

F. Options for Using a Risk Analysis to Set Priorities

A risk assessment protocol can be used in a variety of ways to prioritize not only which Recipient is monitored first, but also how ADFA will prioritize its staff time and the scope of the review.

- **Technical Assistance.** A risk assessment protocol may be used to determine which Recipient should have a technical assistance visit during the project implementation phase. Risk factors might include staff experience, past performance issues, and project



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specific risk factors such as a project involving lead hazard control, relocation, or other project specific technical issues. Risk assessment results can be utilized to set priorities in the scheduling of project oversight.

- **Prioritizing On-Site Monitoring Reviews.** ADFA might choose to conduct a desk review of all projects and utilize these results to complete a risk analysis to determine which projects would receive an on-site monitoring.
- **Monitoring Review Format.** A risk assessment protocol may be used to determine the areas of compliance that will be included in a monitoring review. For instance, ADFA might decide to monitor everyone for income qualification and property standards but might use a risk analysis to determine what other areas of compliance would be reviewed.

G. Monitoring Tools and Resources

ADFA uses various tools to guide the monitoring process and to ensure consistency among staff conducting monitoring. Important tools to be used in conjunction with the monitoring plan include the following:

- **ADFA HOME Compliance Monitoring Manual.** This manual establishes protocols and defines ADFA's monitoring responsibilities as well as establishes consistency and helps orient new Compliance staff.
- **Form Letters.** During the course of a review, monitors correspond frequently with Recipients. Often, the nature of this correspondence is consistent across monitoring reviews and requires certain components to be thorough and complete. A form letter or template gives monitors agreed upon language and headings that identify the key pieces of information that the letter should include. ADFA Compliance staff members use three form letters: a notification letter, a follow-up/monitoring letter, and a close-out letter.
- **Forms and Checklists.** Standardized forms and checklists ensure that monitors are examining the same items in all their reviews. Checklists are provided in this manual.
- **Project Portfolio.** Keeping a project portfolio is an important step to formalize and systematize a monitoring approach. This tool can help monitors track projects by the type of project (e.g., rehabilitation, new construction), number of HOME-assisted units, as well as when projects must be monitored. ADFA uses an Excel database to track this information.
- **Risk Assessment Protocol.** By using a protocol to prioritize organizations and/or project for monitoring, ADFA can schedule on-site visits to Recipients or CHDOs that have received high overall risk scores before making visits to those with lower scores.
- **Staff Relationships.** Typically, Compliance staff members are assigned based on the organizations, projects, or programs with which they have experience and technical knowledge. In cases where a new perspective is warranted, an experienced staff person with no previous relationship to the organization or program may add value to the monitoring process.
- **Monitoring Findings Database.** A database of findings allows ADFA to establish a process to track monitoring findings and corrective actions. Staff can use the database to ensure appropriate documentation has been received and reviewed.



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- **IDIS Reports.** A review of Integrated Disbursement and Information System (IDIS) reports to compare information with ADFA spreadsheets and databases:
 - Status of HOME Grants “PR27,”
 - Status of HOME Activities “PR22”, and
 - Status of CHDO Funds by Fiscal Year “PR25.”
- **HDS Software Occupancy Reports.** ADFA requires property managers to enter occupancy data for all rental projects electronically through an online system. Monitors may generate and review reports at any time.

Section 6. The Monitoring Process

A. Getting Started

Gathering Information

A critical first step in the monitoring process is to gather information. Monitors will obtain the program or project file from the program staff before they begin monitoring. The program or project file includes the written HOME agreement, which contains key information on the project such as the number of HOME-assisted units. Another important first step is to speak with ADFA program staff members who have already been involved in the project about possible issues that may be encountered.

Key Documents to Review

The following documents are essential to monitoring and are helpful to have on hand when conducting monitoring reviews:

- **HOME Regulations (24 CFR Part 92).** The HUD regulations for the HOME Program formally set forth the requirements that PJs and their funding recipients must meet, and establishes a PJ's responsibility for monitoring its funding Recipients.
- **HOME Notices.** Monitoring staff should use HOME notices such as the most recent one on program income, match, and cost allocation. These notices clarify some of the more complex aspects of the regulations.
- **ADFA HOME Program Operations Manual.** The monitor should always be familiar with ADFA's own policies for the programs they monitor as well as the Recipient's procedures for administering the program.
- **HOME-Related Reports and Correspondence.** These include letters discussing previous monitoring findings and/or corrective action.
- **HOME Agreements.** The HOME agreement is the contract between ADFA and a Recipient, which awards HOME funds and establishes a Recipient's responsibility to comply with HOME Program requirements in administering these funds. HOME agreements are specific to the type of activity supported with HOME funds (e.g., homeowner rehabilitation or rental rehabilitation).
- **IDIS Entries and Reports.** These are the HUD reports/screens used to set up projects, draw down funds, and close out projects in the HOME Integrated Disbursement and



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Information System (IDIS). IDIS forms not only provide a means to access HOME funds; the information on these forms also help ADFA monitor the expenditures and performance of its Recipients.

Monitors will use the monitoring tools and checklists discussed earlier in this chapter in their information gathering, desk reviews, and on-site reviews.

Key People to Consult

There are key individuals who will be consulted at the very beginning of the monitoring process. They include the project manager and staff members who are working on the project.

B. Desk Monitoring

Desk reviews enable the monitor to assess numerous aspects of a program, project, or Recipient; select those Recipients, programs, or projects that need closer examination on-site; and prepare for an effective on-site monitoring visit.

A desk review may supplement available reports and documentation. Monitors may request specific documents from randomly selected client files. Specific areas of compliance review such as voluntary acquisition or houses being at or below 95 percent of area median sales values might be conducted in this manner.

Defining Desk Monitoring

Desk reviews are the first step in assessing Recipients and projects. Based on the data submitted, monitoring staff may generate internal reports on the status of every HOME-funded activity. Program-wide data, such as the number of units developed, number of families assisted, and the on-going expenditure rates of HOME funds, is also tracked. If questions or concerns arise, monitoring staff should request additional information from the appropriate source.

In addition to helping the monitor assess a program, desk reviews also offer the opportunity to identify Recipients with the greatest vulnerability to low unit production or inefficient use of HOME funds; poor expenditure performance that may prevent them from spending their HOME funds within the period of their HOME Agreement; failure to comply with program requirements; and fraud and mismanagement.

The final purpose of the desk review is preparing for the on-site visit.

Steps in Desk Monitoring

- Staff performing desk reviews first examine progress reports, compliance reports, occupancy reports, and financial information to adequately assess performance and look for indicators of performance or compliance problems.
- If questions or concerns arise from the review, staff should gather additional information through telephone calls or additional documents or other written materials.
- For experienced Recipients that are successfully carrying out activities, ADFA could plan a more narrowly focused monitoring to examine areas where the regulations have changed, new activities that are being undertaken, or program aspects that led to problems in the past.



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- To determine the likelihood of problems in Recipients' performance, monitors can use the following resources
 - Recent reports;
 - Other HOME Program staff;
 - Community sources (i.e. citizen complaints);
 - The results of previous on-site reviews; and
 - Follow-up activities and program application information.

C. On-site Monitoring

Defining On-site Monitoring

An on-site review allows monitors to evaluate overall performance and determine if compliance problems exist. These reviews involve traveling to the location of the program or project to gather in-depth information about Recipient activities. Often these reviews are necessary if monitors identify potential problems during the desk review. When completing an on-site review, monitors should assess compliance on three levels: project, program, and beneficiary.

During an on-site review, monitors do three primary things: identify aspects where the Recipient is performing well and any areas of weak performance; assess Recipient compliance with program requirements; and determine whether Recipient records are adequate to document compliance.

While on-site, monitoring staff gather information through a combination of: interviews with program/project staff; reviews of program/project/beneficiary files; on-site inspections of units; interviews with residents; and an exit interview with Recipient staff discussing the outcome of the visit.

When performing an on-site review, monitoring staff will complete the appropriate monitoring checklists and prepare a report summarizing the results of the review. The following documents and information will be reviewed prior to the site visit and, if necessary, brought along for reference:

- Written HOME agreement for program/project;
- Project program/checklists;
- Most recent occupancy report from owner (if rental);
- Desk review monitoring file;
- Copy of the HOME regulations;
- Copy of ADFA HOME Program Operations Manual
- High and Low HOME rents for last three years (if rental);
- Income limits for last three years;
- Utility allowances for last three years (if rental);
- Inspection forms;
- Construction specifications; and



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- Written construction standards.

The monitor may find it helpful to bring a flashlight, tape measure, calculator, camera, clip board with paper and pen, paper clips, post-it notes, and a stapler to the monitoring visit.

On-site Agenda

The following steps provide the basic framework to follow when conducting on-site program monitoring reviews.

- ***Step 1: Prepare for the monitoring visit.*** Before the on-site visit, monitors prepare by reviewing project files and should be thoroughly familiar with the applicable program rules and the established monitoring protocol. Staff will review the following types of in-house data prior to the visit:
 - Application for funding;
 - ADFA HOME Program Operations Manual;
 - Written HOME agreement and, if applicable, loan agreement;
 - Recent status reports;
 - Financial reports;
 - Integrated Disbursement and Information System (IDIS) reports;
 - Correspondence between ADFA and Recipient; and
 - Reports from previous monitoring reviews.
- ***Step 2: Conduct the monitoring visit.*** There are several basic elements to a monitoring visit.
 - ***Send notification letter.*** Compliance staff begin the monitoring process by calling Recipients to explain the purpose of the visit and to agree upon dates for the visit. A formal notification letter (using ADFA's template) will follow at least several weeks before the planned visit and should include:
 - Confirmation of the date and time for the review;
 - Name of the ADFA Compliance staff performing the review;
 - Elements of the program to be monitored (including number of units that will be reviewed);
 - Information needed for review during the visit (number of randomly selected files and records); and
 - Staff needed for interviews or other assistance during the review.Compliance staff must provide a copy of the notification letter to the Compliance Department Manager who will maintain a calendar of scheduled visits.
 - ***Entrance conference.*** Monitors will begin their on-site visit with an entrance meeting to provide an overview of the visit, make introductions to on-site staff, and ask preliminary questions about the program/project.



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- *Select files for review.* Monitors will randomly select project files for review. Files pulled in advance by Recipient staff will not be accepted for review.
 - *Review files and take good notes.* The information gathered will serve as the basis for conclusions to be included in the monitoring report and follow-up letter. Compliance staff should keep a clear record of information reviewed and conversations held with Recipient staff during the monitoring visit and utilize appropriate checklists. Recipients may request identification of sources if any of the conclusions are disputed.
 - *Unit inspections.* Monitoring staff will randomly select the required number of units to be inspected and utilize the appropriate HQS checklist. A separate inspection form must be completed for each unit inspected and the monitor will also perform a general inspection of the building and common areas.
 - *Hold exit conference.* Monitoring staff will meet with the appropriate Recipient staff members and present preliminary results of the visit and to secure any additional information as needed.
- **Step 3: Follow-up**
- *Hold staff meeting.* After completing the on-site visit, Compliance staff may meet with the Department Manager to review the findings of the monitoring visit and agree on a course of action. Responsibility will be assigned for following up on the review depending on the nature of the findings.
 - *Draw conclusions.* ADFA will use the information that was gathered to conduct a thorough analysis in order to develop conclusions about the monitoring visit and determine what steps need to be conducted to get the Recipient back into compliance. While preliminary analysis will be done on-site, more thorough analysis is completed back at ADFA's office. The conclusions may also include what steps the project owner needs to take to remedy the issue. Findings may indicate a failure to implement existing procedures, a need for training, or an issue with a specific staff person's job performance.
- **Step 4: Corrective actions**
- *Determine corrective action.* Details on how to handle corrective actions are located in Chapter 8. Compliance staff will determine corrective actions after an on-site monitoring visit. Corrective actions are based upon the nature and severity of violations and amount of HOME funds affected. For example, staff should consider the following when determining corrective actions:
 - Can the project be brought back into compliance?
 - Do funds need to be repaid?
 - *Issue monitoring letter.* Compliance staff must issue a monitoring letter/report within 30 calendar days following the on-site visit.
 - *Follow up.* Compliance staff will follow up with the Recipient to ensure corrective actions are completed. All follow-up correspondence must be reviewed within 15 days of receipt. If additional on-site monitoring visits are needed, monitors should schedule the visit at the time the monitoring letter/report is issued.



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Entrance Conference

Entrance conferences are held at the beginning of monitoring visits, usually with the executive director or other official of the Recipient organization, to make sure the Recipient has a clear understanding of the purpose, scope and schedule for the monitoring. The entrance conference will detail the scope of the monitoring review, the planned agenda, and the process and timeline once the monitoring has been completed. This includes the projected timeline for the issuance of the report, the format of findings and concerns, and the responsibilities of the Recipient to respond and complete any required corrective actions.

File Review

For projects of up to 5 units, the monitor will review all tenant files. For projects of more than 5 units, the monitor will review a 20 percent sample and at least one unit in every building if there is more than one building in the project. The sample of units will be randomly selected. However, if any units were identified as out-of-compliance during the desk review or ADFA has received a complaint, the monitor may examine these files during the on-site visit.

The files and units selected for review are presumed to be representative of the overall project. If the initial sampling of files identifies issues, the monitor will determine if the issue is specific to the unit or if it is representative of a program/project wide compliance problem. The monitor may need to review a larger sample of files to determine if a larger issue or program wide issue exists.

D. Follow-up Actions

Chapter 8 provides guidance on the follow up that should occur after a monitoring review and report/letter. Below is a brief summary for the purposes of understanding the full process.

Exit Conference

At the end of the monitoring visit, the reviewers will meet again with key representatives of the Recipient organization to present preliminary results of the monitoring; provide an opportunity for the Recipient to correct any misconceptions or misunderstandings; secure additional information to clarify or support their position; and provide an opportunity, if applicable, for the Recipient to report on steps the organization may already be taking to address areas of noncompliance or nonperformance. Although the monitor may not be authorized to determine at that time if there will be findings issued, the reviewer should provide an adequate overview of the issues identified in the review.

Monitoring Letter

After the on-site review, monitoring staff must prepare and send a letter (using ADFA's template) describing the results of the review to the organization that has been reviewed. It is important that the monitoring letter include the reasons underlying all conclusions. More information on the monitoring letter/report can be found in Chapter 8.

Chapter 2: Monitoring CHDOs



Community Housing Development Organizations (CHDOs) are important partners in the HOME Program. This chapter reviews ADFA's monitoring responsibilities for this specific type of Recipient. The first section reviews what CHDOs are and why ADFA monitors CHDOs. Section 2 discusses CHDO-specific HOME requirements and how ADFA monitors for these requirements.

Section 1. What are CHDOs and Why Monitor Them?

A. Community Housing Development Organizations (CHDOs) [24 CFR 92.300, 92.2]

A CHDO is a private, nonprofit, community-based service organization that has obtained or intends to obtain staff with the capacity to develop affordable housing for the community it serves. ADFA is required under the HOME regulations to set-aside a minimum of 15 percent of its HOME allocation for CHDOs for eligible housing activities that are owned, developed or sponsored by CHDOs. This set-aside helps reduce the competition for limited affordable housing funds and gives these special nonprofits a boost in obtaining funding to own, develop or sponsor affordable housing in the community. ADFA also provides HOME funds for CHDO operating assistance.

CHDOs must meet special criteria pertaining to their legal status, organizational structure, capacity and experience, which are explained in detail in Section 2 of this Chapter. CHDOs must continue to meet the qualifying criteria to remain an eligible CHDO and count the expenditures towards the 15 percent set-aside requirement. Monitors must also be aware that only certain activities are "eligible" as CHDO activities that count towards meeting the 15 percent set-aside.

B. Why Monitor CHDOs

Each CHDO is required by ADFA to keep records of both its CHDO certification and project activities on site. ADFA monitors are responsible for verifying files for proper documentation of each CHDO-specific requirement in conjunction with onsite project monitoring.

To begin a compliance review of CHDOs, the monitor reviews the areas listed below. Each of these areas is outlined in detail in the following Section of this chapter.

- **Recertification:** CHDOs must be recertified annually (if an ongoing project exists) or at project funding (if more than a year of last certification has occurred). Since the legal structure of most CHDOs do not change, the monitor should focus on staff capacity, board composition and the review of methods for collecting low-income input.
- **CHDO commitments/reservations:** ADFA must reserve at least 15 percent of its HOME funds for CHDO activities. These funds must then be reserved or committed to specific CHDOs within 24 months.
- **Production levels:** The monitor assesses the production levels of the CHDOs and reviews the CHDOs' progress on HOME funded activities. Acceptable production has a process that must be followed. Reservation funds turn into commitments, which turn into disbursements, which result in completed and occupied projects in a timely manner. ADFA may develop standards for these milestones and put them into the written agreements.
 - CHDOs that are producing HOME units effectively and efficiently will be monitored, but may not impose as high of a risk for ADFA as non-performing CHDOs.



Chapter 2: Monitoring CHDOs

- CHDOs that are struggling should be reviewed carefully by the monitor.
 - Monitors will check to ensure capacity levels of staff are still sufficient to carry out affordable housing activities.
 - Non-performing CHDOs should be reviewed carefully before being considered for additional funding.
 - ADFA may consider providing technical assistance funds or training to struggling CHDOs.
- Operating assistance: The monitor will verify that ADFA has not provided more than five percent of its annual HOME allocation towards operating assistance for all CHDOs for the year. The monitor will also check to ensure the CHDO does not receive more than ADFA's prescribed limits, as outlined in the following Section.

Exhibit 2-1 below provides a summary of the HOME rules regarding CHDOs that monitors should keep in mind.

Exhibit 2-1 HOME RULES HIGHLIGHTS

CHDO Set Aside	<ul style="list-style-type: none"> ▫ 15 percent to projects where CHDO is owner, developer, sponsor
Legal Status	<ul style="list-style-type: none"> ▫ Purpose to provide housing ▫ Defined service area ▫ Tax-exempt status
Organizational Structure	<ul style="list-style-type: none"> ▫ $\geq 1/3$ representatives of low-income community ▫ $\leq 1/3$ public sector representatives ▫ Procedures for low-income input
Capacity and Experience	<ul style="list-style-type: none"> ▫ 1+ year of experience in community ▫ Key staff experienced in type of HOME project ▫ Financial accountability
Eligible Activities	<ul style="list-style-type: none"> ▫ Rental: acquisition, rehab, new construction ▫ Homebuyer: acquisition, rehab, new construction ▫ Homebuyer financial assistance for CHDO developed units
Special Assistance	<ul style="list-style-type: none"> ▫ May include pre-development loans, operating assistance, capacity building, use of HOME proceeds



Section 2. Monitoring CHDOs

A. Qualifying and Recertifying CHDOs

A nonprofit organization must meet special requirements to qualify as a CHDO. Its certification as a qualified CHDO must be maintained as long as ADFA wants to count the funding towards its CHDO set-aside requirement. This section of the Chapter uses HUD Checklist 7-11, Guide for Review of Community Housing Development Organization (CHDO) Qualifications and Activities. Monitors may also use CPD Notice 97-11 to review all the requirements a CHDO must meet for HOME.





As mentioned previously, a CHDO is a specific type of private nonprofit entity that meets certain requirements pertaining to its legal status, organizational structure, capacity and experience.

ADFA has up to 24 months from after the last day of the month in which HUD signs the HOME Investment Partnership Agreement transmittal letter to identify and designate the CHDOs it plans to work with, and to reserve monies for the CHDOs' use. ADFA must reserve at least 15 percent of its HOME allocation for housing that is owned, developed, or sponsored by CHDOs. This requirement carries an obligation to monitor the organizational make-up of funded CHDOs to ensure eligibility of the organization, determine eligibility of CHDO activities and other applicable project requirements.

Before committing any funding to a CHDO, ADFA must be sure that the organization meets the qualifying criteria outlined in the HOME Rule at 24 CFR 92.2. This process is discussed in detail in the ADFA HOME Program Operations Manual. ADFA accepts applications for CHDO certification on a continuous basis and the certification is valid for one year. After one year, the organization must be re-certified by ADFA.

The following list provides supporting documentation that ADFA will maintain for CHDO designations. Monitoring staff will confirm that documentation related to each of the key questions in the checklist is available in each CHDO's files.

Legal Structure [24 CFR 92.2]

Checklist Questions & Key Documents		
1. The nonprofit organization is organized under state or local laws, as evidenced by (check appropriate category) [24 CFR 92.2]:  _____ <i>Charter; OR</i>  _____ <i>Articles of Incorporation.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
2. No part of its net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by (check appropriate category) [24 CFR 92.2]:  _____ <i>Charter; OR</i>  _____ <i>Articles of Incorporation.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3. The nonprofit organization has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3)	<input type="checkbox"/> Yes	<input type="checkbox"/> No



Chapter 2: Monitoring CHDOs

<p>or (4) of the Internal Revenue Code of 1986, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ A 501(c)(3) or (4) Certificate from the IRS; OR Is classified as a subordinate of a central organization non-profit under section 905 of the Internal Revenue code, as evidenced by:</p> <p> _____ A group exemption letter from the IRS that includes the CHDO.</p>		
<p>4. The nonprofit organization has, among its purposes, the provision of decent housing that is affordable to low- and moderate-income people, as evidenced by a statement in the organization's (check appropriate category) [24 CFR 92.2]:</p> <p> _____ Charter;</p> <p> _____ Articles of Incorporation;</p> <p> _____ By-laws; OR</p> <p> _____ Resolutions.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>5. Does the CHDO have a clearly defined service area?</p> <p> Charter;</p> <p> By-laws;</p> <p> Maps outlining the area.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

CHDOs must maintain certain conditions pertaining to their legal status in order for them to meet the HOME requirements and confirm that documentation related to each of the key questions in the ADFA checklist is available in CHDO files.

- Organized under state/local law: CHDOs must be organized under state and local law. The monitor should see this evidenced by reviewing the charter or articles of incorporation.
- No individual benefit: No part of the CHDO's earnings (profits) may benefit any members, founders, contributors or individuals. The monitor should see statements regarding no individual benefit in either the charter or articles of incorporation.
- Nonprofit status: A CHDO must have received a tax-exempt ruling from the IRS under Section 501(c) of the Internal Revenue Code of 1986 in order to be designated by the PJ as a CHDO.
 - There are many incorporation options under Section 501(c), depending on the type and purpose of the organization seeking the designation for tax-exemption. The 501(c) designations permissible under HOME are:
 - 501(c)(3) status – a charitable, nonprofit corporation;
 - 501(c)(4) status – a community or civic organization; and



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- Section 905 status – a subordinate organization of a 501(c) organization.
 - The monitor should see either a 501(c)(3) or (4) certificate from the IRS or a group exemption letter from the IRS that includes the CHDO in the file.
- Purpose of organization: The purpose of the organization must be to provide decent housing that is affordable to low- and moderate-income persons. The monitor should be able to find this purpose in either the organization’s charter, articles of incorporation, by-laws or a resolution of the CHDO’s board of directors.
- Clearly defined service area: A CHDO should have a clearly defined geographic service area. Maps outlining the area should be in the file and funded projects should be coordinated appropriately.
 - CHDO service areas are not limited to a single neighborhood.
 - For urban areas, a CHDO service area may comprise a neighborhood or neighborhoods, city, county, or metropolitan area.
 - For rural areas, a CHDO service area may comprise a neighborhood or neighborhoods, town, village, county, or multi-county area (but not the entire state).

Nonprofits serving special populations must also define the geographic boundaries of their service areas in order to qualify as CHDOs.

Capacity and Experience [24 CFR 92.2]

Checklist Questions & Key Documents		
<p>6. The nonprofit organization conforms to the financial accountability standards of 24 CFR 84.21, "Standards for Financial Management Systems," as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>A notarized statement by the president or chief financial officer of the organization; OR</i></p> <p> _____ <i>A certification from a Certified Public Accountant.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>7. The nonprofit organization has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>Résumés and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds; OR</i></p> <p> _____ <i>Contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff of the organization.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>8. The nonprofit organization has a history of serving the community within which housing to be assisted with HOME</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>funds is to be located, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p><input type="checkbox"/> <i>A statement that documents at least one year of experience in serving the community; OR</i></p> <p><input type="checkbox"/> <i>For newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.</i></p> <p><i>Note: The CHDO or its parent organization must be able to show one year of serving the community prior to the date the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as: developing new housing; rehabilitating existing stock and managing housing stock; or delivering non-housing services that have had lasting benefits for the community (e.g., counseling, food relief, or childcare facilities). The statement must be signed by the chief executive of the organization.</i></p>		
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Part of assessing a nonprofit organization's qualifications to be certified as a CHDO includes a review of an organization's financial accountability standards. The monitor should see either a notarized statement by the president or chief financial officer (CFO) of the organization or a certification from a Certified Public Accountant (CPA) indicating that the organization is in conformance with 24 CFR 84.21 "Standards for Financial Management Systems."

CHDOs must also demonstrate the capacity of their key staff to carry out the HOME-assisted activities they are planning. This means that CHDOs must have either of the following:

- Experienced key staff who have successfully completed projects similar to those proposed by the CHDO. The monitor should see resumes of key staff in the file and application.

OR

- Key staff with limited experience that will use experienced consultants for the planning and development activities. In such cases there must be a plan in place for the consultant to train the key staff. The monitor should see a contract in place with a qualified consultant to demonstrate this relationship.

A CHDO must also demonstrate that it has at least one year of experience serving the community where it intends to develop the HOME-assisted housing. The year of service does not have to be directly related to housing. The monitor should see a statement in the application documents evidencing this one year of local experience in the community.







- A newly created organization wishing to become a CHDO can meet this requirement if a parent (or sponsoring) organization is a nonprofit organization and has provided services to the community for at least one year. The monitor should look for a statement in its application that their parent organization has at least one year serving the local community.



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- Prior service to the community cannot consist of a for-profit organization's work in that community.

Organizational Structure [24 CFR 92.2]

Checklist Questions & Key Documents		
<p>9. The nonprofit organization maintains at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations as evidenced by the organization's (check appropriate category): [24 CFR 92.2]</p> <p> _____ <i>By-laws</i>;</p> <p> _____ <i>Charter</i>; OR</p> <p> _____ <i>Articles of Incorporation</i>.</p> <p>Note: Under the HOME program, for urban areas, the term "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area (but not the whole state).</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>10. The nonprofit organization provides a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>By-laws</i>;</p> <p> _____ <i>Resolutions</i>; OR</p> <p> _____ <i>A written statement of operating procedures approved by the governing body</i>.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>11. The CHDO, which may be chartered by a state or local government, complies with the following restrictions:</p> <p>(1) The state or local government may not appoint more than one-third of the membership of the organization's governing body;</p> <p>(2) The board members appointed by the state or local government may not, in turn, appoint the remaining two-thirds of the board members; and</p> <p>(3) No more than one-third of the governing board members are public officials (including any employees of the PJ) as evidenced by the organization's (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>By-laws</i>;</p> <p> _____ <i>Charter</i>; OR</p> <p> _____ <i>Articles of Incorporation</i>.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<p>12. If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO's (check appropriate category): [24 CFR 92.2]</p> <p> _____ <i>By-laws</i>;</p> <p> _____ <i>Charter</i>; OR</p> <p> _____ <i>Articles of Incorporation</i>.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A

There are many restrictions placed on the composition of a CHDO's Board of Directors. All of the board composition requirements listed below must be stated in the nonprofit's by-laws, charter or articles of incorporation:

- At least one-third must be representatives of the low-income community. There are three ways to meet this requirement:
 - Residents of low-income neighborhoods in the community, and/or
 - Low-income residents of the community, and/or
 - Elected representatives of low-income neighborhood organizations.
- No more than one-third may be public officials or employees of ADFA or state Recipient.



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- The balance is unrestricted, and may include people such as human and social service providers, lenders, individuals with access to philanthropic resources, or others willing to contribute their professional expertise.
- However, CHDOs sponsored or created by a for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body, and the board members appointed by the for-profit may not in turn, appoint the remaining two-thirds of the board members.



Other Recipients, public bodies or instrumentalities cannot qualify as CHDOs. Examples of instrumentalities of public bodies include public housing authorities (PHAs), urban renewal agencies, redevelopment authorities and downtown development authorities.

To help document proper board composition, the monitor must see a detailed list of the board members in the application and file that includes the following information:

- Home address (if representing members of a low-income neighborhood). The monitor should check census maps that their address is indeed in a low income neighborhood.
- Annual income (if a low-income resident). The monitor should see a signed certification from the board member stating their annual income compare this income amount against the current HUD income guidelines or a signed certification that their annual income is below the current low-income limit by household size; and
- Employer and position. The monitor should review the list of employers to ensure public sector limits are being met.

Monitors must also see evidence that the CHDO provides a formal process for low-income program beneficiaries to advise the CHDO on design, location of sites, development and management of affordable housing. The process must be described in writing, and must be included in the organization's by-laws, or a written statement of operating procedures approved by the governing body [24 CFR 92.2]. Such systems might include special committees of neighbors of a proposed development site, neighborhood advisory councils or open town meetings.

Relationship with For-Profit Entities [24 CFR 92.2]

Checklist Questions & Key Documents		
<p>13. The CHDO is not controlled, nor receives directions from individuals, or entities seeking profit from the organization, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ By-laws; OR</p> <p> _____ <i>Memorandum of Understanding (MOU).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>14. If this CHDO has been sponsored or created by a for-profit entity:</p> <p>(1) The for-profit entity's primary purpose does not include the development or management of housing, as evidenced:</p> <p> _____ <i>The for-profit organization's By-laws;</i></p> <p style="text-align: center;">AND</p> <p>(2) The CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced in the CHDO's (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>By-laws;</i></p> <p> _____ <i>Charter; OR</i></p> <p> _____ <i>Articles of Incorporation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
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CHDOs may have relationships with for-profit entities; however, there are certain restrictions for these particular CHDOs. A CHDO sponsored or created by a for-profit entity may not be controlled or managed by the for-profit organization. The monitor should look for a statement in the CHDO's by-laws or a memorandum of understanding (MOU) between the CHDO and the for-profit sponsor stating they are not controlled by the for-profit "parent" agency.

The monitor must verify that the creating or sponsoring for-profit organization does not have as its primary purpose to develop or manage housing. The monitor should check available information on the for-profit sponsoring organization to ensure that its primary purpose is not housing development or management.

The CHDO must also be free to contract for goods and services from vendors it chooses rather than directed by the sponsoring for-profit organization. The monitor should look at the CHDO's by-laws, charter or articles of incorporation to ensure this "freedom to choose" language is clearly stated and must ensure that no evidence exists in its files that it was forced to use certain contractors or vendors.

B. Eligible CHDO Set-aside Projects [24 CFR 92.300(a)(1)]

CHDOs may use HOME funds for all types of eligible HOME activities; however, only certain types of activities count toward the minimum 15 percent set-aside that ADFA must allocate for CHDO projects. Monitors must determine the project is an eligible activity to be undertaken by a CHDO as an owner, sponsor or developer. Monitors should follow the monitoring guidance for the specified activity as outlined in the corresponding chapters of this manual.

Checklist Questions & Key Documents		
<p>15. Were all CHDO set-aside funds used for housing projects owned, developed or sponsored by CHDOs? [24 CFR 92.300(a)(1)]</p> <p> <i>Proof of CHDO ownership such as title or similar</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<i>documents; or that CHDO was developer (development agreement with the owner); or sponsor (agreement with sponsored entity and ownership transfer documents).</i>		
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A community-based nonprofit organization may meet all of the regulatory requirements to be designated as a CHDO. However, in order for CHDO activities to count toward ADFA's CHDO set-aside, the CHDO must be the developer, sponsor and/or owner of the HOME-assisted housing. It is important for the monitor to understand these different roles and be able to identify documentation required for each role.

CHDOs as Owners

The CHDO is an "owner" when it holds legal title to or has a long-term (99-year minimum) lease hold interest in a rental property. The CHDO may be an owner with one or more individuals, corporations, partnerships, or other legal entities.

- If the CHDO owns the property, the monitor must see evidence of ownership in the file such as a title or long-term lease.
- If the CHDO owns the property in partnership, it must demonstrate that it is the managing partner with effective control of the project. Evidence that the CHDO is the managing partner should be clearly stated in its written agreement.

CHDOs as Developers

The CHDO is a developer when it owns a property and develops a project, or has a contractual obligation to a property owner to develop a project.

- HOME-assisted rental housing programs:
 - For a CHDO that does not own the property, there must be a contractual agreement with the owner to obtain financing and rehabilitate or construct the project. Monitors will verify that a written agreement exists between the CHDO and the property owner detailing the CHDO's specific obligations.
 - The CHDO may, at project completion, manage the project for the owner. No additional documentation is needed.
 - The CHDO may, at project completion, transfer the project to another entity for long-term ownership and management.
- Homebuyer programs:
 - For a CHDO that owns the property and develops homebuyer projects, the monitor must see evidence that the CHDO transferred title of the property and HOME obligations to an eligible homebuyer within a specified period after project completion. This period of time should be specified in the agreement.
 - Documents that support the home was purchased and all legal closing documents must be found in the file. For a complete list of documents, please see Chapter 5 (Homebuyer Programs).
 - For a CHDO that does not own the property, there must be a contractual agreement with the owner to obtain financing and rehabilitate or construct the project. Monitors



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will verify that a written agreement exists between the CHDO and the property owner detailing the CHDO's specific obligations.

- The owner must show evidence of transfer title of the property and the HOME obligations to eligible homebuyers within a specified timeframe of project completion. For a complete list of documents, please see Chapter 6 (Homebuyer Programs).

CHDOs as Sponsors

A CHDO is a "sponsor" when it owns the property and shifts responsibility from the CHDO to another specific nonprofit at some specified time in the development process. The transfer of ownership may occur from the CHDO to another entity during the initiation of the construction, completion of the construction, or at the issuance of the certificate of occupancy.

Monitors must look for documentation that supports the conveyance of ownership has occurred. The other nonprofit organization must be financially and legally separate from the CHDO sponsor. (Even if the second nonprofit was created by the CHDO, it must be a separate entity from the CHDO.) Monitors should be able to review financial records that support that the nonprofit is a separate entity.

For a HOME-assisted homebuyer's program, monitors will review files to see that the following conditions were documented:

- The sponsored nonprofit acquired the completed units, or completed the rehabilitation or construction of the property. There should be an agreement in the file that supports this action.
- The sponsored nonprofit sold the property to a homebuyer, along with the HOME loan/grant obligations after completion of the rehabilitation project. Documents that support the home was purchased and all legal closing documents must be found in the file. For a complete list of documents, please see Chapter 6 (Homebuyer Programs).
- A lease purchase approach could occur rather than a clear transfer sale. All proper documents and agreements should be in the file to support these actions such as a lease purchase agreement and evidence of monthly rent payments.

The chart below provides a brief summary of the various eligible and ineligible CHDO set-aside activities.



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Summary of CHDO Set Aside Activities

Given the requirement that the CHDO play the role of owner, sponsor, developer, the activities CHDOs carry out may only be one of the following listed below:

- Acquisition and/or rehabilitation of rental housing;
- New construction of rental housing;
- Acquisition and/or rehabilitation of homebuyer properties;
- New construction of homebuyer properties; and
- Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds.



The following activities are ineligible set-aside activities, but may be carried out by the CHDO as a subrecipient (not counted towards the 15 percent set-aside):

- Tenant-based rental assistance (TBRA);
- Homeowner rehabilitation; and
- Downpayment assistance program for standard housing.

C. CHDO Special Financial Assistance






On a case by case basis, ADFA may award a special type of financial assistance, operating assistance, to a CHDO. If ADFA provides this type of special financial assistance to a particular CHDO, ADFA must monitor the administration and uses of the funds.

CHDO Operating Assistance [24 CFR 92.208, 92.300]

Checklist Questions & Key Documents				
16.	If the CHDO receives operating funds: Were the funds used for eligible costs? [24 CFR 92.208 and the Cranston-Gonzalez National Affordable Housing Act of 1990, Sec. 233(b)(1), (2) and (6)]  <i>Review of invoices and payment of costs to determine eligibility.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
17.	If the CHDO receives operating funds: Is the total received in each fiscal year within ADFA's prescribed limits? [24 CFR 92.300(f)]  <i>CHDO operating budget.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A



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<p>18. If ADFA provided operating funds under 24 CFR 92.208 to the CHDO that was not also receiving set-aside funds, did the CHDO receive, or is it expected to receive, CHDO set-aside funds to undertake a project within 24 months of the date that the operating funds were provided? [24 CFR 92.300(e)]</p> <p> Agreement with CHDO for operating funds.</p> <p> IDIS reports indicating commitment of funds to a project within 24 months.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<p>19. If ADFA provides CHDO operating funds, does it execute written agreements for the funds? [24 CFR 92.300(e) and 24 CFR 92.504(b)]</p> <p> Written agreement specifying CHDO operating funds.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<p>20. Do written agreements for CHDO operating funds specify the expected uses for the funds? [24 CFR 92.300(e)]</p> <p> Written agreement section on uses of funds.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<p>21. Do written agreements for CHDO operating funds specify the expectation that the CHDO will receive CHDO set-aside funds for development within 24 months of the date of the agreement? [24 CFR 92.300(e)]</p> <p> Written agreement language stating expectation of development to begin with 24 months.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	

ADFA will provide operating funds to CHDOs to assist in the administration of their organizations. Up to five percent of ADFA's annual HOME allocation may be used to provide general operating assistance to CHDOs that are receiving set-aside funds for an activity (or activities). Operating expenses are not an eligible cost for CHDO set-aside funds. The five percent operating funds are not taken from the 15 percent CHDO set-aside funds. There are certain limitations to the amount of operating assistance awarded. ADFA's assistance for operating expenses is available in the following increments:

- The first allocation will be awarded in an amount not to exceed the lesser of \$50,000 or 50% of the CHDO's operating budget;
- The second allocation will be awarded in an amount not to exceed the lesser of \$30,000 or 50% of the CHDO's operating budget; and
- The third and final allocation will be awarded in an amount not to exceed the lesser of \$10,000 or 50% of the CHDO's operating budget.
- ADFA operating assistance is unavailable to CHDOs for projects in Little Rock, North Little Rock Fort Smith, and Pine Bluff.
- Funds awarded to the CHDO by ADFA for operating expenses (under 24 CFR Part 92.208) and funds provided to the CHDO by HUD through intermediaries for organizational support and housing education (under 24 CFR Part 92.302), count toward the \$50,000/50 percent cap (under 24 CFR 92.300(b)).



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If a CHDO receives HOME funds for operating assistance, the monitor needs to verify the above limits are met. The monitor should review the CHDO's financial statements to first determine the total operating budget.

- Any administrative funds a CHDO may receive for administering a program as a subrecipient are not included in the calculation for determining the total operating budget.

For CHDOs that receive operating assistance, but have not yet received set-aside funds, the monitor must ensure there is an executed agreement between ADFA and CHDO. This agreement must state:

- The CHDO is expected to receive funds within 24 months for CHDO specific projects;
- The expected outcome from receiving these funds (i.e., number of expected units to be developed, etc.); and
- The monitor should obtain information to ascertain whether or not the CHDO is on target to undertake a CHDO eligible activity with the required timeframe.

ADFA must monitor that these funds are being used for eligible expenses.

- Salaries, wages, benefits and other employee compensation. Check for copies of payroll accounting, timesheets and benefits packages directly supported by HOME funds.
- Employee education, training and travel. Check for copies of expense reports, and training agendas and outlines for courses and seminars attended.
- Rent and utilities. Review copies of rent payments and utility bill payments.
- Communication costs. Look for copies of phone bills and publication costs.
- Taxes and insurance. Monitors should review a copy of a tax bill and a copy of current insurance declaration page and bill.
- Equipment, materials and supplies. Review copies of invoices for necessary items.



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Section 3. Resources

The following are useful resources for monitoring program partners. They are included as attachments to this chapter.

- CHDO Monitoring Checklist and Key Documents
- CHDO Certification Chart
- ADFA CHDO Certification Checklist/Applications



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**Attachment 2-1
ADFA CHDO Monitoring Checklist and Key Documents**

Checklist Questions & Key Documents		
<p>1. The nonprofit organization is organized under state or local laws, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>Charter; OR</i></p> <p> _____ <i>Articles of Incorporation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>2. No part of its net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>Charter; OR</i></p> <p> _____ <i>Articles of Incorporation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>3. The nonprofit organization has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c)(3) or (4) of the Internal Revenue Code of 1986, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>A 501(c)(3) or (4) Certificate from the IRS; OR Is classified as a subordinate of a central organization non-profit under section 905 of the Internal Revenue code, as evidenced by:</i></p> <p> _____ <i>A group exemption letter from the IRS that includes the CHDO.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>4. The nonprofit organization has, among its purposes, the provision of decent housing that is affordable to low- and moderate-income people, as evidenced by a statement in the organization's (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>Charter;</i></p> <p> _____ <i>Articles of Incorporation;</i></p> <p> _____ <i>By-laws; OR</i></p> <p> _____ <i>Resolutions.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No








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<p>5. Does the CHDO have a clearly defined service area?</p> <p> Charter;</p> <p> By-laws;</p> <p> Maps outlining the area.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>6. The nonprofit organization conforms to the financial accountability standards of 24 CFR 84.21, "Standards for Financial Management Systems," as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ A notarized statement by the president or chief financial officer of the organization; OR</p> <p> _____ A certification from a Certified Public Accountant.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>7. The nonprofit organization has a demonstrated capacity for carrying out activities assisted with HOME funds, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ Résumés and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds; OR</p> <p> _____ Contract(s) with consultant firms or individuals who have housing experience similar to projects to be assisted with HOME funds, to train appropriate key staff of the organization.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>8. The nonprofit organization has a history of serving the community within which housing to be assisted with HOME funds is to be located, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>A statement that documents at least one year of experience in serving the community; OR</i></p> <p> _____ <i>For newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.</i></p> <p><i>Note: The CHDO or its parent organization must be able to show one year of serving the community prior to the date the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history (or its parent organization's history) of serving the community by describing activities which it provided (or its parent organization provided), such as: developing new housing; rehabilitating existing stock and managing housing stock; or delivering non-housing services that have had lasting benefits for the community (e.g., counseling, food relief, or childcare facilities). The statement must be signed by the chief executive of the organization.</i></p>	<p><input type="checkbox"/> Yes</p>	<p><input type="checkbox"/> No</p>
<p>9. The nonprofit organization maintains at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations as evidenced by the organization's (check appropriate category): [24 CFR 92.2]</p> <p> _____ <i>By-laws;</i></p> <p> _____ <i>Charter; OR</i></p> <p> _____ <i>Articles of Incorporation.</i></p> <p><i>Note: Under the HOME program, for urban areas, the term "community" is defined as one or several neighborhoods, a city, county, or metropolitan area. For rural areas, "community" is defined as one or several neighborhoods, a town, village, county, or multi-county area (but not the whole state).</i></p>	<p><input type="checkbox"/> Yes</p>	<p><input type="checkbox"/> No</p>



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<p>10. The nonprofit organization provides a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of affordable housing projects, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>By-laws</i>;</p> <p> _____ <i>Resolutions</i>; OR</p> <p> _____ <i>A written statement of operating procedures approved by the governing body.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<p>11. The CHDO, which may be chartered by a state or local government, complies with the following restrictions:</p> <p>(1) The state or local government may not appoint more than one-third of the membership of the organization's governing body;</p> <p>(2) The board members appointed by the state or local government may not, in turn, appoint the remaining two-thirds of the board members; and</p> <p>(3) No more than one-third of the governing board members are public officials (including any employees of the PJ) as evidenced by the organization's (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>By-laws</i>;</p> <p> _____ <i>Charter</i>; OR</p> <p> _____ <i>Articles of Incorporation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<p>12. If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO's (check appropriate category): [24 CFR 92.2]</p> <p> _____ <i>By-laws</i>;</p> <p> _____ <i>Charter</i>; OR</p> <p> _____ <i>Articles of Incorporation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A








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<p>13. The CHDO is not controlled, nor receives directions from individuals, or entities seeking profit from the organization, as evidenced by (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>By-laws</i>; OR</p> <p> _____ <i>Memorandum of Understanding (MOU)</i>.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<p>14. If this CHDO has been sponsored or created by a for-profit entity:</p> <p>(1) The for-profit entity's primary purpose does not include the development or management of housing, as evidenced:</p> <p> _____ <i>The for-profit organization's By-laws</i>;</p> <p style="text-align: center;">AND</p> <p>(2) The CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced in the CHDO's (check appropriate category) [24 CFR 92.2]:</p> <p> _____ <i>By-laws</i>;</p> <p> _____ <i>Charter</i>; OR</p> <p> _____ <i>Articles of Incorporation</i>.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<p>15. Were all CHDO set-aside funds used for housing projects owned, developed or sponsored by CHDOs? [24 CFR 92.300(a)(1)]</p> <p> <i>Proof of CHDO ownership such as title or similar documents; or that CHDO was developer (development agreement with the owner); or sponsor (agreement with sponsored entity and ownership transfer documents).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<p>16. If the CHDO receives operating funds: Were the funds used for eligible costs? [24 CFR 92.208 and the Cranston-Gonzalez National Affordable Housing Act of 1990, Sec. 233(b)(1), (2) and (6)]</p> <p> <i>Review of invoices and payment of costs to determine eligibility.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<p>17. If the CHDO receives operating funds: Is the total received in each fiscal year within ADFA's prescribed limits? [24 CFR 92.300(f)]</p> <p> <i>CHDO operating budget.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A



Chapter 2: Monitoring CHDOs

<p>18. If ADFA provided operating funds under 24 CFR 92.208 to the CHDO that was not also receiving set-aside funds, did the CHDO receive, or is it expected to receive, CHDO set-aside funds to undertake a project within 24 months of the date that the operating funds were provided? [24 CFR 92.300(e)]</p> <p> <i>Agreement with CHDO for operating funds.</i></p> <p> <i>IDIS reports indicating commitment of funds to a project within 24 months.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<p>19. If ADFA provides CHDO operating funds, does it execute written agreements for the funds? [24 CFR 92.300(e) and 24 CFR 92.504(b)]</p> <p> <i>Written agreement specifying CHDO operating funds.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<p>20. Do written agreements for CHDO operating funds specify the expected uses for the funds? [24 CFR 92.300(e)]</p> <p> <i>Written agreement section on uses of funds.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	
<p>21. Do written agreements for CHDO operating funds specify the expectation that the CHDO will receive CHDO set-aside funds for development within 24 months of the date of the agreement? [24 CFR 92.300(e)]</p> <p> <i>Written agreement language stating expectation of development to begin with 24 months.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	



Chapter 2: Monitoring CHDOs

**Attachment 2-2
CHDO Certification Chart**

(Please note: This chart is a summary. ADFA Staff should use along with ADFA's CHDO Certification Checklist, Attachment 2-3, to ensure complete compliance)

CHDO Category of Compliance	Requirements	Documentation to Review— Items for the File
Legal Status	<ul style="list-style-type: none"> ▪ Organized under state or local law ▪ Purpose of org for affordable housing ▪ No individual may benefit from the org's efforts (financial or other) ▪ Clearly defined geographic area ▪ Nonprofit status (IRS designation)—conditional okay, not pending 	<ul style="list-style-type: none"> ▪ Articles of incorporation or charter (organized, geographic area) ▪ Mission or bylaws (purpose) ▪ Map (geographic area) ▪ IRS letter designation (if conditional, ensure you get final designation letter)
Organizational Board Structure	<ul style="list-style-type: none"> ▪ 1/3 low income (low income, live in a low income area OR, elected representative of a low-income org) ▪ No more than 1/3 public sector ▪ Low income input (not community input) formal process established 	<ul style="list-style-type: none"> ▪ Board names, addresses, employers, category (low income or public sector) ▪ Low income self certification (if low income) ▪ Census tract info (if low income area) ▪ Minutes from meeting (if elected to be on board as low income organization rep) ▪ Bylaws or board resolution—in writing (low income input) ▪ Agendas/minutes (low income input)
Capacity and Experience	<ul style="list-style-type: none"> ▪ 1+ years experience in serving the community ▪ Staff capacity to undertake development ▪ Financial management standards (84.21) 	<ul style="list-style-type: none"> ▪ Annual report ▪ Resumes of staff showing development experience ▪ Contract with consultant—including staff training component ▪ Letter from financial person (CFO)



Chapter 2: Monitoring CHDOs

**Attachment 2-3
ADFA CHDO Certification Checklist**

**Arkansas Development Finance Authority
COMMUNITY HOUSING DEVELOPMENT ORGANIZATION
CERTIFICATION CHECKLIST**

Legal Name of Organization		Tax ID Number
Mailing Address		City
Contact Name		Contact's Title
Contact's Email Address		Phone Number
Board President Name		Phone Number
SELECT THE CHDO SET-ASIDE ELIGIBLE ACTIVITY(IES) YOUR ORGANIZATION PLANS TO UNDERTAKE AS A CHDO (circle all that apply)		
Acquisition and/or rehabilitation of rental property		Acquisition and/or rehabilitation of homebuyer property
New construction of rental housing		New construction of homebuyer property
Direct financial assistance to purchasers of HOME-assisted housing sponsored or developed by a CHDO with HOME funds		
BELOW LIST THE TARGET GEOGRAPHIC AREA(S) OF THE ORGANIZATION (Also, include a copy of map with identified boundaries of target area)		
1.		3.
2.		4.

Board President Signature

Date

Please complete the applicant portion of this checklist. Include the requested information in the Attachments indicated and check-off the item in the checklist. Articles of Incorporation, By-Laws, Charters, Memorandums of Understanding, Contracts, Certifications and Resolutions must be signed and dated by the Board President or other authorized signor. Incomplete applications will not be considered. **ADFA Staff will visit your organization prior to certification.**

LEGAL STATUS	
	<p>The nonprofit organization is organized under State or local laws, as evidenced by:</p> <p><input type="checkbox"/> A Charter, OR</p> <p><input type="checkbox"/> Articles of Incorporation</p>
	<p>No part of its net earnings inure to the benefit of any member, founder, contributor, or individual, as evidenced by:</p> <p><input type="checkbox"/> A Charter, OR</p> <p><input type="checkbox"/> Articles of Incorporation, OR</p>
	<p>Has a tax exemption ruling from the Internal Revenue Service (IRS) under Section 501(c) of the Internal Revenue Code of 1986, as evidenced by:</p> <p><input type="checkbox"/> A 501(c) Certificate/Determination from the IRS</p> <p style="text-align: center;">OR</p> <p>Is classified as a subordinate of a central organization non-profit under section 905 of the Internal Revenue code, as evidenced by:</p> <p><input type="checkbox"/> A group exemption letter from the IRS that includes the CHDO</p>
	<p>Has among its purposes the provision of decent housing that is affordable to low- and moderate-income people, as evidenced by a statement in the organization's:</p> <p><input type="checkbox"/> Charter,</p> <p><input type="checkbox"/> Articles of Incorporation,</p> <p><input type="checkbox"/> By-laws, OR</p> <p><input type="checkbox"/> Resolutions.</p>
CAPACITY	
	<p>Conforms to the financial accountability standards of 24 CFR 84.21, "Standards for Financial Management Systems," as evidenced by:</p> <p><input type="checkbox"/> A notarized statement by the president or chief financial officer of the organization; and</p> <p><input type="checkbox"/> A certification from a Certified Public Accountant; OR</p> <p><input type="checkbox"/> A HUD approved audit summary.</p>

CAPACITY

Has demonstrated a capacity for carrying out activities assisted with HOME funds, as evidenced by:

_____ Resumes and/or statements that describe the experience of key staff members who have successfully completed projects similar to those to be assisted with HOME funds, OR

_____ Contract(s) with consulting firms or individuals who have housing experience similar to projects to be assisted with HOME funds to train appropriate key staff of the organization.

Has a history of serving the community where housing to be assisted with HOME funds is to be located, as evidenced by:

_____ Statement signed by the Board President that details at least one year of experience in serving each community which for which Certification is sought and provide supporting documentation, OR

_____ For newly created organizations formed by local churches, service or community organizations, a statement that documents that its parent organization has at least one year of experience in serving the community.

(The CHDO or its parent organization must be able to show one year of serving the community prior to the date of the participating jurisdiction provides HOME funds to the organization. In the statement, the organization must describe its history or its parent organization's history of serving the community by describing activities which it provided or its parent organization provided, such as developing new housing, rehabilitating existing housing stock and managing housing stock, or delivering non-housing services that have had lasting benefits for the community, such as counseling, food relief, or childcare facilities. The statement must be signed by the president or other official of the organization).

ORGANIZATIONAL STRUCTURE

Maintains at least one-third of its governing board's membership for residents of low-income neighborhoods, other low-income community residents, or elected representatives of low-income neighborhood organizations, as evidenced by the organization's:

_____ By-Laws,
_____ Charter, OR
_____ Articles of Incorporation.

Provides a formal process for low-income, program beneficiaries to advise the organization in all of its decisions regarding the design, siting, development, and management of all HOME-assisted affordable housing projects, as evidenced by:

_____ The organization's By-laws, OR
_____ Resolutions, **AND**
_____ A written statement of operating procedures approved and signed by the governing body.

ORGANIZATIONAL STRUCTURE

A CHDO may be chartered by a State or local government, however, the State or local government may not appoint: (1) more than one-third of the membership of the organization's governing body; (2) the board members appointed by the State or local government may not, in turn, appoint the remaining two-thirds of the board members; and (3) no more than one-third of the governing board members are public officials (including any employees of the PJ), as evidenced by the organization's:

- By-Laws,
- Charter, OR
- Articles of Incorporation.

If the CHDO is sponsored or created by a for-profit entity, the for-profit entity may not appoint more than one-third of the membership of the CHDO's governing body, and the board members appointed by the for-profit entity may not, in turn, appoint the remaining two-thirds of the board members, as evidenced by the CHDO's:

- By-Laws,
- Charter, OR
- Articles of Incorporation.

RELATIONSHIP WITH FOR-PROFIT ENTITIES

The CHDO is not controlled, nor receives directions from individuals, or entities seeking profit from the organization, as evidenced by:

- Organization's By-Laws,
- Memorandum of Understanding (MOU)

A Community Housing Development Organization may be sponsored or created by a for-profit entity, however:

(1) The for-profit entity's primary purpose does not include the development or management of housing, as evidenced:

- In the for-profit organization's By-Laws,

(2) The CHDO is free to contract for goods and services from vendor(s) of its own choosing, as evidenced in the CHDO's:

- By-laws
- Charter, OR
- Articles of Incorporation

I attest that to the best of my knowledge the above information is true and correct and that this information is supported by appropriate documentation in the organization's files:

Signature: _____

Typed Name: _____

Community Housing Development Organization Certification Application

ATTACHMENT A

Legal Name of Organization: _____

IRS Tax Exempt Number: _____

- One page explanation of how the Board of Directors is involved in the operation of the agency, including how often the Board meets, how the Board monitors and provides oversight for the agency's programs. Attach the minutes of the three (3) most recent Board meetings.

- List staff members employed by the organization, including how many are full-time or part-time, their specific responsibilities related to housing programs, and how many years experience each staff member has in housing.

- Include a copy of the organization's strategic management plan that demonstrates the agency's short term and long-term goals, objectives, and plans to achieve them.

- Please include documentation of operating funds from other sources, including how much received annually from each source.

- Explanation of any other programs, other than the proposed HOME program, operated by the organization, including the program(s) and its funding source(s).

- One page explanation of your agency's experience in housing, particularly in providing housing to low and very low-income households.

- Copy of Charter, By-laws and Resolutions

Certification of Low-Income Representation

Applicants should request that each board member representing the interests of low-income families in the Applicant's target community complete this certification. Please maintain a copy of this certification in your files. These certifications will be reviewed during monitoring visit by ADFa.

Board Member Name: _____
Street Address: _____
City/State: _____

I certify that I am a current member in good standing of the governing board for _____(name of the Applicant organization) and that I represent the interests of low-income families in the Applicant's target community. Please check and complete one of the following:

- I am a low-income resident of _____, the Applicant's target community.

- I am a resident of a low-income neighborhood in _____, the Applicant's target community.

- I am an elected representative of _____, a low-income neighborhood organization within _____, the Applicant's target community.

If the applicant is representing a low-income neighborhood organization, please attach copy of signed resolution from the neighborhood organization naming the individual as their representative on the CHDO.

(Signature) _____ (Date) _____



Chapter 3: Monitoring Administrative and Financial Requirements

There are many requirements that are cross-cutting and applicable to all four HOME activities: homeowner rehabilitation, homebuyer, rental and tenant based rental assistance (TBRA). The first section of this chapter focuses on cross cutting requirements such as program progress and general oversight, performance standards for expenditures, written agreements, match, program income, procurement and conflict of interest. The second section of this chapter is specific to uniform administrative and financial management requirements. Both sections provide detailed guidance on the requirements to be monitored. A full checklist is attached as an attachment to this chapter.

Section 1. Program Progress, Oversight and Reporting

This section is designed to assess aspects of the ADFA HOME program that are applicable irrespective of the activity administered as a Recipient. Overall progress and expenditure performance are addressed first. Written agreements, match and program income are also obligations assumed by Recipients regardless of the activity performed. Finally procurement and conflict of interest are covered here as well as in each of the activity chapters.

A. Assessment of Programs and Projects

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program staff files.

Checklist Questions & Key Documents		
<p>1. Does the Recipient have written policies and procedures for administering its HOME activities? Do these policies and procedures comply with ADFA requirements?</p> <p> <i>Policies and procedures.</i></p> <p> <i>Review of project case files to ensure they are in compliance with HOME Requirements.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>2. How many new staff people has the Recipient hired within the past 12 months for HOME activities?</p> <p> <i>Notes from interviews with staff or discussions with key staff.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>3. Are current staff members knowledgeable of HOME and other related Federal Requirements?</p> <p> <i>Notes from interviews with staff or discussions with key staff.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>4. Does the Recipient produce a sufficient number of units this year to meet the approved application and plan outlined in the written agreement?</p> <p> <i>Review of production reports submitted to the ADFA</i></p> <p> <i>Review of written agreement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



Chapter 3: Monitoring Administrative and Financial Requirements

<p>5. Does the Recipient achieve client satisfaction?</p> <p> <i>Client survey(s) or other feedback mechanisms.</i></p> <p> <i>Notes from discussion with clients.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>6. Has the Recipient experienced any “findings” that were not resolved within the time period provided by ADFA?</p> <p> <i>Monitoring reports.</i></p> <p> <i>Correspondence between the ADFA program and monitoring staff and Recipient.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>7. Should the Recipient be considered for funding next year?</p> <p> <i>Review of Monitoring reports.</i></p> <p> <i>Correspondence between the ADFA program and monitoring staff and Recipient.</i></p> <p> <i>Review of staff capacity.</i></p> <p> <i>Review of production reports.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

ADFA monitoring staff will assess capacity and performance issues when monitoring a Recipient. Things to review might include:

- Thoroughness and accuracy of the Recipient’s budget with clear line-item assignment of funds.
- Dedication of sufficient staff with appropriate qualifications.
- Maintenance of record keeping systems that demonstrate program and project compliance.
- Development and adherence to production timelines for each phase of production such as:
 - Marketing and outreach;
 - Application processing;
 - Rehabilitation and construction starts;
 - Loan/grant approvals; and
 - Project completions.
- Timeliness and thoroughness of reports.
- Timeliness in expenditure of funds.
- Accuracy of reimbursement requests with proper supporting documentation.
- Compliance with overall program rules and project rules.
- Enforcement procedures including probation, withholding of funds and contract termination for failure to meet contract requirements.











Chapter 3: Monitoring Administrative and Financial Requirements

- Client satisfaction. This is another way to check how a Recipient is administering the program. Time permitting, monitors will perform random checks with clients to determine their satisfaction level.

In summary, Recipients must run their programs in accordance with the HOME regulations, and demonstrate an acceptable level of capacity to produce what is expected by the ADFA.

B. Performance Standard for Expenditures

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program files.

Checklist Questions & Key Documents		
<p>8. Based on drawdown requests submitted, was the Recipient meeting the expenditure timelines established by ADFA?</p> <p> <i>Review of drawdown requests</i></p> <p> <i>Review of local accounting records</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>9. Based on the HOME Open Activities Report, is the Recipient providing timely information to ADFA for timely entry into IDIS (e.g., beneficiary data required within 120 days of final draw)? [24 CFR 92.502(d)(1)]</p> <p> <i>Open Activities Report.</i></p> <p> <i>IDIS report PR22.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>10. Does the Recipient have a system for tracking the progress of projects from commitment to completion and occupancy?</p> <p> <i>Program procedures and/or tracking systems/tools.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>11. Does the Recipient review the progress of funded projects/contractors to ensure that funds are expended within the ADFA deadlines?</p> <p> <i>Program policies/procedures.</i></p> <p> <i>Progress reports.</i></p> <p> <i>Monitoring reports and correspondence.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>12. If projects/contractors are not making adequate progress, does the Recipient take action to correct the lack of progress (e.g., deobligating and reprogramming funds, providing technical assistance, etc.)? [24 CFR 92.504(a)]</p> <p> <i>Review of actions taken (correspondence, training or technical assistance.</i></p> <p> <i>If applicable, evidence of terminated written agreement(s) and/or repayments of HOME funds spent on activity that did not proceed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
--	------------------------------	-----------------------------

Monitors review the program files to verify that Recipients were in compliance with ADFA imposed performance standards related to expenditure. Specifically, Recipients are required to expend, from issuance of the Notice to Proceed, the following percentages of their allocation:

- 25% of allocation within 90 days,
- 75% of allocation within 1 year, and
- 100% of allocation within 18 months.

Also, monitors confirm that completion data for all activities was provided to ADFA for entry into IDIS upon final draw (FD) so activities can be marked as complete within the 120 day timeline required by HUD. IDIS Report 22 (Status of HOME Activity) can be used to determine compliance with the 120 day timeline. Specifically, activities that are designated “FD” (final draw) and have status date greater than 120 days are non compliant and should be marked complete “CP.”

Finally, monitors compare project file data with IDIS information to verify that correct data is being entered into IDIS, including changes to existing projects. For example, errors may occur in site addresses, beneficiary information. Errors that are identified should be corrected in IDIS as soon as possible. If the monitor finds discrepancies between ADFA files and HUD data, Recipient program staff will be alerted and so that the discrepancies can be resolved.





C. Written Agreements [24 CFR 92.504]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program files.

Checklist Questions & Key Documents		
<p>13. Did the Recipient execute the standard ADFA templates for written agreements with HOME Recipients (e.g., homeowners, homebuyers, rental owners, and contractors) before disbursing funds? [24 CFR 92.504(b)]</p> <p> <i>Review of written agreements, particularly the effective dates.</i></p> <p> <i>IDIS and financial records, particularly for dates funds were disbursed and first drawn by project.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



Chapter 3: Monitoring Administrative and Financial Requirements

<p>14. Do the written agreements include all standard ADFA required provisions? [24 CFR 92.504(c)]</p> <p> <i>Review of written agreements.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>15. Are written agreements effective for the performance period (contractors) or affordability period (homebuyers and rental project owners)? [24 CFR 92.504(c)]</p> <p> <i>Review of written agreements, particularly the period of performance and affordability periods.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>16. If a project has changed in scope or financing, has an amendment to the written agreement been executed or the agreement has been amended?</p> <p> <i>Review of project files for evidence that scope of work or funding changed after written agreement executed.</i></p> <p> <i>As applicable, review of written agreements for amendments.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

A written agreement must be executed with entities before any HOME funds are committed or disbursed. The agreement should be a concise statement of the relationship between the Recipient and any consultants/partners and the end beneficiary. Written agreements must contain certain clauses which are listed in Attachment 3-2, as well as any other terms specified for the type of agreement in 24 CFR 92.504. Because the requirements differ based on the activity type and the parties involved, written agreements must be carefully executed in order to cover the various parties and requirements involved in a project. Also, a properly written and executed agreement is an extremely valuable management tool for verifying compliance and monitoring performance. It enables ADFA to protect its HOME investment. As such, the standard ADFA template agreements should be used

Monitors verify that Recipients have executed the standard ADFA template agreements before any HOME funds are disbursed, including all required signatures. Monitors compare the execution date of the written agreement against drawdown dates. Monitors also verify that written agreements will remain in effect for the relevant periods of affordability and that deed restrictions or other required enforcement mechanisms have been recorded.

Written agreements may be amended by mutual agreement of the parties when regulations and requirements change, or when adjustments to funding levels or other conditions related to a specific project are made. Monitors verify that written agreements are amended as necessary whenever changes occur to the scope of work, financing, or if requirements were not conveyed in the original agreement.

Note that the activity chapters also cover written agreement requirements.

D. Match [24 CFR 92.218; 92.219; 92.220(a) and (b); 92.508(a)(2)(xi)]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program files.



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Checklist Questions & Key Documents		
<p>17. Are match contributions eligible (e.g. non-Federal contributions to eligible projects made in eligible form)? [24 CFR 92.219; 24 CFR 92.220(a) and (b)]</p> <p> <i>Review of match log and back-up documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>18. If contributions are made to non-assisted units in housing that is partially HOME-assisted, are at least 50% of the units in the project HOME-assisted? [24 CFR 92.219(a)(3)]</p> <p> <i>Written agreements for projects being counted as match for number of HOME units.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>19. If contributions are made to the commercial space in mixed-use projects, is at least 51% of floor space residential and are at least 50% of the dwelling units HOME-assisted? [24 CFR 92.219(a)(4)]</p> <p> <i>Written agreement.</i></p> <p> <i>Review of project file for documentation on commercial vs. residential space and the breakdown of HOME vs. non-HOME units.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>20. If contributions are made to housing that is not HOME-assisted, does the housing or tenant-based rental assistance (TBRA) meet the requirements for HOME match-eligible housing or TBRA? [24 CFR 92.219(b)]</p> <p> <i>Written agreements with property owner/manager that includes the relevant HOME requirements.</i></p> <p> <i>File documentation that properties meet the relevant requirements.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>21. If contributions are made to housing that is not HOME-assisted, are the forms of match eligible for this type of housing (i.e., not infrastructure, waived fees or charges, supportive services, or homebuyer counseling)?</p> <p> <i>Match log and supporting documentation as to the form of match.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>22. Was the value of each matching contribution calculated properly? [24 CFR 92.220]</p> <p> <i>Match log and supporting documentation showing calculations.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>23. Were the match contributions credited at the time the contributions were made? [24 CFR 92.220]</p> <p> <i>Match log.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<i>File documentation to support date of credit.</i>		
<p>24. Does the Recipient have a running match log indicating the type and amount of match contributions and the date credited? [24 CFR 92.508(a)(2)(ix)]</p> <i>Match log.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>25. Do the match log and other records indicate that the Recipient has met its match requirement for the ADFA award reviewed? [24 CFR 92.218]</p> <i>Match log.</i> <i>Supporting documentation to demonstrate sources eligible, calculated and credited properly.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>26. Has the Recipient adequately documented the eligibility and value of match contributions? [24 CFR 92.219; 24 CFR 92.220; 24 CFR 92.221 and 24 CFR 508(a)(2)(ix)]</p> <i>Match log.</i> <i>Backup documentation to demonstrate sources eligible, calculated and credited properly..</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

ADFA requires each Recipient to make contributions equaling 12.5 percent of the ADFA HOME awards. These contributions are called "match," and they must be a permanent contribution from non-Federal public and private sources, such as local and state government, charitable organizations/foundations, and private sector lenders.

Monitors should review the Recipient's system for tracking match, its ability to meet the match requirement and the eligibility of the match the Recipient "counts" as its contribution. HOME funds expended for program administration, CHDO operating expenses, CHDO capacity-building, and forgiven CHDO pre-development loans forgiven are not required to be matched.

Match Notice

Further guidance is available through HUD Notice CPD 97-03
www.hud.gov/offices/cpd/lawsregs/notices/1997/97-03.pdf

Recipients should have a system that tracks match obligations and match contributions to ensure the match requirement is being managed and will be met for each award. Recipients should keep a match log that demonstrates the source and date a source was credited toward HOME-assisted or HOME match-eligible housing units.

Monitors confirm that a match log is in use and shows all sources counted as HOME match, is currently up-to-date, and the files indicate back up documentation for match sources.

For each match contribution claimed, Monitors verify that the file contains evidence that cash and non-cash forms of match are eligible. For non-cash contributions, Recipients should document the value of the contribution and the process for determining value, in accordance with the HOME regulations and with customary and reasonable means of establishing value.













Chapter 3: Monitoring Administrative and Financial Requirements

The match contribution must be a permanent contribution to the HOME or another affordable housing project.

When reviewing match contributions to a HOME-assisted or HOME Match-Eligible Housing project, note that only certain match sources are eligible and a HOME written agreement must be executed with the owner of the project. Monitors confirm the eligibility of the sources for either type of housing project by reviewing the HOME written agreement, the match log and the back up documentation for each project.

E. Program Income, Repayments, and Recaptured Funds [24 CFR 85.20; 92.502(c)(2); 92.504(c)(2)(iii); 92.505(a); 92.508(a)(5)(iii)]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program files.

Checklist Questions & Key Documents		
<p>27. Are revenue-generating activities being undertaken?</p> <ul style="list-style-type: none">  <i>Program procedures.</i>  <i>Written agreements.</i>  <i>Cash receipts journal.</i>  <i>IDIS reports PR27, PR05 and PR09.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>28. Are Recipients accurately receipting and reporting program income received to ADFA? [24 CFR 92.504(c)(2)]</p> <ul style="list-style-type: none">  <i>IDIS reports PR05 and PR09.</i>  <i>Recipient reports to ADFA.</i>  <i>Recipient's financial records.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>29. Does the program income information in the Recipient's official accounting records for the period covered by the most recently completed performance report match the information in IDIS? [24 CFR 85.20(b)(1) and 24 CFR 92.505(a)]</p> <ul style="list-style-type: none">  <i>IDIS program income reports PR05 and PR09.</i>  <i>Recipient's financial records</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>30. Do all written agreements direct repayment and recaptured funds to ADFA?</p> <ul style="list-style-type: none">  <i>Review of repayment/recapture related provisions in Written Agreements</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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There are different types of funds that Recipients may possess when using HOME funds including program income and recaptured and repayment funds.

- Program income is the gross income received by Recipients directly generated from the use of HOME funds or matching contributions. Program income includes, but is not limited to:
 - Proceeds from the sale or long-term lease of real property acquired, rehabilitated, or constructed with HOME funds or matching contributions;
 - Income (minus the costs incidental to generating that income) from the use or rental of real property that was acquired, rehabilitated, or constructed with HOME funds or matching contributions and is owned by Recipients who are governmental entities;
 - Payments of principal and interest on loans made with HOME or matching funds, and proceeds from the sale of loans or obligations secured by loans made with HOME or matching contributions;
 - Interest on program income; and
 - Any other interest or return on the investment of HOME and matching funds.
- Recaptured funds are any amount of HOME funds recaptured as a result of a homebuyer property that is sold within the affordability period. These funds should be directed to ADFA and cannot be retained by the Recipient. ADFA must then use the recaptured funds for HOME projects in accordance with all HOME rules.
- Repayments are funds returned for housing that didn't meet the affordability requirements or for funds invested in a project that was terminated prior to completion. Repayments are paid back to ADFA and cannot be retained by the Recipient. ADFA must then re-pay whichever HOME account they were drawn from (i.e., the local HOME Investment Trust Fund or the Treasury HOME Investment Trust Fund). See CPD Notice 97-09 for more information.

Program Income Notice

Further guidance is available through HUD Notice CPD 97-09
www.hud.gov/offices/cpd/lawsregs/notices/1997/97-09.pdf

Monitors must ensure that if program income, recapture funds, or repayments may be generated from the use of HOME funds, procedures are in place to account for the receipt and use of program income. Written agreements with Recipients must specify that program income is to be returned to ADFA.

On a program-wide basis, monitoring staff should:

- Ensure that written agreements with Recipient and consortium members specify that program income will be returned to ADFA.
 - CHDOs are not allowed to retain and use project proceeds and the monitor should ensure that the written agreement details this ADFA-specific rule.
- Ensure that written agreements with Recipients specify that any amount of funds recaptured as a result of a homebuyer property being sold within the affordability period must be returned to ADFA.



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Monitors can use IDIS “Drawdown Voucher Summary Report” (PR05) and the “Program Income Audit Trail” (PR09) to compare against Recipient accounting records and confirm that Program Income funds were returned to ADFA. The “Drawdown Voucher Summary Report” identifies the date, amount, type of funds, and other information about all of ADFA’s vouchers. The “Program Income Audit Trail” displays an audit trail of program income receipts.

F. Procurement [24 CFR 85.36; 92.505(a)]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program files.

Checklist Questions & Key Documents		
31. Does the Recipient comply with ADFA requirements for procurement? <i>Procedures for procurement and subcontracting.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
32. Does the Recipient receive at least three or more responsible bids for each procurement transaction? <i>Review of procurement files for bids.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
33. If the Recipient does not receive at least three or more responsible bids for each procurement transaction, is this a systemic failure? That is, does the Recipient’s system consistently fail to work properly? <i>Review of procurement files for bids.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
34. If the Recipient does not receive at least three or more responsible bids for each procurement transaction, is this an isolated failure in some cases? <i>Review of procurement files for bids.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
35. Are contracts awarded to the lowest responsive and responsible bidders? [24 CFR 85.36(d)(2)(ii)(D) and 24 CFR 92.505(a)] <i>Review of procurement files for bid review and awards.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
36. Does the Recipient have a written code of conduct governing employees, officers or agents engaged in the award and administration of contracts supported by ADFA HOME funds? [24 CFR 85.36(b)(3) and 24 CFR 92.505(a)] <i>Written code of conduct (i.e., conflict of interest procedures).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
37. Does the Recipient have procedures to outreach to minority/women business enterprises? <i>Procurement procedures and/or outreach materials.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
38. Does the Recipient have small purchase procurement	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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procedures in place?  <i>Procurement procedures.</i>		
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Federal and ADFA procurement rules apply to how purchases, such as the services of a contractor, are made. These requirements are generally designed to ensure a fair selection process. Solicitations for goods and services provide for all of the following:


- A clear and accurate description of the technical requirements for the material, product or service to be procured. In competitive procurements, such a description shall not contain features which unduly restrict competition.
- Requirements which the bidder/offeror must fulfill and all other factors to be used in evaluating bids or proposals.
- A description, whenever practicable, of technical requirements in terms of functions to be performed or performance required, including the range of acceptable characteristics or minimum acceptable standards.
- The specific features of "brand name or equal" descriptions that bidders are required to meet when such items are included in the solicitation.
- The acceptance, to the extent practicable and economically feasible, of products and services dimensioned in the metric system of measurement.
- Preference, to the extent practicable and economically feasible, for products and services that conserve natural resources and protect the environment and are energy efficient.

Monitors verify that the program/project files provide evidence that ADFA procurement regulations were followed. Some of these documents would include the adopted procurement procedures, the bid package, bid responses by contractors, analysis of bids through a worksheet or other documentation, and an announcement and/or written agreement with the winning bid.

ADFA also has as part of its procedures and a requirement of Recipients that positive efforts should be made to market to and utilize minority- and woman-owned firms, whenever possible. To that end, monitors verify the completion of the Minority & Women Business Enterprises Plan.

G. Conflict of Interest

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program files.

Checklist Questions & Key Documents		
39. Does the Recipient comply with ADFA Conflict of Interest requirements  <i>Procedures for procurement and subcontracting.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Recipients must comply with the applicable Federal conflict of interest requirements (Part 85 for government entities or Part 84 for nonprofit Recipients). The HOME Program conflict of interest



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requirements cover government and nonprofit Recipient staff working in the program as well as Recipients in the role of owners, developers and sponsors. Recipients are required to maintain written standards governing the performance of their employees engaged in awarding and administering contracts.






A conflict would arise when any of the following has a financial or other interest in a firm selected for award:

- An employee, agent or officer of ADFA or a Recipient;
- Any member of an employee’s, agent’s or officer’s immediate family;
- An employee’s, agent’s or officer’s partner; or
- An organization that employs or is about to employ an employee, agent or officer of ADFA or a Recipient

Monitors verify that conflict of interest policies are in place, meet the applicable Federal and State requirements, and are used by ADFA and Recipients. Monitors look for any evidence of a disclosure memo or note to the file if conflict of interest may be an issue. Monitors also keep their eyes open for other items that may appear to be a conflict of interest such as similar last names of staff showing up as beneficiaries or contractors often used. Finally, monitors verify that written agreements with Recipients include the relevant conflict of interest requirements.

H. Record Keeping [24 CFR 92.508]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program files.

Checklist Questions & Key Documents		
40. Does the Recipient maintain records to demonstrate compliance with HOME requirements? [24 CFR 92.508]  <i>Record keeping system.</i>  <i>Program and project records.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
41. Are records retained for the time periods specified in the HOME final rule? [24 CFR 92.508(c)]  <i>Record keeping system.</i>  <i>Program and project records.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
42. Does the Recipient have a policy to provide citizens with access to records?  <i>Record keeping system, specifically on public access to records.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Recipients must establish and maintain complete written records to document compliance with the HOME Program. Consequently, ADFA has established documentation and record keeping requirements that apply to all Recipients receiving HOME funds. This system includes the list of



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records to keep, how the records are kept (electronic and/or hard copy), the location of files (i.e., central files), and the record retention period. ADFA articulates record keeping requirements in written agreements with third parties.

Monitors verify that Recipients have a record keeping system in place and it is being followed by staff. A thorough record keeping system includes consistently organized and complete files that contain all information needed to determine whether the HOME Program requirements have been met.

All records pertaining to each fiscal year of HOME funds must be retained for the most recent five-year period or as noted in the exceptions under 24 CFR 92.508(c). At a minimum, the following records must be maintained by the Recipient to remain in compliance with the HOME regulations. Monitors verify that the following documents are in the file:

- **Project Records** (see activity chapters).
- **Financial Records** (see Section 2 of this chapter).
- **Program Administration Records.** These program administration records must be maintained:
 - Compliance with written agreements;
 - Compliance with applicable uniform administrative requirements; and
 - Inspections, audits, and resolution of any findings or concerns.
- **Other Federal Requirement Records.** (See activity chapters).

Record retention is primarily five years. Some records must be kept for this minimum period or for five years after the period of affordability. Specific record retention requirements include:

- **Rental.** General records must be kept for five years after project completion, and tenant income eligibility certification, rent and inspection information must be kept after the documentation has been created for a period of five years.
- **Homeownership.** Homeownership records must be kept for five years after project completion, and for resale/recapture records, for the full period of affordability plus five years.
- **TBRA.** TBRA records must be kept for five years after rental assistance ends.
- **Written Agreements.** Generally, all written agreements must be maintained for five years after the agreement ends.
- **Displacement and Acquisition.** Displacement and acquisition records must be kept for five years after final payment to those displaced.

Monitors review the Recipient's record keeping system and policies to ensure that all records will be retained for the required period. This review will include an examination of provisions to ensure that the majority of records, particularly project financing and development documentation, are retained for five years after the rental or homeownership affordability period ends. Some records such as income eligibility must be retained for a total of five years rather than after the period of affordability. Specific records pertaining to each activity are discussed in detail in the activity chapters.



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Recipients must also provide citizens and other interested parties with reasonable access to records, consistent with applicable state and local privacy and confidentiality laws. HUD, including Inspector General representatives, have the right to access any records related the use of HOME funds of any Recipient or contractor for auditing, excerpt, or transcript purposes.

Monitors verify whether citizens, public agencies and other interested parties have reasonable access to records, consistent with applicable state and local laws regarding privacy and obligations of confidentiality.



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Section 2. Monitoring Administrative and Financial Requirements

This section is designed to assess compliance with the uniform administrative and financial management requirements of ADFA’s HOME Program. It is divided into the following sections: financial management system and internal controls; cash management system; salaries and wages; indirect costs; OMB A-133 audits; and purchase of equipment.

A. Financial Management and Internal Controls [24 CFR 85.20, 24 CFR 92.504(a)]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program staff files.

Checklist Questions & Key Documents		
<p>43. Does the Recipient record an obligation when contracts are executed, purchase orders issued, etc.? NOTE: If obligations are not recorded, the Recipient should maintain information on obligations that is readily accessible. [24 CFR 85.20(b)(2) and 24 CFR 92.505(a)]</p> <p> <i>Written agreements.</i></p> <p> <i>Grants management system for tracking commitments.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>44. Based upon a selected or random sample, are expenditures supported by invoices, contracts, or purchase orders, etc.? [24 CFR 85.20(b)(6) and 24 CFR 92.505(a)]</p> <p> <i>Written agreements.</i></p> <p> <i>Chart of accounts.</i></p> <p> <i>Financial records such as invoices and purchase orders.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>45. Does the financial information (e.g., draw downs, unexpended balances) recorded in ADFA’s financial management systems match the official accounting records of the Recipient for the period covered by the last required performance report? [24 CFR 85.20(b)(1) and 24 CFR 92.505(a)]</p> <p> <i>IDIS records and reports.</i></p> <p> <i>Financial records (e.g., Chart of accounts).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>46. Are the Recipients’ financial management systems kept in accordance with 24 CFR 85.20(b) or 24 CFR 84.21(b)(3), as applicable?</p> <p> <i>Procedures for reviewing financial systems.</i></p> <p> <i>Notes or report from monitoring visit to Recipient.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>47. Has the Recipient established qualifications for the persons who maintain the financial management systems?</p> <p> <i>Procedures/job description listing qualifications for managing Recipient's financial systems.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>48. If applicable, were OMB Circular A-133 Single Audits completed? [24 CFR 92.505]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>49. Does the Recipient identify and track HOME property and assets in compliance with property records required by 24 CFR 85.32(d)(1) or 24 CFR 84.34(f)? [24 CFR 92.505(b)]</p> <p> <i>Property and asset management procedures and records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>50. Does Recipient have procedures to ensure adequate safeguards for preventing loss, damage or theft of Recipient-held property? [24 CFR 85.32(d)(3) or 24 CFR 84.34(f)(4); 24 CFR 92.505(a) and (b)]</p> <p> <i>Procedures/safeguards for preventing loss, damage or theft of property?</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

General Uniform Administrative Requirements [24 CFR 84 or 85; A-87 or A-122; and A-133]

Recipients are subject to applicable Uniform Administrative Requirements as described in §92.505.

- *Governmental entities* (including public agencies) are required to comply with the following Uniform Administrative Requirements:
 - Certain provisions of 24 CFR Part 85 “Uniform Administrative Requirements for Grants and Cooperative Agreements with State and Local Governments;”
 - OMB Circular A-87 “Cost Principles for State, Local and Indian Tribal Governments;” and
 - OMB Circular A-133 “Audits of States, Local Governments and Non-Profit Organizations.”
- *Nonprofit Recipients* are required to comply with the following Uniform Administrative Requirements:
 - Specific provisions of OMB Circular A-110, as implemented at 24 CFR Part 84 “Uniform Administrative Requirements for Grants and Agreements with Institutions of Higher Education, Hospitals and Other Non-Profit Organizations;”
 - OMB Circular A-122 “Cost Principles for Non-profit Organizations;” and
 - OMB Circular A-133 “Audits of States, Local Governments and Non-Profit Organizations.”
- *CHDOs acting as an owner, developer, or sponsor of HOME-assisted housing*, are required to comply with the requirements at 24 CFR 84.21, “Standards for Financial Management Systems.”



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Monitors confirm that Recipients are meeting the proper uniform and administrative requirements. This starts with ensuring that qualified individuals are managing the Recipient's financial systems. Qualified staff (or a contractor) should have an accounting or finance background, specifically in the applicable HUD and OMB requirements listed above.

Cost Principles [24 CFR A-87 or A-122]

The following are universal administrative requirements for the three basic cost principles: reasonableness, allowability, and allocability:

- **Cost Reasonableness.** In determining the reasonableness of a cost, consideration must be given to:
 - Whether the cost is of the type generally recognized as ordinary and necessary for the operation of the organization for the performance of the award;
 - The restraints or requirements imposed by such factors as: generally accepted sound business practices; arms length bargaining; Federal and state laws and regulations; and terms and conditions of the award;
 - Market prices for comparable goods or services, which is generally through the procurement requirements in 24 CFR 84 or 85. If procurement is not required, it can be accomplished by doing an independent cost analysis;
 - Whether the individuals concerned acted with prudence in the circumstances, considering their responsibilities to the organization, its members, employees and clients, the public at large and the government; and
 - Significant deviations from the established practices of the organization that may unjustifiably increase the award costs.
- **Cost Allowability.** To be allowable under HOME (and other Federal programs), costs must meet the following general criteria:
 - Be necessary and reasonable for proper and efficient performance and administration of the Federal award (see above);
 - Be allocable to the Federal award under the provisions of the OMB circulars (see below);
 - Be authorized or not prohibited under state or local laws or regulations;
 - Conform to any limitations or exclusions set forth in the OMB circulars, Federal laws, terms and conditions of the Federal award, or other governing regulations as to types or amounts of cost items;
 - Be consistent with policies, regulations, and procedures that apply uniformly to both Federal awards and other activities of the governmental unit;
 - Be accorded consistent treatment;
 - Be determined in accordance with generally accepted accounting principles;
 - Not be included as a cost or used to meet cost sharing or matching requirements of any other Federal award in either the current or a prior period, except as specifically provided by Federal law or regulation;



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- Be the net of applicable credits (that is, any credits such as discounts or price adjustments must be deducted from the total costs charged); and
- Be adequately documented.
- **Cost Allocation.** Costs charged to HOME must also be allocable to the HOME Program. A cost is allocable if it:
 - Is treated consistently with other costs incurred for the same purpose in like circumstances (i.e., ADFA/Recipients must treat costs consistently for all grant programs); and
 - Is incurred specifically for the HOME Program;
 - Benefits both the HOME Program and other work and can be distributed in reasonable proportion to the benefits received; or

Monitors verify that Recipients have effective control over and accountability for all funds, property, and other assets. Monitors confirm the source and application of funds for Federally-sponsored activities, including records and reports by verifying:

- “Reasonableness, allowability and allocability” of costs;
- Funds have not been used in violation of any of the restrictions or prohibitions that apply to the Federal assistance (through regulatory knowledge, the use of budget controls and adequate accounting records); and
- Accurate, complete and timely disclosure of financial results in accordance with HUD reporting requirements or, for Recipients, Recipient reporting requirements;

The Recipient’s qualified financial analyst should review the A-133 audits and ensure they are meeting all requirements as outlined in 24 CDR 92.505 or addressing any identified deficiencies.

When applicable, monitors confirm that documentation in form of timesheets and timekeeping system procedures is available for employees who are charging time to project related soft-cots to keep their time charged to separate accounts while working on HOME and non-HOME projects.

Recipients may acquire or purchase assets with HOME dollars. If they do, monitors confirm that the procedures are in place to track such assets in compliance and documenting property records as required by 24 CFR 85.32(d)(1) or 24 CFR 84.34(f). Monitors also verify that Recipient has implemented proper safeguards for preventing loss, damage or theft of property. Specifically, monitors confirm that Recipients are following their written procedures for property will be tracked.

B. Cash Management System [24 CFR 92.502(c)(2)]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program staff files.



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Checklist Questions & Key Documents		
51. Is the Recipient's cash management system adequate? [24 CFR 92.502(c)(2)] Draw records compared to local/state accounting records Policies, procedures and cash management systems.	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Requirements concerning cash management include the following:

- Recipient must include accurate information in drawdown requests; and
- Funds drawn down erroneously must be returned.

To ensure cash management standards are met, monitors should confirm the following regarding the Recipient's cash management system:

- Internal control policies and procedures include clear lines of responsibility for personnel involved in financial transactions;
- Procedures compare and control expenditures against approved budgets for HOME funded activities;
- Controls ensure amounts budgeted are for eligible activities;
- Accounting records have the appropriate documents (e.g., cash receipt journal, chart of accounts, etc.);
- Accounting records support timing and eligibility of charges to the HOME Program;
- Source documentation for accounting records include backup information that substantiates timing and eligibility of charges to the HOME Program; and
- Accounting records are up-to-date and drawdowns include the appropriate back up information.




C. Internal Controls [24 CFR 85.20; 92.508(a)(5)]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program staff files.

Checklist Questions & Key Documents		
52. For Recipients that were managing multiple ADFA awards, do financial records identify the source and application of funds for each fiscal year? [24 CFR 92.508(a)(5)(i)] Chart of accounts.	<input type="checkbox"/> Yes	<input type="checkbox"/> No
53. Does the Recipient maintain records regarding accounts used to manage ADFA awards, including deposits, disbursements, balances, and supporting documentation? [24 CFR 92.508(a)(5)(ii)] Cash receipts journal.	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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 <i>Cash disbursements journal.</i>		
<p>54. Does the Recipient maintain records that demonstrate adequate budget controls in compliance with 24 CFR 85.20, including evidence of periodic account reconciliation? [24 CFR 92.508(a)(5)(iv)]</p>  <i>General ledger.</i>  <i>Accounting records compared to drawdown requests.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Recipients must have procedures in place to compare and control expenditures against approved budgets for HOME-funded activities. Recipients must ensure the following:

- Maintain in its accounting records (see below) the amounts budgeted for eligible activities;
- Periodically compare actual obligations and expenditures to date against planned obligations and expenditures, and against projected accomplishments for such outlays; and
- Report deviations from budget and program plans, and request approval for budget and program plan revisions.

Recipients are required to have accounting records that sufficiently identify the source and application of HOME funds provided to them. To meet this requirement, an organization's accounting system should include at least the following elements:

- **Chart of Accounts.** This is a list of account names and the numbers assigned to each of the account names.
- **Cash Receipts Journal.** A cash receipts journal documents, in chronological order, when funds were received, in what amounts and from what sources.
- **Cash Disbursements Journal.** A cash disbursements journal documents, in chronological order, when an expense was incurred, for what purpose, how much was paid, and to whom it was paid.
- **Payroll Journal.** A payroll journal documents payroll and payroll related benefits, including distinguishing between categories for regulatory purposes. All journal entries must be properly approved and supported.
- **General Ledger.** A general ledger summarizes, in chronological order, the activity and financial status of all the accounts of an organization. Information is transferred to the general ledger after it is entered into the appropriate journal. Entries transferred to the general ledger should be cross-referenced to the applicable journal to permit the tracing of any financial transaction.
- Accounting records must be supported by source documentation that shows that costs charged against HOME were:
 - Incurred during the effective period of the agreement with HUD or, for Recipients, with the Recipient;
 - Actually paid out (or properly accrued);



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- Expended on eligible items; and
- Approved by the appropriate official(s) within the organization.
- Source documentation must explain the basis of the costs incurred and the actual dates of the expenditure. For example:
 - Source documentation for payroll would include the selection process, employment letters, and authorizations for rates of pay and benefits, along with time and attendance records.
 - Source documentation on supplies would include the original procurement or basis for purchase, purchase orders or purchase requisition forms, invoices from vendors, canceled checks made to vendors, information on where the supplies are stored and the purpose for which they are being used.

Recipients must ensure that their accounting records include reliable, up-to-date information on the sources and uses of HOME funds, including: the amount of ADFA funds received; current authorization of funds; obligations of funds; unobligated balances; assets and liabilities; program income; and actual expenditures broken down by the award program and year for which the funds are derived and the activity on which the funds were used.

Monitors confirm that an internal control system is in place for the Recipient accounting system to ensure documentation demonstrates that funds are separated and reconciled for each program administered. Monitors also verify that records in IDIS and drawdown requests match local accounting records.

D. Salaries and Wages [OMB Circular A-87; 24 CFR 92.207; 92.505(a)]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program staff files.

Checklist Questions & Key Documents			
<p>55. Are direct salaries and wages of employees charged to <i>one</i> grant program or cost objective based on payrolls documented in accordance with the generally accepted practice of the Recipient and approved by a responsible official? [OMB Circular A-87, Attachment B, section 8(h)(3) and 24 CFR 92.505(a)]</p> <p> <i>Program budget.</i></p> <p> <i>Job descriptions.</i></p> <p> <i>Accounting procedures.</i></p> <p> <i>Payroll records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A



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<p>56. For employees working on <u>multiple</u> programs or cost objectives whose time is being charged on a direct basis, are their salaries and wages supported by time distribution records? [OMB Circular A-87, Attachment B, section 8.h. (4) and (5), 24 CFR 92.207(a)(1), and 24 CFR 92.505(a)]</p> <p> <i>Time keeping records (timesheets, etc.).</i></p> <p> <i>Payroll records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A
<p>57. Does a review of planning and administrative costs subject to the 10 percent limitation indicate that they have been properly classified? [24 CFR 92.207]</p> <p> <i>Accounting records and back-up documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	

Monitors confirm that only eligible program administrative costs have been charged to the HOME Program. Although this is often monitored by the finance or accounting staff, HOME Program monitors perform periodic self-monitoring spot checks and as such must be aware of the eligibility requirements.

Additionally when administrative funds are provided to a Recipient, monitors verify that no more than 10 percent of the awarded amount is spent on administrative and planning costs. To do this, monitors examine:

- Drawdown reports and status reports from IDIS;
- Accounting records such as cash disbursements journal, invoices and other back-up documentation; and
- Time and expense reports for staff being charged to the HOME Program.

Monitors should note in the program file which option (either the entire salary or the pro rata share) Recipients have chosen for determining the amount of staff costs to charge to HOME Program Administration. The files should contain:

- An indication of which option was adopted;
- Copies of budgets that show salary allocations for staff from HOME funds;
- Job descriptions of positions paid for by the HOME Program to show their duties are directly related to HOME activities; and
- Copies of timesheets supporting the option chosen.

In addition to staff salaries and related costs, other eligible planning and administrative costs include:

- Supplying goods and services necessary for administration (e.g., utilities, office supplies, etc.);
- Providing administrative services under third party agreements (e.g., legal services);
- Administering a tenant-based rental assistance (TBRA) program;
- Providing public information;








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- Implementing fair housing activities;
- Utilizing indirect costs either under a cost allocation plan prepared in accordance with applicable Office of Management and Budget (OMB) Circular requirements or with an Indirect Cost Rate approved by the cognizant agency; and
- Complying with other Federal requirements.

E. Indirect Costs [OMB Circular A-87; 24 CFR 85.22; 92.207(a)(1); 92.505(a)]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program staff files.

Checklist Questions & Key Documents		
<p>58. If indirect costs are charged to the program, have Cost Allocation Plans and/or an Indirect Cost Rate proposal been developed in accordance with OMB Circular A-87, Attachments C and E? [24 CFR 92.505(a)]</p> <p> <i>Cost allocation plan and/or indirect cost rate approved by cognizant agency.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>59. Do the following items of cost reveal any obvious instances where these expenditures were not necessary and reasonable for proper and efficient administration of the program: salaries and related costs? Administrative service contracts (e.g., legal, account, audit, consulting)? Travel expenditures? (NOTE: If problems are found in answering the questions “a” through “c” below, describe “Basis for Conclusion” section whether any problems are isolated or systemic.) [OMB Circular A-87, Attachment B, 24 CFR 85.22 and 24 CFR 92.505(a)]</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>60. If the review of salaries and related costs, administrative service contracts and travel expenditures reveal any obvious instances where expenditures were not necessary and reasonable for proper and efficient administration of the program, are these isolated issues?</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>61. If the review of administrative service contracts and travel expenditures reveal any obvious instances where these expenditures were not necessary and reasonable for proper and efficient administration of the program, are these systemic issues?</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>62. Does a review of program expenditures reveal the existence of any unallowable costs as itemized in OMB Circular A-87, Attachment B for: entertainment? Contributions and donations? Fines and penalties? General governmental expenditures including salary and expenses of the chief executive officer of the Recipient? (NOTE: If problems are found in answering the questions “a” through “d” below, include in the “Describe Basis for Conclusion” section, whether any problems are isolated or systemic.) [24 CFR 85.22 and 24 CFR 92.505(a)]</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>63. If a review of entertainment, contributions and donations, fines and penalties, and general governmental expenditures including salary and expenses of the chief executive officer of the Recipient reveal the existence of any unallowable costs, are these isolated issues?</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>64. If a review of entertainment, contributions and donations, fines and penalties, and general governmental expenditures including salary and expenses of the chief executive officer of the Recipient reveal the existence of any unallowable costs, are these systemic issues?</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

In accordance with OMB Circulars A-87 and A-122, the composition of direct and indirect costs must be clear.

- **Direct Costs.** Costs that are specifically identified with a particular cost objective (e.g., a specific HOME Program or activity). Direct costs are assigned to the specific activity for which they were incurred.



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- **Indirect Costs.** Costs that are incurred for a common or joint purpose benefiting more than one cost objective (program or activity) and that are not readily assignable to the cost objectives that benefit from the expenditure. Some examples of indirect costs may be administrative and accounting salaries, and facility maintenance.

OMB Circular A-87 requires that governmental entities support indirect costs with a cost allocation plan or an indirect cost rate proposal prepared in accordance with the circular (and approved by the cognizant agency). Indirect costs should be allocated in a manner that will result in the grant program bearing its fair share of total indirect costs.

Simplified cost allocation method:

- Used when the local government's major functions benefit from its indirect costs to approximately the same degree.
- Calculated by separating the local government's total costs for the base period (e.g., fiscal year) as either direct or indirect, and dividing the total allowable indirect costs by an equitable distribution base (total direct costs, direct salaries or other equitable distribution base).

Multiple allocation base method:

- Used when the local government's major functions benefit from indirect costs in varying degrees.
- Calculated by separating costs into distinct groupings. Each grouping is allocated to benefiting functions by means of a base which best measures relative benefits. An indirect cost rate must be developed for each grouping.
- Indirect cost proposals must be completed within six months after the close of the local government's fiscal year, and must be accompanied by a prescribed certification.

Under OMB Circular A-122, there are three methods nonprofits are required to utilize for allocating indirect costs. Each method is applicable to certain specific circumstances.

- **Simplified Cost Allocation Method:**
 - Used when a nonprofit organization has only one major function, or where all its major functions benefit from its indirect costs to approximately the same degree.
 - The indirect cost rate is calculated by separating the organization's total costs for the base period (e.g., fiscal year) as either direct or indirect, and dividing the total allowable indirect costs by an equitable distribution base (total direct costs, direct salaries or other equitable distribution base).
- **Multiple Allocation Base Method:**
 - Used when major functions benefit in varying degrees from indirect costs.
 - Costs are separated into distinct groupings, and each grouping is then allocated to benefiting functions by means of a base which best measures relative benefits. An indirect cost rate must be developed for each grouping.



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➤ **Direct Allocation Method:**



- This method may be used for those nonprofits that treat all costs as direct costs except general administration and general expenses.
- These joint costs are prorated individually as direct costs to cost objectives using a base most appropriate to the particular cost being prorated. The base must be established in accordance with reasonable criteria and must be supported by current data.

ADFA requires that an indirect cost plan, determined through one of the three prescribed methods above for nonprofits or two methods prescribed methods for local governments, must be submitted to and approved by the Federal agency that provides the largest dollar value of funds to the nonprofit/local government. ADFA requires that the nonprofit/local government execute a written agreement with the approving Federal agency signifying the approval of the proposed indirect cost rate.

If indirect costs are being paid for by ADFA HOME funds, Monitors verify that that one of the methods described above was used to develop a cost allocation plan and/or indirect cost rate proposal.


F. OMB A-133 Audits [OMB Circular A-133; 24 CFR 92.506]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program staff files.

Checklist Questions & Key Documents		
<p>65. Did the Recipient ensure that audits were conducted and met all of the following parameters: at the proper time? by independent, qualified personnel? in a manner which meets the Comptroller General’s audit standards? [OMB Circular A-133: §400(d)(4); §320(a); §305; and §500; and 24 CFR 92.506]</p> <p> <i>Audit report including a review of the period covered, the date the audit was completed, who conducted the audit and whether it meets the standards).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>66. Does the most recent audit report include an opinion (or disclaimer of opinion) as to whether the financial statements of the Recipient were presented fairly in all material respects in conformity with generally accepted accounting principles? [OMB Circular A-133, §505(a) and 24 CFR 92.506]</p> <p> <i>Audit report, particularly the auditor’s opinion.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>67. Does the Recipient’s audit report include an opinion (or disclaimer of opinion) as to whether the financial statements of the Recipient were presented fairly in all material respects in conformity with generally accepted accounting principles and an opinion (or disclaimer of opinion) as to whether the</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>schedule of Federal awards was presented fairly in all material respects in relation to the Recipient's financial statements taken as a whole? [OMB Circular A-133, §400(d)(4) and §500(b) and 24 CFR 92.506]</p>		
<p> <i>Audit report, particularly the auditor's opinion.</i></p>		

Governmental entities and CHDOs who are ADFA HOME fund Recipients are required to follow the audit requirements in 24 CFR Part 44 (for states and local governments) or 24 CFR Part 45 (for nonprofits). 24 CFR Part 44 and Part 45 are HUD's implementing regulations for OMB Circular A-133.

The type of audit required is based upon the amount of Federal financial assistance received and expended by an organization in a given year. Governmental entities and CHDOs who are ADFA HOME fund Recipients that expend \$500,000 or more in Federal awards, directly or indirectly, in the organization's accounting year must have a single or program audit conducted for that year.

- A program audit is an audit of one Federal program (such as HOME). This would be appropriate if HOME is the only source of Federal funds an entity expended.
- A single audit is an audit that includes both an entity's financial statements and its Federal awards (from all applicable Federal programs).

Governmental entities and CHDOs who are ADFA HOME fund Recipients that expend less than \$500,000 an accounting year in Federal awards are exempt from the audit requirements for that year; however, records must be available for review or audit.

To confirm audit requirements are met, monitors review documentation of the following:

- Appropriate audits conducted for governmental entities and CHDOs receiving more than \$500,000 in Federal awards.
- Appropriate audits conducted in accordance with the applicable requirements in a timely manner.
- Appropriate documentation that audit findings and questioned costs were addressed appropriately.




G. Equipment [24 CFR 92.505(a)]

Monitors confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient and ADFA Program staff files.

Checklist Questions & Key Documents		
<p>68. Does the Recipient maintain equipment records which contain the information required per 24 CFR 85.32: [24 CFR 92.505(a)]</p> <p style="margin-left: 20px;">a. property description?</p> <p style="margin-left: 20px;">b. serial number or other identification number?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>c. funding source (grant number)? d. title holder? e. acquisition date and cost? f. percentage of Federal participation in acquisition cost? g. location, use, and condition of equipment? h. if applicable, disposition data, e.g., date of disposal and sales price?</p> <p> <i>Equipment records with each of the above items: description; serial number; funding source; title holder; acquisition date and cost; percentage of HOME funds spent on acquisition; location, use and condition; and disposition data.</i></p>			
<p>69. If the Recipient sold equipment purchased with HOME funds, were the proceeds from the sale receipted as program income and returned to ADFA? [24 CFR 92.505(a) and 24 CFR 85.32]</p> <p> <i>Cash receipts journal and other accounting records.</i></p> <p> <i>ADFA's IDIS record of receipt.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A

The discussion below is applicable to Recipients that are not owners, developers, and/or sponsors of affordable housing developments. They are specific to governmental entities and non-profits who are administering programs. For the purpose of Federal awards, equipment is defined as property with an individual working unit's acquisition or disposition cost of \$5,000 or more. In addition, the rules depend on the nature of the property and real property is treated differently from personal property.

- **Real Property**—land, including any improvements to structures located on the land, but excluding any movable machinery or equipment.
- **Personal Property**—any kind of property other than real property. Personal property can be tangible (such as supplies, furniture, and equipment), or intangible (such as copyrights, patents, and inventions).
 - Non-expendable personal property is generally considered to include tangible personal property having a useful life of more than one year and an acquisition cost of \$300 or more per unit; and
 - Expendable personal property includes all tangible personal property other than non-expendable personal property.

Property can only be acquired with HOME funds for a specific purpose. For Recipients, the purpose must be approved by ADFA and will be made a part of the Recipient agreement.

ADFA will conduct a physical inventory of all property at least every two years, with a reconciliation of the inventory results with the equipment records. When original or replacement



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equipment acquired with HOME funds is no longer needed for the original project or program, or for other activities currently or previously assisted with Federal funds, the following rules of disposition apply:

- Equipment with a current per-unit fair market value of less than \$5,000 may be retained, sold or otherwise disposed of by the Recipient, subject to the conditions below.
- Equipment with a current per-unit fair market value of \$5,000 or more may be retained or sold by the Recipient with the grantee having the right to compensation in an amount equal to multiplying the current fair market value or the proceeds from sale by the Federal share (percentage) in the original acquisition price of the equipment.
- ADFA may reserve the right to transfer title of the equipment to the Federal government or a third party (24 CFR 85.32(g)).

In all cases when equipment purchased with HOME funds is sold, the net proceeds are considered program income. Monitors will verify that if equipment is disposed, the funds received are receipted in IDIS and tracked in local accounting records as cash received.

For supplies that are purchased with HOME funds, if, upon completion or termination of a grant, there is a residual inventory of supplies exceeding \$5,000 in total aggregate fair market value, and if such supplies are not needed for any other Federally-sponsored programs or projects, ADFA must compensate HUD (or the Recipient must compensate ADFA) for the share of such supplies acquired with HOME funds.

To ensure property management and disposition occurs correctly, monitors will:

- Review files to ensure property was acquired for a specific purpose.
- Ensure that the use of that property for an approved purpose follows the OMB circular requirements.
- In the case of property disposition, ensure it is sold and/or disposed of following the OMB circular requirements.
- Check files to ensure accurate records were kept on the property.

Monitors also verify that accurate records are kept (e.g., purchase date, price, location, physical description, maintenance history and condition, original and current use, and other inventory types of data).



Section 3. Resources

- ADFA Checklist (Attachment 3-1)
- Provisions in Written Agreements (Attachment 3-2)



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**Attachment 3-1
Checklist**

Checklist Questions & Key Documents		
<p>1. Does the Recipient have written policies and procedures for administering its HOME activities? Do these policies and procedures comply with ADFA requirements?</p> <p> <i>Policies and procedures.</i></p> <p> <i>Review of project case files to ensure they are in compliance with HOME Requirements.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>2. How many new staff people has the Recipient hired within the past 12 months for HOME activities?</p> <p> <i>Notes from interviews with staff or discussions with key staff.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>3. Are current staff members knowledgeable of HOME and other related Federal Requirements?</p> <p> <i>Notes from interviews with staff or discussions with key staff.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>4. Does the Recipient produce a sufficient number of units this year to meet the approved application and plan outlined in the written agreement?</p> <p> <i>Review of production reports submitted to the ADFA</i></p> <p> <i>Review of written agreement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>5. Does the Recipient achieve client satisfaction?</p> <p> <i>Client survey(s) or other feedback mechanisms.</i></p> <p> <i>Notes from discussion with clients.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>6. Has the Recipient experienced any “findings” that were not resolved within the time period provided by ADFA?</p> <p> <i>Monitoring reports.</i></p> <p> <i>Correspondence between the ADFA program and monitoring staff and Recipient.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>7. Should the Recipient be considered for funding for next year?</p> <p> <i>Review of Monitoring reports.</i></p> <p> <i>Correspondence between the ADFA program and monitoring staff and Recipient.</i></p> <p> <i>Review of staff capacity.</i></p> <p> <i>Review of production reports.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>8. Based on drawdown requests submitted, was the Recipient meeting the expenditure timelines established by ADFA?</p> <p> <i>Review of drawdown requests</i></p> <p> <i>Review of local accounting records</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>9. Based on the HOME Open Activities Report, is the Recipient providing timely information to ADFA for timely entry into IDIS (e.g., beneficiary data required within 120 days of final draw)? [24 CFR 92.502(d)(1)]</p> <p> <i>Open Activities Report.</i></p> <p> <i>IDIS report PR22.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>10. Does the Recipient have a system for tracking the progress of projects from commitment to completion and occupancy?</p> <p> <i>Program procedures and/or tracking systems/tools.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>11. Does the Recipient review the progress of funded projects/contractors to ensure that funds are expended within the ADFA deadlines?</p> <p> <i>Program policies/procedures.</i></p> <p> <i>Progress reports.</i></p> <p> <i>Monitoring reports and correspondence.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>12. If projects/contractors are not making adequate progress, does the Recipient take action to correct the lack of progress (e.g., deobligating and reprogramming funds, providing technical assistance, etc.)? [24 CFR 92.504(a)]</p> <p> <i>Review of actions taken (correspondence, training or technical assistance.</i></p> <p> <i>If applicable, evidence of terminated written agreement(s) and/or repayments of HOME funds spent on activity that did not proceed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>13. Did the Recipient execute the standard ADFA templates for written agreements with HOME Recipients (e.g., homeowners, homebuyers, rental owners, and contractors) before disbursing funds? [24 CFR 92.504(b)]</p> <p> <i>Review of written agreements, particularly the effective dates.</i></p> <p> <i>IDIS and financial records, particularly for dates funds were disbursed and first drawn by project.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>14. Do the written agreements include all standard ADFA required</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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provisions? [24 CFR 92.504(c)] <i>Review of written agreements.</i>		
15. Are written agreements effective for the performance period (contractors) or affordability period (homebuyers and rental project owners)? [24 CFR 92.504(c)] <i>Review of written agreements, particularly the period of performance and affordability periods.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
16. If a project has changed in scope or financing, has an amendment to the written agreement been executed or the agreement has been amended? <i>Review of project files for evidence that scope of work or funding changed after written agreement executed.</i> <i>As applicable, review of written agreements for amendments.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
17. Are match contributions eligible (e.g. non-Federal contributions to eligible projects made in eligible form)? [24 CFR 92.219; 24 CFR 92.220(a) and (b)] <i>Review of match log and back-up documentation.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
18. If contributions are made to non-assisted units in housing that is partially HOME-assisted, are at least 50% of the units in the project HOME-assisted? [24 CFR 92.219(a)(3)] <i>Written agreements for projects being counted as match for number of HOME units.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
19. If contributions are made to the commercial space in mixed-use projects, is at least 51% of floor space residential and are at least 50% of the dwelling units HOME-assisted? [24 CFR 92.219(a)(4)] <i>Written agreement.</i> <i>Review of project file for documentation on commercial vs. residential space and the breakdown of HOME vs. non-HOME units.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
20. If contributions are made to housing that is not HOME-assisted, does the housing or tenant-based rental assistance (TBRA) meet the requirements for HOME match-eligible housing or TBRA? [24 CFR 92.219(b)] <i>Written agreements with property owner/manager that includes the relevant HOME requirements.</i> <i>File documentation that properties meet the relevant requirements.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>21. If contributions are made to housing that is not HOME-assisted, are the forms of match eligible for this type of housing (i.e., not infrastructure, waived fees or charges, supportive services, or homebuyer counseling)?</p> <p> <i>Match log and supporting documentation as to the form of match.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>22. Was the value of each matching contribution calculated properly? [24 CFR 92.220]</p> <p> <i>Match log and supporting documentation showing calculations.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>23. Were the match contributions credited at the time the contributions were made? [24 CFR 92.220]</p> <p> <i>Match log.</i></p> <p> <i>File documentation to support date of credit.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>24. Does the Recipient have a running match log indicating the type and amount of match contributions and the date credited? [24 CFR 92.508(a)(2)(ix)]</p> <p> <i>Match log.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>25. Do the match log and other records indicate that the Recipient has met its match requirement for the ADFA award reviewed? [24 CFR 92.218]</p> <p> <i>Match log.</i></p> <p> <i>Supporting documentation to demonstrate sources eligible, calculated and credited properly.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>26. Has the Recipient adequately documented the eligibility and value of match contributions? [24 CFR 92.219; 24 CFR 92.220; 24 CFR 92.221 and 24 CFR 508(a)(2)(ix)]</p> <p> <i>Match log.</i></p> <p> <i>Backup documentation to demonstrate sources eligible, calculated and credited properly..</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>27. Are revenue-generating activities being undertaken?</p> <p> <i>Program procedures.</i></p> <p> <i>Written agreements.</i></p> <p> <i>Cash receipts journal.</i></p> <p> <i>IDIS reports PR27, PR05 and PR09.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>28. Are Recipients accurately receipting and reporting program income received to ADFA? [24 CFR 92.504(c)(2)]</p> <p> IDIS reports PR05 and PR09.</p> <p> Recipient reports to ADFA.</p> <p> Recipient's financial records.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>29. Does the program income information in the Recipient's official accounting records for the period covered by the most recently completed performance report match the information in IDIS? [24 CFR 85.20(b)(1) and 24 CFR 92.505(a)]</p> <p> IDIS program income reports PR05 and PR09.</p> <p> Recipient's financial records</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>30. Do all written agreements direct repayment and recaptured funds to ADFA?</p> <p> Review of repayment/recapture related provisions in Written Agreements</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>31. Does the Recipient comply with ADFA requirements for procurement?</p> <p> Procedures for procurement and subcontracting.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>32. Does the Recipient receive at least three or more responsible bids for each procurement transaction?</p> <p> Review of procurement files for bids.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>33. If the Recipient does not receive at least three or more responsible bids for each procurement transaction, is this a systemic failure? That is, does the Recipient's system consistently fail to work properly?</p> <p> Review of procurement files for bids.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>34. If the Recipient does not receive at least three or more responsible bids for each procurement transaction, is this an isolated failure in some cases?</p> <p> Review of procurement files for bids.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>35. Are contracts awarded to the lowest responsive and responsible bidders? [24 CFR 85.36(d)(2)(ii)(D) and 24 CFR 92.505(a)]</p> <p> Review of procurement files for bid review and awards.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>36. Does the Recipient have a written code of conduct governing employees, officers or agents engaged in the award and administration of contracts supported by ADFA HOME funds?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>[24 CFR 85.36(b)(3) and 24 CFR 92.505(a)]</p> <p> <i>Written code of conduct (i.e., conflict of interest procedures).</i></p>		
<p>37. Does the Recipient have procedures to outreach to minority/women business enterprises?</p> <p> <i>Procurement procedures and/or outreach materials.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>38. Does the Recipient have small purchase procurement procedures in place?</p> <p> <i>Procurement procedures.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>39. Does the Recipient comply with ADFA Conflict of Interest requirements</p> <p> <i>Procedures for procurement and subcontracting.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>40. Does the Recipient maintain records to demonstrate compliance with HOME requirements? [24 CFR 92.508]</p> <p> <i>Record keeping system.</i></p> <p> <i>Program and project records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>41. Are records retained for the time periods specified in the HOME final rule? [24 CFR 92.508(c)]</p> <p> <i>Record keeping system.</i></p> <p> <i>Program and project records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>42. Does the Recipient have a policy to provide citizens with access to records?</p> <p> <i>Record keeping system, specifically on public access to records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>43. Does the Recipient record an obligation when contracts are executed, purchase orders issued, etc.? NOTE: If obligations are not recorded, the Recipient should maintain information on obligations that is readily accessible. [24 CFR 85.20(b)(2) and 24 CFR 92.505(a)]</p> <p> <i>Written agreements.</i></p> <p> <i>Grants management system for tracking commitments.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>44. Based upon a selected or random sample, are expenditures supported by invoices, contracts, or purchase orders, etc.? [24 CFR 85.20(b)(6) and 24 CFR 92.505(a)]</p> <p> <i>Written agreements.</i></p> <p> <i>Chart of accounts.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<i>Financial records such as invoices and purchase orders.</i>		
<p>45. Does the financial information (e.g., draw downs, unexpended balances) recorded in ADFA’s financial management systems match the official accounting records of the Recipient for the period covered by the last required performance report? [24 CFR 85.20(b)(1) and 24 CFR 92.505(a)]</p> <i>IDIS records and reports.</i> <i>Financial records (e.g., Chart of accounts).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>46. Are the Recipients’ financial management systems kept in accordance with 24 CFR 85.20(b) or 24 CFR 84.21(b)(3), as applicable?</p> <i>Procedures for reviewing financial systems.</i> <i>Notes or report from monitoring visit to Recipient.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>47. Has the Recipient established qualifications for the person who maintains the financial management systems?</p> <i>Procedures/job description listing qualifications for managing Recipient’s financial systems.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>48. If applicable, were OMB Circular A-133 Single Audits completed? [24 CFR 92.505]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>49. Does the Recipient identify and track HOME property and assets in compliance with property records required by 24 CFR 85.32(d)(1) or 24 CFR 84.34(f)? [24 CFR 92.505(b)]</p> <i>Property and asset management procedures and records.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>50. Does Recipient have procedures to ensure adequate safeguards for preventing loss, damage or theft of Recipient-held property? [24 CFR 85.32(d)(3) or 24 CFR 84.34(f)(4); 24 CFR 92.505(a) and (b)]</p> <i>Procedures/safeguards for preventing loss, damage or theft of property?</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>51. Is the Recipient’s cash management system adequate? [24 CFR 92.502(c)(2)]</p> <i>Draw records compared to local/state accounting records</i> <i>Policies, procedures and cash management systems.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>52. For Recipients that were managing multiple ADFA awards, do financial records identify the source and application of funds for each fiscal year? [24 CFR 92.508(a)(5)(i)]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<i>Chart of accounts.</i>		
<p>53. Does the Recipient maintain records regarding accounts used to manage ADFa awards, including deposits, disbursements, balances, and supporting documentation? [24 CFR 92.508(a)(5)(ii)]</p> <i>Cash receipts journal.</i> <i>Cash disbursements journal.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>54. Does the Recipient maintain records that demonstrate adequate budget controls in compliance with 24 CFR 85.20, including evidence of periodic account reconciliation? [24 CFR 92.508(a)(5)(iv)]</p> <i>General ledger.</i> <i>Accounting records compared to drawdown requests.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>55. Are direct salaries and wages of employees charged to <i>one</i> grant program or cost objective based on payrolls documented in accordance with the generally accepted practice of the Recipient and approved by a responsible official? [OMB Circular A-87, Attachment B, section 8(h)(3) and 24 CFR 92.505(a)]</p> <i>Program budget.</i> <i>Job descriptions.</i> <i>Accounting procedures.</i> <i>Payroll records.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> N/A
<p>56. For employees working on <u>multiple</u> programs or cost objectives whose time is being charged on a direct basis, are their salaries and wages supported by time distribution records? [OMB Circular A-87, Attachment B, section 8.h. (4) and (5), 24 CFR 92.207(a)(1), and 24 CFR 92.505(a)]</p> <i>Time keeping records (timesheets, etc.).</i> <i>Payroll records.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> N/A
<p>57. Does a review of planning and administrative costs subject to the 10 percent limitation indicate that they have been properly classified? [24 CFR 92.207]</p> <i>Accounting records and back-up documentation.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>58. If indirect costs are charged to the program, have Cost Allocation Plans and/or an Indirect Cost Rate proposal been developed in accordance with OMB Circular A-87, Attachments C and E? [24 CFR 92.505(a)]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<i>Cost allocation plan and/or indirect cost rate approved by cognizant agency.</i>		
<p>59. Do the following items of cost reveal any obvious instances where these expenditures were not necessary and reasonable for proper and efficient administration of the program: salaries and related costs? Administrative service contracts (e.g., legal, account, audit, consulting)? Travel expenditures? (NOTE: If problems are found in answering the questions “a” through “c” below, describe “Basis for Conclusion” section whether any problems are isolated or systemic.) [OMB Circular A-87, Attachment B, 24 CFR 85.22 and 24 CFR 92.505(a)]</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>60. If the review of salaries and related costs, administrative service contracts and travel expenditures reveal any obvious instances where expenditures were not necessary and reasonable for proper and efficient administration of the program, are these isolated issues systemic issues?</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>61. If the review of administrative service contracts and travel expenditures reveal any obvious instances where these expenditures were not necessary and reasonable for proper and efficient administration of the program, are these systemic issues?</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>62. Does a review of program expenditures reveal the existence of any unallowable costs as itemized in OMB Circular A-87, Attachment B for: entertainment? contributions and donations? fines and penalties? general governmental expenditures including salary and expenses of the chief executive officer of the Recipient? (NOTE: If problems are found in answering the questions “a” through “d” below, include in the “Describe Basis for Conclusion” section, whether any problems are isolated or systemic.) [24 CFR 85.22 and 24 CFR 92.505(a)]</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>63. If a review of entertainment, contributions and donations, fines and penalties, and general governmental expenditures</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No






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<p>including salary and expenses of the chief executive officer of the Recipient reveal the existence of any unallowable costs, are these isolated issues?</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>		
<p>64. If a review of entertainment, contributions and donations, fines and penalties, and general governmental expenditures including salary and expenses of the chief executive officer of the Recipient reveal the existence of any unallowable costs, are these systemic issues?</p> <p> <i>Program procedures.</i></p> <p> <i>Disbursement records.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>65. Did the Recipient ensure that audits were conducted and met all of the following parameters: at the proper time? by independent, qualified personnel? in a manner which meets the Comptroller General's audit standards? [OMB Circular A-133: §400(d)(4); §320(a); §305; and §500; and 24 CFR 92.506]</p> <p> <i>Audit report including a review of the period covered, the date the audit was completed, who conducted the audit and whether it meets the standards).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>66. Does the most recent audit report include an opinion (or disclaimer of opinion) as to whether the financial statements of the Recipient were presented fairly in all material respects in conformity with generally accepted accounting principles? [OMB Circular A-133, §505(a) and 24 CFR 92.506]</p> <p> <i>Audit report, particularly the auditor's opinion.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>67. Does the Recipient's audit report include an opinion (or disclaimer of opinion) as to whether the financial statements of the Recipient were presented fairly in all material respects in conformity with generally accepted accounting principles and an opinion (or disclaimer of opinion) as to whether the schedule of Federal awards was presented fairly in all material respects in relation to the Recipient's financial statements taken as a whole? [OMB Circular A-133, §400(d)(4) and §500(b) and 24 CFR 92.506]</p> <p> <i>Audit report, particularly the auditor's opinion.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>68. Does the Recipient maintain equipment records which contain the information required per 24 CFR 85.32: [24 CFR 92.505(a)]</p> <p>a. property description?</p> <p>b. serial number or other identification number?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>c. funding source (grant number)? d. title holder? e. acquisition date and cost? f. percentage of Federal participation in acquisition cost? g. location, use, and condition of equipment? h. if applicable, disposition data, e.g., date of disposal and sales price?</p> <p> <i>Equipment records with each of the above items: description; serial number; funding source; title holder; acquisition date and cost; percentage of HOME funds spent on acquisition; location, use and condition; and disposition data.</i></p>			
<p>69. If the Recipient sold equipment purchased with HOME funds, were the proceeds from the sale receipted as program income and returned to ADFA? [24 CFR 92.505(a) and 24 CFR 85.32]</p> <p> <i>Cash receipts journal and other accounting records.</i></p> <p> <i>ADFA's IDIS record of receipt.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A



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**Attachment 3-2
Provisions in Written Agreements**

Required Provisions (§92.504)	ADFA Agreement With...						
	Government Entities- Recipients	Nonprofits- Recipients	Project Owners, Sponsors, Developers	Contractors	Homebuyers	Homeowners	Tenants Receiving TBRA
Use of HOME Funds	✓	✓	✓	✓	✓	✓	+
Description of the Project	+ as applicable	+ as applicable	+	+ as applicable	+	NA	NA
Roles and Responsibilities	+	+	+	+	+	NA	NA
Performance Standards	+	+	+	+	NA	NA	NA
Affordability (§92.252 or §92.254)	✓ as applicable and convey to 3 rd parties	+ as applicable and convey to 3 rd parties	✓	Convey to 3 rd parties, as applicable	✓	NA	NA
Project Requirements (as applicable in Subpart F)	✓ as applicable and convey to 3 rd parties	+ as applicable and convey to 3 rd parties	✓	+ as applicable and convey to 3 rd parties	✓ §92.254(a) only	✓ §92.254(b) only	✓ §92.209 and §92.253 only



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Required Provisions (§92.504)	ADFA Agreement With...						
	Government Entities- Recipients	Nonprofits- Recipients	Project Owners, Sponsors, Developers	Contractors	Homebuyers	Homeowners	Tenants Receiving TBRA
Property Standards (§92.251 and §92.355)	+ Convey to 3 rd parties as applicable	+ Convey to 3 rd parties as applicable	✓	+ Convey to 3 rd parties as applicable	NA	✓	NA
Other Federal Requirements (Subpart H except §92.352 and §92.357)	✓	✓	✓	✓ except §92.505, §92.506, and §92.352	NA	NA	NA
Affirmative Marketing (§92.351)	✓	✓	✓	+ as applicable and convey to 3 rd parties	NA	NA	NA
Conflict of Interest	+	+	+	+	NA	NA	NA
Program Income	✓	✓	NA	NA	NA	NA	NA
Uniform Administrative Requirements (§92.505)	✓	✓	NA	NA	NA	NA	NA



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Required Provisions (§92.504)	ADFA Agreement With...						
	Government Entities- Recipients	Nonprofits- Recipients	Project Owners, Sponsors, Developers	Contractors	Homebuyers	Homeowners	Tenants Receiving TBRA
Requests for Disbursement of Funds	✓	✓	✓	+ as applicable	NA	NA	NA
Reversion of Assets	+	✓	NA	+as applicable	NA	NA	NA
Records and Reports	✓	✓	✓	+ as applicable	NA	NA	NA
Monitoring	+	+	+	+	+	+	+
Enforcement of the Agreement (§92.252, 92.254 and 24 CFR Part 85 as applicable)	✓	✓	✓	+ as applicable	NA	NA	NA
Duration of the Agreement	✓	✓	✓	✓	+	+	+
Conditions for Religious Organizations (§92.257)	+ convey to 3 rd parties as applicable	+ convey to 3 rd parties as applicable	✓	+ convey to 3 rd parties as applicable	NA	NA	NA



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Required Provisions (§92.504)	ADFA Agreement With...						
	Government Entities- Recipients	Nonprofits- Recipients	Project Owners, Sponsors, Developers	Contractors	Homebuyers	Homeowners	Tenants Receiving TBRA
CHDO Provisions (§92.300 and §92.301)	+ convey to 3 rd parties as applicable	+ convey to 3 rd parties as applicable	✓	+ convey to 3 rd parties as applicable	NA	NA	NA
Close-out Requirements	+	+	+	+	NA	NA	NA

✓ Required provision
 + Recommended provision
 NA Not applicable

Chapter 4: Homeowner Rehabilitation Programs



This chapter describes how to monitor ADFA's HOME-funded homeowner rehabilitation programs. Homeowner rehabilitation is one of the four types of housing activities eligible under HOME and is undertaken to address the needs of low-income homeowners. Rehabilitation programs, like all HOME-funded programs, must be monitored to ensure compliance with HOME and other applicable rules and requirements.

This chapter focuses on two key stages of monitoring – pre-monitoring and project (or case file) monitoring. Project monitoring is undertaken in two phases. On-going monitoring takes place while projects are active and under construction and/or rehabilitation. Loan term compliance monitoring is initiated once title transfers to the homebuyer and the property is now subject to the loan terms. Section 1 on pre-monitoring reviews the actions necessary to become familiar with the projects and prepare for the on-site review. Section 2 details the requirements related to active/ongoing projects. Section 3 provides detailed guidance on each of the loan term compliance requirements to be monitored during the term of the loan.

Sections 2 and 3 are organized to reflect the key questions from HUD's Checklist, *Guide for Review of Homebuyer Projects (Exhibit 7-5)* as well as ADFA specific questions. For each set of questions, this Manual provides guidance on the requirements to determine compliance. A full checklist is provided as an attachment to this chapter.

Section 1. Pre-Monitoring—Notification and Preparation

Preparation is a key to conducting thorough and effective program monitoring. Staff become familiar with a Recipient's program and projects prior to arriving on site to review files and documents.

Under the program design implemented by ADFA for single family housing rehabilitation, the Recipient application holds a significant amount of information relating to beneficiary eligibility, property eligibility, contractor eligibility and construction oversight and management. The monitoring and compliance staff spend time reviewing a Recipient application, as well as, prior annual reports, outstanding monitoring issues and related correspondence. Informal discussions with program staff regarding a Recipient's ongoing performance provide additional insight in preparation for the desk audit and any formal monitoring visit that may be required. Documents reviewed by staff to increase their familiarity with the Recipient's program include:

- **Monitoring records** including the monitoring spreadsheet used to identify the homeowners approved to participate in the Recipient's program by ADFA. Previous monitoring reports and correspondences are also checked for red flags and possible problem areas.
- **Project files** maintained by the ADFA HOME Program Managers, including the ADFA HOME agreement with the Recipient, recent status report, and financial report. Any red flags or issues identified in the project files are noted. Additionally, the approved list of homeowners is compared against the Monitoring Department spreadsheet to identify any discrepancies.

Annually, monitors contact Recipients and request a Status Report with documentation of the following long term compliance requirements:

- Principal residency;



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- Current homeowner insurance;
- Current real estate taxes; and
- Inspection report.

If Recipients are unable to obtain documentation from the homeowner, ADFA monitors schedule an onsite visit to the Recipient to discuss the options available to establish compliance with the terms of the loan.



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Section 2. Program and Project (Case File) for Monitoring Ongoing Activities (Reference: HUD Checklists 7-0 and 7-3)

Program staff determine and document compliance to the HOME program requirements for active projects. ADFA monitoring staff review individual project files for each of the households/housing units assisted with ADFA HOME program funds in preparation for their loan term compliance review.




A. Participant Selection including Marketing and Applicant Intake and Screening Processes

Monitoring staff confirm that the following key documents are available in recipient files, paying particular attention to any changes in the list of participating households. ADFA must be notified and approve any changes prior to any changes in participating households.

Checklist Questions & Key Documents		
<p>1. Are written informational materials such as marketing materials, informational materials for potential applicants, application forms, etc. about the program available? If “yes” obtain copies.</p> <p> Marketing procedures/plan.</p> <p> Marketing advertisements and flyers.</p> <p> Evidence of fair housing logo on marketing materials.</p> <p> Application form/package.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>2. Does the Recipient have a procedures manual that outlines polices with respect to:</p> <p>(a) Initial eligibility screenings of applicants;</p> <p>(b) Program education for homeowners;</p> <p>(c) Procedures for notifying homeowners about awards/rejection?</p> <p> Policies/procedures.</p> <p> Documentation indicating how applicants were selected.</p> <p> Approval or rejection letters.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>3. Does the list of participating households in the Recipient files match the list of households in the program application to ADFA? Does it match the households listed in the written agreement with ADFA? If there are any changes, was ADFA informed and the written agreement updated?</p> <p> <i>Application with participant household information.</i></p> <p> <i>Written agreement with participant household information.</i></p> <p> <i>Communication with ADFA regarding changes</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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Monitors review the Recipient’s marketing procedures/plan, copies of ads or flyers and other materials used in marketing the program. Policies must prohibit conflict of interest or bias in the selection process including discrimination or favoritism towards friends or relatives. Marketing procedures/plans should also ensure that the program is marketed to the full range of potential clients, including those least likely to apply. These procedures should address the following:

- Literature that is understandable to clients, including key information available in other languages; and
- A schedule and plans to ensure that advertising or other outreach efforts reach potential clients at places they frequent.

Additionally, as part of the Fair Housing element of monitoring marketing related documents, ADFA staff review:

- Recipient’s methods for informing the public or potential tenants about fair housing laws. Monitors look for the posting of the Equal Housing Opportunity symbol on all advertising and exterior property signs;
- 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;
- 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;
- 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.
- Affirmative Fair Housing Marketing Plan (HUD form 935.2).
- Waiting lists and sign-in sheets. The Recipient’s selection criteria should identify how applicants are being accepted and how applicants will be selected off the waiting list,



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including when it is acceptable to skip down the list for the next appropriate applicant (see discussion below on selection methods). This is very important when preferences have been established for participation. Monitors review how applicants are selected, and if preferences are a part of the program, monitors confirm that the rules for tenant selection are followed by reviewing waiting lists.

It is also recommended that Recipients have policies/procedures for taking and screening applications and selecting homeowners for participation in the program. Monitors confirm that the Recipients are selecting homeowners using one of the following methods:



- First-come, first-served. Monitors verify that a date and time were stamped on each application upon receipt.
- Lottery. Monitors look for a list of applicants in the lottery, the date of the lottery draw, and letters to applicants indicating the outcome of the lottery – both those accepted and rejected.
- Selection criteria. Monitors confirm that there were pre-established criteria (such as urgency of repairs, needs, income, etc.) and documentation of application rankings, in accordance with these criteria. Criteria must be applied in a manner that is consistent with fair housing laws.

Monitors also verify that there is a system in place for written notification to ineligible applicants and applicants who could not be served due to lack of funds. Monitors review several files of denied applicants to confirm that procedures for determining eligibility were followed correctly.

B. Participant Eligibility

Income Eligibility [§92.203(b), 92.203(a)(2), 92.254(b), 92.508(a)(3)(v)]

Monitoring staff confirm that documentation related to initial and ongoing occupancy of the units is available in Recipient files.

Checklist Questions & Key Documents		
4.	Was the Part 5 (Section 8) definition of income used (e.g. selected for this homeownership rehabilitation program)?	<input type="checkbox"/> Yes <input type="checkbox"/> No
5.	Did the Recipient correctly apply income inclusions and exclusions for the Part 5 (Section 8) definition and was the calculation performed correctly? [24 CFR 92.203(b)]  <i>Procedures detailing the definition of income for activity.</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No
6.	Was household income supported with source documentation? [24 CFR 92.203(a)(2)]  <i>Source documentation of income for all household members—pay stubs, bank statements, and documents from third parties (e.g., Social Security Administration).</i>	<input type="checkbox"/> Yes <input type="checkbox"/> No



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<p>7. Was the household's annual income less than or equal to 80 percent of the area median income? [24 CFR 92.254(b)]</p> <p> Copy of HUD's income limits from verification date.</p> <p> Documentation of comparison of the household's income to the HUD income limit for the applicable household size.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>8. Was the household's income determined not more than six months before the HOME funds were committed to this homebuyer? [HOME: 24 CFR 92.203(d)(2)]</p> <p> Income verification date (on income calculation worksheet) compared to HOME/ADDI written agreement date.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>9. For household information, is the following documentation in the file: Completed application?</p> <p> Application with all household members identified.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>10. For household information, is the following documentation in the file: Verification of Income? [24 CFR 92.508(a)(3)(v)]</p> <p> Worksheet calculating anticipated household income and compared to current HUD income limits.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>11. For household information, is the following documentation in the file: Approval notification/documents?</p> <p> Acceptance or rejection letter based upon income determination.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The HOME Program mandates that all HOME funds benefit low-income households. A low-income household is defined as a household with an income at or below 80 percent of the area median income as determined by HUD, adjusted for household size.

Calculating Income Resources

Technical Guide for Determining Income and Allowances for the HOME Program, is available from Community Connections at 1-800-998-9999.

HUD's Income and Allowances Calculator is available on the web at:
<http://www.hud.gov/offices/cpd/affordablehousing/training/calculator/calculator.cfm>.

In order to meet this requirement, Recipients determine the income eligibility of households assisted with HOME funds. In general, income eligibility is based on the anticipated annual income of all adults in the household. ADFA requires all Recipients to use the Part 5 (Section 8) definition of annual income (note that ADFA is more restrictive than the HOME rules which provides additional options). Recipients must use this definition consistently for all program applicants and



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all project files should show that eligibility was determined using the Part 5 definition.

Monitors ensure that all beneficiaries of the HOME Program qualify as low-income households. To do this, they review the following areas:

- **Documentation.** Verification of income/employment (copy of a letter or statement from the employer stating the applicant's position, income and length of time at job), copies or source letters from providers of other income (such as Social Security, Disability, etc) must be obtained and reviewed to determine annual (gross) income. Income must be documented by verification from third party sources.
 - Eligibility is based on anticipated income during the next 12 months.
 - A completed application and documentation showing the calculation must also be in the files. Household size should be determined based upon information received from both a written application and a personal interview (if applicable). There should be documentation in the file showing the household size was compared to the HUD income limits (at the time of eligibility review) and that it either met or was below the published limits to be eligible.
 - If the household was over income, this should also be documented in the file.
- **Timing.** Income determinations must be completed before HOME assistance is provided. Income need not be reexamined at the time HOME assistance is actually provided unless more than six months has elapsed since the initial determination. Monitors should compare dates of income eligibility determination to the dates of the financial closing to ensure it meets the six month time period for being considered current.

Income Limits







HUD Income Limits are revised annually and are available from the HUD Field Office or on the HUD Web site at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm>.



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Occupancy [24 CFR 92.254(b)(2), 24 CFR 508(a)(3)(xi)]

Monitoring staff must confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>12. Does the documentation in the file demonstrate that the household uses this property as its principal residence (e.g., utility bill)? [24 CFR 92.254(b)(2)]</p> <p> <i>Evidence the participant has certified the property is and will continue to be their primary residence (e.g., signed statement or form developed by the Recipient).</i></p> <p> <i>Notes/reports in the file showing an inspector visited the property and witnessed that the applicant resides at the property or other documentation such as utility bills to demonstrate residency.</i></p> <p> <i>Written agreement with language regarding the principal residence requirement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>13. Has the household been using this property as its principal residence for a minimum of 3 years (e.g., utility bill)?</p> <p> <i>Evidence the participant has certified the property was their primary residence for a minimum of 3 years (e.g., signed statement or form developed by the Recipient).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>14. Does the written agreement with the homeowner specify that the homeowner must maintain principal residency throughout the loan term?</p> <p> <i>Written agreement with language regarding the principal residency and loan term requirements.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>15. Does the written agreement specify remedies or actions the Recipient must take if the loan term requirements are not met for the loan term?</p> <p> <i>Written agreement with language regarding the Recipient's action if loan term requirements are not met.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Initial monitoring for principal residence at the time of assistance is a HOME requirement. The HOME Program rules state that a household must occupy the assisted property as its principal residence; ADFA increases that requirement to a minimum of 3 years of principal residency. Properties used as second homes or temporary residences cannot be assisted. Monitors



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confirm that Recipient staff checked for primary residence at the time of participant application. Specifically, program applications should include

- A signed certification from the homeowner that he or she maintained principal residency for a minimum of 3 consecutive years.
- Confirmation from the rehabilitation inspector that participant on the application lives in the property.
- Utility bills that list the applicant's name.

Monitors also check the written agreement in the project files to ensure ADFA's principal residency requirement are appropriately reflected in the agreement.

Ownership [§92.254(c), 92.508(a)(3)(xi)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>16. Did program staff obtain evidence of ownership? (<i>Note: A deed alone is not sufficient documentation. A title search or a recent review of recorded ownership information should have been conducted.</i>) [24 CFR 92.254(c)]</p> <p> <i>Deed or other documentation of ownership.</i></p> <p> <i>Title search report or other similar documented review of ownership.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>17. Was the form of ownership eligible under the ADFA HOME program (i.e., fee simple title; condominium or other, with ADFA and HUD approval)? [HOME: 24 CFR 92.2 and 24 CFR 92.254(c)]</p> <p> <i>Fee simple title, deed or other documentation of ownership.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>18. Regarding legal documents, is there a copy of the deed in the file? [24 CFR 92.508(a)(3)(xi)]</p> <p> <i>Deed or other documentation of ownership.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>19. Regarding legal documents, is there a copy of the Title Search and/or Preliminary Title Opinion in the file? [24 CFR 92.508(a)(3)(xi)]</p> <p> <i>Title Search Report or Preliminary Title Opinion.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>20. Does the written agreement with the homeowner include required provisions related to changes in ownership?</p> <p> <i>Written agreement with all required provisions.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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21. Was a deed restriction or covenant running with the land recorded? <i>Deed restriction or covenant running with the land.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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Monitors verify that program participants own their properties through a form of ownership permitted under the HOME Program. Eligible forms of ownership include:

- Fee simple title;
- An equivalent form of ownership approved by HUD.

Note that ADFA is more restrictive than the HOME rules and does **not** allow for certain forms of ownership:

- 99-year leasehold interest (or 50-year leasehold on trust or restricted Indian lands) or
- Ownership/membership in a cooperative or mutual housing project because Arkansas law does not recognize cooperative or mutual housing as ownership.

Monitors review files for all debt and liens on the property to clarify the ownership status of the property. Monitors confirm that there are no restrictions or encumbrances that unduly restrict the marketable nature of the ownership interest:

- Copy of the recorded lien the lender has on the property.
- A title search report.
- Additionally, though optional, the loan payment history is also useful and shows whether the homeowner is current on their mortgage payment and/or at risk for foreclosure at the time the inquiry is made. The loan payment history would be obtained from the lending agency.)

Written Agreement with Homeowner [24 CFR 92.504(c)(5), 24 CFR 92.504(b)(5), 92.508(a)(3)(ii)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
22. Regarding legal documents, is there a Homeowner HOME Written Agreement in the file? [24 CFR 92.504(b)(5) and 92.508(a)(3)(ii)] <i>Copy of fully executed (signed) written agreement. Check that all required provisions included, that dates are filled in and that signatures are on the document.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>23. Does the Recipient have a loan agreement and a promissory note with the homeowner that clearly explains the terms of the loan?</p> <p> <i>Loan Agreement (check dates, conditions and terms); and</i></p> <p> <i>Promissory Note (check dates, conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>24. Are ADFA template program agreements, loan agreements, promissory note and lien documents used?</p> <p> <i>Review program agreements with beneficiaries and lien documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>25. Did the Recipient make changes to the ADFA template program agreements, loan agreements, promissory note and lien documents? If so, were the changes approved and reviewed by ADFA?</p> <p> <i>Correspondence with ADFA regarding proposed changes to the ADFA template documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>26. Are the program agreements, loan agreements, promissory note and lien documents recorded?</p> <p> <i>Review copies of recorded documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>27. Is the ADFA lien position appropriate?</p> <p> <i>Lien position related documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

There must be a written agreement that reflects the relationship between the ADFA and the Recipient and states the conditions under which the HOME funds are being provided. Monitors confirm that the following two provisions are included in both written agreements:

- The use of HOME funds must be clearly stated.
- The provisions at §92.254(b) must be included, which are:
 - The estimated value of the property, after rehabilitation, does not exceed 95 percent of the median purchase price for the area, and
 - The housing is the principal residence of an owner whose family qualifies as a low-income family at the time HOME funds are committed to the housing.

Before funds are disbursed, ADFA requires that Recipients standardize agreements (between both the Recipient and the homeowner and the homeowner and contractor) are put in place. To confirm this requirement, monitors review the following aspects of written agreements.

- Dates will be checked on agreements and compared to initial draw down dates.
- All documents have to contain proper signatures by authorized personnel.



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- The monitor will verify that written agreements will remain in effect for the relevant period of affordability.

While looking at some project files, monitors may discover that written agreements have been updated or amended. If an agreement is amended, proper documentation should accompany the document to justify the change. A signed or initialed area on the existing document or addendum with the date of change should be included in the file. A brief note to the file to give background for the necessary amendment is also useful.

Loan Term Restriction in Written Agreements and Other Legal Instruments

ADFA requires that Recipients use loan agreements that clearly explain the terms of the loan. This includes a legal description of the form of assistance (forgivable or repayable), the length of the loan term and the ongoing occupancy and ownership restrictions must be enforced during the loan term and are described below:

- **Loan Term:** The loan terms are based on the total loan amount to the homeowner.

Total Loan Amount	Loan Term
\$1,000 - \$15,000	5
\$15,000 - \$40,000	10
Over \$40,000 +	15
Reconstruction	20

- **Occupancy and ownership restrictions** are applicable for the loan term and must be described in agreements with homeowners. For example, with ADFA's prior written approval, the HOME Program loan may be assumed by a new owner only if the new owner satisfies the requirements to properly obtain title and will meet the following requirements:

- Is low-income (i.e., income is equal to or less than eighty percent (80%) of area median income, adjusted for family size);
- Will occupy the property as the principal residence; and
- Is certified by ADFA as eligible to receive HOME Program assistance.

In cases where an owner-occupant dies before the end of the loan term and/or the program promissory note is paid in full, the following remedies will be exercised by ADFA:

- **HOME Program loan with no heirs.** If ADFA has the first position on the property, it will seek to sell the property to an income eligible borrower.



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- **HOME Program loan with heirs.** If ADFA has the first position on the property, and an heir qualifies to become an owner-occupant, with ADFA's prior written approval, the heir may purchase or have title transferred to them. If an heir does not qualify as eligible to receive HOME Program assistance, the heir will have the opportunity to sell the property to an income eligible borrower or in the case of sale of the property to a non-income eligible borrower, the heirs will be required pay off any remaining balance of HOME Program funds. If an heir does not sell the property, ADFA will foreclose and seek to sell the property to an income eligible borrower.
- **Loan repayment conditions with heirs.** If ADFA has the first position on the property, the heirs will have the option of paying off the loan. If the heirs are unable to pay off the total loan and can qualify as an eligible owner-occupant, the heir may assume the loan upon verification of eligibility and ability to repay the loan according to terms negotiated between ADFA and the heir(s).

In the event of the death of owner-occupant(s) on homeowner rehabilitation forgivable loans (\$25K or less) during the ADFA-imposed affordability period, ADFA will prepare a Release of Lien forgiving the remaining loan balance.




Loan agreements are also accompanied by a promissory note that is signed by the owner who agrees to repay the loan as the terms are listed in the promissory note.

In all cases where HOME Program assistance is provided, a promissory note will be executed along with a mortgage and deed restriction which will be recorded by ADFA in the local land records as a lien against the property's title. Only ADFA-approved lien documents will be used and the ADFA lien should generally be in first lien position. The HOME Program assistance may be in a junior position to private lender financing as long as the combined loan-to-value does not exceed one hundred percent (100%).

Finally, although, Recipients provide the homebuyer loans directly to the homebuyer, all monthly mortgage payments on repayable loans shall be paid to ADFA.

C. Participant Complaints and Dispute Resolution

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
28. Does the Recipient have procedures for resolving disputes between contractors and homeowners?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
 <i>Program guide for applicants.</i>		
 <i>Conflict resolution procedures and documentation that any complaints were handled in accordance with such procedures.</i>		
 <i>Disciplinary procedures for poor performing contractors.</i>		



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29. Has ADFA received an unusually high number of complaints regarding the Recipient's homeowner rehabilitation program during the past 12-24 months?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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Complaints are often the result of lack of understanding about the program or its procedures. To be proactive, Recipients should have materials for applicants that describe the program in easily understandable language. This information should reflect the program design and should clearly outline the benefits and obligations for the applicant. A helpful program guide would have the following types of information:

- Type(s) of subsidy and name of subsidy;
- Typical timing of the project;
- The Recipient's expectations of the homeowner;
- What to expect during the rehabilitation; and
- An explanation of rehabilitation versus remodeling.

Recipients may want to have the applicant sign a copy of the document that explains the process and the steps they'll encounter to avoid a potential scenario of homeowners not being informed.

Recipients should also have conflict/complaint resolution procedures in case of dispute with contractors. Monitors confirm that the procedures:

- Define who is responsible for referring disputes, how notifications will be handled, and who will monitor through to resolution.
- Advise rehabilitation staff to monitor relations between the contractor and homeowner, and to intervene early in disagreements to provide for informal resolution.
- Codify that when disputes cannot be handled informally by staff, they should be resolved in a manner that is prompt and includes an equitable investigation and resolution.
- It is advisable, though not required by HOME, to require the homeowner and contractor to sign an arbitration clause prior to commencement of work. When the dispute cannot be resolved with the assistance of the staff person, third-party conflict resolution should be utilized.

Monitors also verify that the Recipient has disciplinary procedures for poor-performing contractors that:

- Define poor performance and determine through what process poor performance will be identified;
- Identify who will determine whether or not, and when, to take disciplinary action. (Effective programs typically use a system of progressive discipline, including probation, suspension, and debarment for contractors.); and
- Identify actions that would be cause for immediate debarment.



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D. Property Eligibility

Eligible Properties [24 CFR 92.254(c)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>30. Is the Recipient assisting eligible property types?</p> <p> <i>Review Recipient procedures, marketing and intake materials to ensure the eligible property types are specified for the program.</i></p> <p> <i>Review application to ADFA HOME Program for compliance.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>31. Was the property listed as a single-family home (1-4 units)?</p> <p> <i>Inspection report or other document that provides identification of property type.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>32. Was the property within the Recipient's boundaries?</p> <p> <i>Map or tax information indicating location of property to ensure property located within Recipient's boundaries.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

In reviewing project files, monitors verify that the property qualifies as a single-family residence under the HOME Program. Qualifying units include:

- Single-family properties. ADFA is more stringent than the HOME rules and restricts eligibility to single unit structures. Structures with 2-4 units are not eligible for assistance;
- Condominiums; and
- Manufactured or mobile homes. ADFA is more stringent than HOME rules and restricts eligibility to units that are located on unit owner's land. Additionally, unit must be permanently affixed to foundation. Finally, manufactured units are not eligible for reconstruction only (not rehabilitation). If a manufactured unit is substandard and not suitable for rehabilitation, then the unit must be replaced with a "stick built unit", design approved by ADFA.

Finally, Arkansas law does not recognize cooperative or mutual housing unit as ownership forms). As such, cooperatives are not eligible in the ADFA homeowner rehabilitation program.

With respect to documentation, there are a number of different ways that Recipients use to document the property is a single family residence. Monitors verify that the following documentation is located in the project file:

- Application. The application should include a section that requires applicants to identify the type of property that will be rehabilitated.








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- Inspection. Property eligibility should be confirmed during an initial property inspection and noted on the inspection report and in photographs.
- Maps. Many Recipients also include a map with the location of the home clearly marked in the file. The monitor should check the address and location to ensure the property is located within the Recipient's boundaries.

Minimum and Maximum HOME Investment [§92.205(c) and §92.250(a)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>33. Are there policies/procedures for ensuring that all projects will require at least \$1,000 of funds per HOME assisted unit, but no more than the maximum HOME subsidy amount pursuant to 24 CFR 92.205(c) and 24 CFR 92.250(a)?</p> <p> <i>Review Recipient procedures, marketing and intake materials to ensure the eligible property types are specified for the program.</i></p> <p> <i>Review application to ADFA HOME Program for compliance.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>34. Was the amount of HOME subsidy at or below the applicable maximum per unit subsidy limit for the unit? [24 CFR 92.250(a)]</p> <p> <i>Copy of the 221(d)(3) limits for the year the project was funded.</i></p> <p> <i>Evidence in the file that the amount provided was less than the applicable 221(d)(3) limit (form or other documentation).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>35. Was the amount of HOME subsidy equal to or greater than the \$1,000 minimum per unit subsidy? [24 CFR 92.205(c)]</p> <p> <i>Agreement or grant/loan document or other documentation in the file showing amount of assistance provided.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>36. Is the assistance provided to homeowners within the maximum and minimum assistance limits set by ADFA?</p> <p><i>Review Recipient procedures, marketing and intake materials to ensure the assistance limits are specified for the program.</i></p> <p><i>Review application form to ADFA.</i></p> <p><i>Review loan agreement and promissory note to beneficiary.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>37. Is the Recipient program within the maximum and minimum program limits set by ADFA?</p> <p><i>Review Recipient procedures to ensure that applicant intake and approval processes account for program limit.</i></p> <p><i>Review application form to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors confirm that the Recipients provided the subsidy levels approved by ADFA to their program homebuyer. If there are any discrepancies between the subsidy levels approved by ADFA and those used by the Recipients, monitors verify that the Recipient communicated the changes to ADFA and that the subsidies provided are in line with the following subsidy limits:

Minimum Subsidy Limit: ADFA HOME funds may only be used for projects that require a minimum HOME investment of \$1,000 per unit. In reviewing project files, monitors check the project's written agreement and other file documentation to confirm that the amount of HOME funds invested exceeds this minimum amount. If a project's work write-up or cost estimate reveals that ineligible costs were included, monitors will determine whether the project's eligible rehabilitation costs still satisfy this requirement.

Maximum Per Unit Subsidy (221(d)(3) Limits

The maximum per unit subsidy limits can be obtained from the local HUD Field Office or online at the HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/subsidylimits.cfm>.

Maximum Subsidy Limit:

Furthermore, for each area, HUD establishes the maximum amount of HOME funds that can be invested in a homeowner rehabilitation project. Monitors confirm that the amount of HOME-

assistance provided does not exceed this maximum amount. This figure, referred to as the Section 221(d)(3) limits, is subject to change annually. These amounts are based on the Section 221(d)(3) program limits for the State.

- The maximum per unit subsidy limits can be obtained from the local HUD Field Office or online.



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- The limits are 100 percent of the dollar limits for a Section 221(d)(3) nonprofit sponsor, elevator-type development, indexed for base city high cost areas, and adjusted for the number of bedrooms.
- For some Recipients, the 221(d)(3) limit has already been increased to 210 percent of the base limit. For these Recipients, HUD will allow, upon request, an increase in the per-unit subsidy amount on a program-wide basis. However, the absolute maximum subsidy limit that HUD will allow is 240 percent of the base 221(d)(3) limits.

Additional costs for a project must be covered from other sources. In reviewing project files, monitors confirm that the amount of HOME funds invested in the project does not exceed the HOME maximum per-unit limit. There should be documentation in the file such as a form comparing the current HUD maximum subsidy limit to the amount of HOME assistance in the project which indicates that the former does not exceed the latter.

Additional ADFA Cost and Assistance Limits: Lastly, ADFA places cost and assistance limits on ADFA funded owner-occupied rehabilitation/reconstruction activities. For example, costs on all ADFA assisted owner-occupied rehabilitation/reconstruction units are limited to the maximum per unit subsidy limit (as established under the FHA 221(d)3 program). This means that, projects with total development costs that exceed the FHA 221(d)3 limits are ineligible for assistance.

Another example, ADFA funds generally do not cover the entire cost of the rehabilitation/reconstruction and are limited to:

- \$25,000 for rehabilitation
- \$90,000 for reconstruction

Units that exceed ADFA subsidy limits may still be eligible for assistance, so long as there are other funds available, evidenced by a commitment letter, to cover the difference between the total development budget and the HOME assistance limit (the FHA 221(d)3 limits).

To ensure a diversity in participating Recipients, ADFA also limits the amount of HOME funds that can be requested to:

- \$100,000 minimum and \$450,000 maximum
- 5 HOME units minimum and 10 units maximum per program. This means that a program is required to include, at minimum, 5 units but not more than 10 units. Projects may be allowed to proceed with fewer than 5 units if the total HOME allocation does not decrease below \$100,000.



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Maximum Property Value [24 CFR 92.254(b)(1), 24 CFR 92.508.(a)(3)(x)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>38. What is the 95 percent of area median purchase price applicable to the Recipient's program for the time period being reviewed? Obtain the Federal Housing Administration (FHA) 203(b)-determined limits for the area. [24 CDR 92.254(a)(2)(iii)]</p> <p> <i>Procedures identifying the method used for estimate of value of property after rehabilitation.</i></p> <p> <i>Procedures identifying the method used for determining 95 percent of median purchase price limit.</i></p>		
<p>39. Is the estimated after-rehabilitation property value less than or equal to 95 percent of the median single-family purchase price for the area as determined by Recipient? [24 CFR 92.254(b)(1)]</p> <p> <i>203(b) limits for year project was funded.</i></p> <p> <i>Evidence in the file comparing the after rehabilitation value to the 203(b)limits and that the limits were not exceeded.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>40. Was the after-rehabilitation value of the property determined using appropriate methods (e.g., appraisal, tax assessments or assessments by qualified staff)? [HOME: 24 CFR 92.254(a)(2)]</p> <p> <i>Appraisal, tax assessment or in-house estimate by qualified staff documenting after-rehabilitation value.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors confirm that the value of a HOME-assisted property after rehabilitation does not exceed 95 percent of the median purchase price for the area. The Recipient must use the figures established for the area by FHA for its 203(b) Program.

Monitors should see evidence in the file that the "after-rehabilitation value" was established prior to any work being performed and was compared to the 203(b) or market survey figures. After-rehabilitation value can be determined by one or more of the following methods:

- Estimate of value. Estimates of value by the Recipient or independent contractor be used. Project files must contain the estimates of value and document the basis for the value estimates.
- Appraisal. Appraisals, whether prepared by a licensed fee appraiser or by a Recipient's staff appraiser, may be used. Project files must document the appraised value and the appraisal approach used.





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- Tax assessment. Tax assessments for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation. Assessments based on a percentage of market value may be used, if adjusted to reflect actual market value.

The file should be documented to show that the determined after rehab value (derived from one of the three methods above) does not exceed the 203 (b) limits for that area for the time of the project. Many Recipients will place a copy of an appraisal or a tax assessment in the file, but they do not take the extra step to document the comparison of the value to the 203(b) limit (at the time of the project) and sign the document stating if it meets or exceeds the limits. If it meets the limits, the project is eligible. If it exceeds the limits, the project is ineligible and therefore should not have been funded with HOME Program dollars.

Environmental Review [§92.352, 24 CFR 92.508.(a)(7)(iii)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
41. Does the project file include an Environmental Review Record [HOME: 24 CFR 92.352]  <i>Environmental Review Record (ERR).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
42. Does the Environmental Review Record meet the environmental review requirements? (Complete HUD Checklist 21-1 to answer this question.) [24 CFR 92.352]  <i>Environmental Review Record (ERR).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

HOME Program funded activities are subject to the environmental review requirements at 24 CFR Part 58. The ERR should contain all required environmental documentation

Environmental Review

Further guidance is available through both HUD Notice CPD 01-11 (www.hud.gov/offices/cpd/lawsregs/notices/2001/01-11.pdf), and HOMEfires Vol. 4, No. 2 (www.hud.gov/offices/cpd/affordablehousing/library/homefires/volumes/vol4no2.cfm).

Individual homeowner rehabilitation projects are typically categorically excluded subject to 24 CFR 58.5, which means that a broad review is completed of the program and placed in the file and then site specific reviews are completed for certain statutory items when project sites are known. Therefore, the ERR must contain the program documentation as well as the site specific checklists indicating that the 24 CFR 58.5 items were reviewed and appropriately addressed.

Monitors complete HUD Checklist 21-1 to determine if the environmental review requirements were met.

Uniform Relocation Act and 104(d) [§92.353]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.



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Checklist Questions & Key Documents		
43. Does the Recipient have a temporary relocation plan? <i>Temporary relocation policy.</i> <i>Evidence that the relocation dwelling was safe and sanitary by an inspection report or notes.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
44. If relocation was required for a project, does the Recipient document a file for each resident relocated? <i>Payment expense log for the resident.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

While Federal relocation requirements generally do not apply to homeowner rehabilitation programs since participation is voluntary and usually does not involve permanent displacement, relocation is an eligible HOME project expense. Recipients are permitted (but not required) to temporarily relocate households while work is being completed. For example, a Recipient might choose to relocate a household if rehabilitation work requires shutting off heat or plumbing. In these cases the monitor should ensure that the Recipient met the following requirements:

- A defined clear policy on eligibility for relocation benefits so that benefits are distributed in a fair, nondiscriminatory manner.
- Residents who are relocated temporarily must be offered a dwelling that is suitable, safe, and sanitary-but not necessarily comparable. All other conditions of the move must be reasonable.
- Residents must receive reimbursement for all reasonable out-of-pocket expenses incurred in connection with the temporary move including any increase in monthly rent/utility costs.

Temporary relocation may be required by lead hazard regulations if lead hazard reduction work is performed. Although the Recipient is not obligated to provide financial assistance, they must ensure the family is relocated to a suitable, decent, safe and similarly accessible dwelling unit that does not have lead-based paint hazards. See 24 CFR 35.1345 for more information.

E. Eligible/Reasonable Costs

Eligible HOME Costs [§92.206]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
45. Are all costs detailed on the cost estimate and in the rehabilitation contract eligible under the HOME Program? [24 CFR 92.206] <i>Work write-up and draw requests to ensure costs are eligible.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>46. If costs were not eligible, was another source of funds used for these costs?</p> <p> <i>IDIS Activity set-up sheet and draw record.</i></p> <p> <i>Budget review sheet/log for project.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>47. Are total projects costs within the maximum limit?</p> <p> <i>Review Recipient procedures to ensure that applicant intake and approval processes account for program limit.</i></p> <p> <i>Review application form to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>48. Are costs to rehabilitate/build garages eligible?</p> <p> <i>Review program procedures, marketing and intake materials to ensure that eligible garage costs are specified for the program.</i></p> <p> <i>Review plans to determine if garages are attached to the structure.</i></p> <p> <i>If detached, review documentation of extenuating circumstances.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>49. Are project and project administration costs eligible and within the 10% limit?</p> <p> <i>Review total amount drawn to-date to ensure compliance with 10% limit.</i></p> <p> <i>Review cost certification forms.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>50. Are changes in the Recipient's program communicated to ADFA?</p> <p> <i>Review Recipient procedures to ensure that any changes in number of units, development costs and/or financing sources are communicated to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors review the costs that HOME funds paid for in the project. HOME funds can be used to cover the hard rehabilitation costs necessary to meet required property standards and associated soft costs (e.g., fees, insurance or appraisals). This assistance can also be used to cover general property improvements that are considered standard for the area. The table below summarizes eligible hard and soft rehabilitation costs under the HOME Program.



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**Exhibit 4-1
HOME-Eligible Homeowner Rehabilitation Costs**

<p>HARD COSTS</p> <ul style="list-style-type: none"> • Meeting the rehabilitation standards • Meeting applicable codes, standards and ordinances • Essential improvements • Energy-related improvements • Lead-based paint hazard reduction • Accessibility for disabled persons • Repair or replacement of major housing systems • Site improvements and utility connections • Demolition and reconstruction 	<p>SOFT COSTS</p> <ul style="list-style-type: none"> • Financing fees • Credit reports • Title reports and updates • Architectural/engineering fees, including specifications and job progress inspections • Flood insurance –Up to one year • Recordation fees, transaction taxes • Legal and accounting fees • Appraisals • Lead-based paint testing, risk assessments and clearance • Surveys
<p>HARD COSTS</p> <ul style="list-style-type: none"> • Meeting the rehabilitation standards • Meeting applicable codes, standards and ordinances • Essential improvements • Energy-related improvements • Lead-based paint hazard reduction • Accessibility for disabled persons • Repair or replacement of major housing systems • Site improvements and utility connections • Demolition and reconstruction 	<p>SOFT COSTS</p> <ul style="list-style-type: none"> • Financing fees • Credit reports • Title reports and updates • Architectural/engineering fees, including specifications and job progress inspections • Flood insurance –Up to one year • Recordation fees, transaction taxes • Legal and accounting fees • Appraisals • Lead-based paint testing, risk assessments and clearance • Surveys

Additional cost restrictions imposed by ADFA include:

- **Garage Costs:** Attached garages may be rehabilitated with HOME funds, in conjunction with rehabilitation of the residential living space. Detached garages may only be rehabilitated with HOME funds if the structure has documented existing health and safety code violations and is performed as part of the rehabilitation of the housing unit. Also, for new construction projects, garages may be constructed if attached to the dwelling unit. Detached garages are permitted only if the structure is required by local ordinance or to accommodate a person with disabilities, and has received prior written approval by ADFA. The reconstruction of a garage without a dwelling unit as part of the project is ineligible.



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- **Program and project administrative costs.** Program and project administrative costs are limited to 10% of the final allocation amount for the proposed owner-occupied rehabilitation/reconstruction program. ADFA expects that the majority of the 10% allotted to administration and project-related soft costs will be incurred as project-related soft costs. Additionally, while a change order that results in an increase to the project budget does not increase either the administrative or project delivery soft cost amount, a reduction in the project budget will result in a decrease of administrative or project delivery soft costs. Recipients must submit an itemized budget for program and project administrative costs as a part of their initial application. Also, a certification of costs must be submitted with all requests for program administration and project-related soft costs.

Monitors confirm all costs incurred for a project by checking IDIS draw records for comparison with local financial records. Costs should be supported by invoices and, possibly, timesheets or cost allocation plans. Where costs are shared across multiple units, the allocation of those costs should be clear from a worksheet or some other statement of cost allocation. It is also important to check that the activity was set up correctly in IDIS, and that the draws match the documentation of eligible costs. For example, administrative and project-related soft costs must be supported by the following source documentation and maintained on file by the Recipient:

- **Detailed bill.** A copy of a detailed bill highlighting the costs to be reimbursed. The detailed bill must be substantiated by a cancelled check, a copy of the bank statement or other proof of payment. The detailed bill should, at a minimum, include vendor identification, a description of the services received, the quantity (hours, units, etc.), and the price for services received. Handwritten invoices will not be accepted.
- **Authorized signature.** All invoices must have an authorized signature of the Recipient's Executive Director, or their designee. The authorization must also include payment approval, verification of satisfactory services, and the relevant month for costs incurred and date.
- **Copies of subcontracts,** as applicable. A copy of any subcontracts for professional services (i.e., consultants, architects, contractors, etc.) must be provided in the initial application outlining the cost of the service rendered and the payment schedule or terms.

If a review of a project's files reveals that ineligible costs were included, monitors must require corrective action by the Recipient. The typical correction will require the Recipient to adjust its records and repay the Recipient's HOME account for any ineligible expenses.

Cost Reasonableness [24 CFR 92.505(a), 24 CFR 85.22]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.



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Checklist Questions & Key Documents		
<p>51. Do the costs appear reasonable (e.g., based upon the Recipients cost estimate and costs of comparable work in the area)? [24 CFR 92.505(a) and 24 CFR 85.22 and OMB A-87, Attachment A, Section C.2)]</p> <p> <i>Work write-up and draw requests to ensure costs are reasonable.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors confirm that a cost estimate was completed prior to bidding for the project. There should also be evidence in the file that bids were found to be within a reasonable range of the in-house cost estimate. If costs are not documented as reasonable, there should be some explanation (for example, project was re-bid and bids were accepted because homeowner paid for the cost overage).

Refinancing [24 CFR 92.206(b)(1)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>52. If ADFA HOME funds were used for refinancing, is there documentation in the file demonstrating that the primary use of the funds is rehabilitation and that the household's overall housing costs were reduced?</p> <p> <i>Documentation of rehabilitation.</i></p> <p> <i>Worksheet or form illustrating the reduction in overall housing costs to the homeowner.</i></p> <p> <i>Copy of the refinanced loan document(s).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>53. If ADFA HOME funds were used for refinancing, is there documentation that the balance on the mortgage at the time of application was \$5,000 or less?</p> <p> <i>Review Recipient procedures, marketing and intake materials to ensure the eligible property types are specified for the program.</i></p> <p> <i>Review Recipient application to ADFA HOME Program for compliance.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

HOME funds may be used to refinance existing debt on single-family, owner-occupied properties in connection with HOME-funded rehabilitation. Monitors confirm that refinancing was necessary to reduce the owner's overall housing costs and make the housing more affordable. The project files must contain a worksheet or other documentation illustrating the reduction in overall housing costs and a copy of the refinanced loan document(s). Additional ADFA










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requirements related to refinancing include limit on existing mortgage loan to a current balance of five thousand dollars (\$5,000) or less.

Note that refinancing for the purpose of accessing equity is not permitted. Also, HOME funds **cannot** be used to refinance Federal debt (e.g. FHA loan).



Form of Assistance [§92.205(b)(1)]

Monitoring staff verify that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>54. Are the procedures for determining the amount and terms of assistance provided inline with ADFA requirements for the amount and terms of assistance?</p> <p> <i>Policies/procedures identifying the type of assistance provided to homeowners.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>55. Was the subsidy provided in an eligible form of investment? [24 CFR 92.205(b)(1)]</p> <p> <i>Written agreement and, if applicable, loan documents to determine if form of assistance is HOME eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>56. If the subsidy was provided in a different form, was that form approved by ADFA? [24 CFR 92.205(b)(1)]?</p> <p> <i>Documentation from ADFA indicating approval of some other form of subsidy.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>57. Are the terms of the loans described in information provided to, and written agreements executed by, homeowners? Obtain a copy of the written agreement and any written guidance provided to homeowners.</p> <p> <i>Policies/procedures describing the provisions related to changes in homeownership.</i></p> <p> <i>Written agreement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>58. Do the loan terms reflect ADFA's requirements for Forgivable and Repayable loans?</p> <p> <i>Loan Agreement (check dates, conditions and terms); and</i></p> <p> <i>Promissory Note (check dates, conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>59. Are loan repayments directed to ADFA's Accounting Department?</p> <p> <i>Loan Agreement (check conditions and terms); and</i></p> <p> <i>Promissory Note (check conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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HOME allows virtually any form of financial assistance, or subsidy, to be provided for eligible projects and to eligible beneficiaries. ADFA restricts the forms of assistance that can be used. All eligible forms of assistance will require legal instruments to implement. Monitors should ensure that the assistance provided to homeowners is one of the two forms of financial assistance that can be provided: forgivable and repayable loans.

- **Forgivable loans.** These loans are forgiven on a prorated basis each month over the term of the loan. The interest rate on forgivable loans is 0% and requires no monthly repayment, but must be repaid if the homeowner fails to maintain compliance with all terms and conditions outlined in the loan agreement. For example, failure to maintain the unit as the homeowner's principal residence. Note that only \$25,000 in HOME assistance may be made available as a 0% forgivable loan to homeowners. This means that when the HOME assistance exceeds \$25,000 dollars (e.g. reconstruction units), 50% of the HOME assistance will be in the form of a forgivable loan and the other 50% will be a repayable loan (described below)
- **Repayable loans.** These loans will require monthly repayment of principal and interest. The interest rate on repayable loans is 1% per annum. Loan terms will coincide with the ADFA required affordability period (5, 10, 15 or 20 years) as determined by the total amount of HOME assistance to the homeowner.

Monitors must check the written agreement with the homeowner as well as any other applicable loan documents to determine which form of assistance was provided and that it was an eligible form.




F. Property Standards [24 CFR 92.251]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents	
<p>60. What property standards apply to the homeowner rehabilitation program? Obtain copy if monitoring rehabilitation work. [24 CFR 92.251(a)(1)]</p> <p> <i>Procedures identifying the state/local code used for activity.</i></p> <p> <i>Procedures identifying the applicable ADFA written rehabilitation/reconstruction standards.</i></p>	



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<p>61. Was the work performed in accordance with the ADFA's standards? [24 CFR 92.251(a)(1)]</p> <p> <i>Copy of applicable rehabilitation/reconstruction standards.</i></p> <p> <i>Specifications/work write-ups and inspections reports (for comparison to the standards).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>62. Does the final inspection confirm that the property met all applicable property standards at completion? [24 CFR 92.251(a)(1)]</p> <p> <i>Copy of final inspection report to ensure property met all applicable codes and standards at completion.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

To ensure compliance with property standard requirements, monitors verify that:

- All project files contain work write-ups and cost estimates that are written to meet the applicable ADFA rehabilitation and/or reconstruction standards and the applicable local or national codes;
- The Recipient conducted and documented an initial inspection to identify the extent of rehabilitation necessary to meet applicable codes as well as a final inspection to see that applicable codes were met; and
- The inspection documentation demonstrates that the work carried out was done in compliance with the ADFA standards for rehabilitation and/or reconstruction and other required property codes/standards.

Monitors visit a sample of properties to see if the rehabilitation work met the required standards. ADFA's standards for rehabilitation and reconstruction are listed below.

Standards applicable to both rehabilitation and reconstruction projects:

- ADFA Construction Performance Manual Sections I and II;
- The International Code Council (ICC);
- All applicable state and local property codes; and
- Zoning ordinances.

Standards applicable to rehabilitation projects only:

- Rehabilitation standards, the method, materials and techniques used in the renovation, remodeling and repair of a unit; and
- Arkansas Energy Code.

Standards applicable to reconstruction projects only:









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- Energy Star standards;
- Arkansas Usability Standards in Housing: Guidance Manual for Constructing Inclusive Functional Dwelling (AUSH) which is available on the internet at <http://www.studioaid.org>; and
- ADFA's approved house plans for all single-family reconstruction projects which require a minimum of 1,000 square feet heated and cooled for two bedroom houses and 1,200 square feet heated and cooled for three bedroom structures. Different plans may be permitted provided the plans are comparable to the ADFA approved plans(s) and are approved by ADFA HOME staff prior to bidding and submission of application for funding.

Work Write-ups [24 CFR 92.205, 24 CFR 85.36, 24 CFR 92.251, 24 CFR 92.505(a)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>63. Does the work write-up/cost estimate documentation in the file establish that rehabilitation work required meets HUD and ADFA minimum assistance limits? [24 CFR 92.205(c)]</p> <p> <i>Work write-up/cost estimate</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>64. Does the work write-up include all work noted on the initial inspection report? [24 CFR 92.251]</p> <p> <i>Initial Inspection Report.</i></p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>65. Does the work write-up reflect the ADFA's standards for rehabilitation and/or reconstruction, as applicable? [24 CFR 92.251(a)(1)]</p> <p> <i>Written rehabilitation standards.</i></p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>66. Was the work write-up written with enough detail to enable a contractor to provide a reliable bid? [24 CFR 92.505(a) and 24 CFR 85.36(c)(3)(i) and 85.36(d)(2)(i)(A)]</p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

All projects must have work write-ups or cost estimates. A good work write-up/cost estimate should include:

- A description of the work to be performed that is sufficiently detailed to serve as the basis for obtaining bids from contractors.



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- A description of repairs necessary to eliminate code violations, incipient violations, and generally improve the property.
- Specifications of the type of repairs, their location and scope, the method and quality of materials to be used. Any special requirements should be noted.
- Accurate cost estimates that can be used to evaluate bids from contractors and determine whether the cost estimates are reasonable.

Each work write-up/cost estimate should be reviewed with the owner, who should sign a statement approving the proposed work. The Recipient should retain this signed statement and copies of the authorized work write-up/cost estimate in the project file. Monitors verify that the work write-up and acceptance by the owner is in the file.

The monitor should also be able to determine if the work write-up cost estimate was sufficient for the contractors to use to provide bids. This may be evidenced by no change orders or the bids coming in close to the project's original cost estimate (for example, within ten percent).


Inspections [24 CFR 92.205(a), 24 CFR 85.36(f), 24 CFR 92.251(a)(1), 24 CFR 92.508(a)(3)(iv)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
67. Does the project file include documentation of initial inspection? [24 CFR 92.205(a) and 24 CFR 85.36(f)]  <i>Initial inspection report.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
68. Does the project file include documentation of progress inspection? [24 CFR 92.205(a) and 24 CFR 85.36(b)(2)]  <i>Progress inspection reports (or log with notes).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
69. Does the final inspection confirm that all necessary work was completed? [24 CFR 92.251(a)(1)]  <i>Final inspection report.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
70. Regarding property information, is the following documentation in the file: Final inspection report? [24 CFR 92.508(a)(3)(iv)]  <i>Final inspection report.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
71. Does the project file include documentation of a warranty inspection at 11 months?  <i>Warranty inspection report.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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72. Regarding property information, is the following documentation in the file: Warranty inspection report?  <i>Warranty inspection report.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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There are three types of inspections that monitors should ensure are occurring for rehabilitation projects – initial inspection, payment/progress inspections and final inspection.

- **Initial Inspection** – Monitors verify that staff performed and documented an initial inspection to identify the extent of necessary rehabilitation. Inspection reports should identify conditions within the unit that do not meet applicable property standards or codes. In reviewing the files, monitors confirm that inspections were thorough and that the inspectors have adequate training and experience.
- **Payment/Progress Inspections** – Contractors may make as many payment requests as allowed by the Recipient's program procedures, but cannot be paid until a qualified person inspects the property to verify that work requested for payment is in place and done according to the rehabilitation standards and other applicable codes/standards. A small amount (typically 10 percent) should be retained with each progress payment until all work is completed and all contract close-out documentation has been received. Monitors review project files for documentation of each contractor payment request, the subsequent property inspection, and contractor payment documentation.
- **Final Inspection** – Final inspection documents should show that all work specified in the write-up and construction contract is performed properly and that the appropriate property standards and codes are met. Monitors verify that these inspections are done with both the owner and contractor. If an inspection reveals that additional work is required, a detailed list of the remaining work (a "punch list") must be prepared. Monitor verify that final payment to the contractor was not made until all punch list items were completed and re-inspected. Upon satisfactory re-inspection, the Recipient should issue a Certificate of Final Inspection. Where building code inspections are required, the building code inspectors' reports or other documentation from the jurisdiction indicating that the work meets codes/standards should be included in the project file; and
- **Warranty Inspection** – A one-year warranty that ensures sufficient workmanship and materials of the contractor(s) and subcontractor(s) must be documented. Additionally, a warranty inspection must be conducted by the Recipient at eleven months from the initiation of the warranty period. The inspection is used to note and finalize any adjustments needed to correct deficiencies covered by the warranty. Any such deficiencies shall be noted by the Recipient or architect, if applicable, and provided to the contractor in writing and corrected.

Lead-Based Paint Requirements [24 CFR 92.355, 24 CFR Part 35, 24 CFR 92.508.(a)(3)(iv)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.



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Checklist Questions & Key Documents		
<p>73. If the project was constructed before 1978, does project comply with lead safe housing requirements at 24 CFR Part 35? (Complete Lead Hazards Monitoring Guidance for Rehabilitation HUD Checklist, Exhibit 24-1 to answer this question.)</p> <ul style="list-style-type: none"> <i>Documentation that Lead-Based Paint Pamphlet being provided.</i> <i>Documentation that Notice of Lead Hazard Evaluation or Notice of Presumption being provided.</i> <i>Risk Assessment (if applicable).</i> <i>Evidence that qualified contractors being used.</i> <i>Clearance Test (if applicable).</i> <i>Documentation that Notice of Lead Hazard Reduction Activities being provided (if applicable).</i> <i>Abatement Report (if applicable).</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>74. Regarding Property Information, is the following documentation in the file: Notification of Lead-Based Paint? [24 CFR 92.508.(a)(3)(iv)]</p> <ul style="list-style-type: none"> <i>Notice of Lead Hazard Evaluation or Notice of Presumption.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors complete the Lead Hazards Monitoring Guidance for Rehabilitation HUD Checklist Exhibits 24-1, 24-2 or 24-3 to ensure the Lead Safe Housing Rule was applied correctly and appropriately to each particular project/case file. Below is a summary of the lead requirements and documentation required (See 24 CFR Part 35 for more details).

The “level of assistance” dictates the required type of lead hazard evaluation and reduction. This number is determined by calculating the lesser of the federal funds per unit or the rehabilitation hard costs per unit (exclusive of the lead hazard evaluation and reduction costs). Depending on the level of assistance, the monitor needs to ensure the correct level of lead hazard evaluation and reduction was conducted. The file should contain a cost allocation work sheet substantiating that determination.

Monitors verify that the following documentation is in the file:

- **Level of Assistance under \$5,000.** Documentation of a paint test of disturbed surfaces, notice of lead hazard evaluation, evidence of paint repaired by qualified workers who followed safe work practices, clearance and notice of lead hazard reduction activities before re-occupancy.
- **Level of Assistance between \$5,000–\$25,000.** Documentation of a risk assessment or an inspection that presumed there was lead-based paint in the home, notice of lead



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hazard evaluation or presumption, evidence of interim controls or standard treatments by qualified workers who followed safe work practices, clearance and notice of lead hazard reduction activities before re-occupancy.





- **Level of Assistance over \$25,000.** Documentation of a risk assessment or an inspection that presumed there was lead-based paint in the home, notice of lead hazard evaluation or presumption, evidence of abatement activities by qualified workers who followed abatement practices, clearance and notice of lead hazard reduction activities before re-occupancy.

If lead hazard reduction activities occurred, the file must contain the results of a clearance test as well as a lead hazard reduction notice.

- The clearance examination report must indicate that the home passed clearance. If not, the unit must be cleaned and clearance performed again until the unit passed.
- The monitor should check the date of the notice to ensure it was distributed to the owner and occupants of the unit within 15 days of the Recipient receiving the clearance results.

On-site Inspections for Rehabilitation Quality [24 CFR 92.251]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>75. If the project has been selected for an on-site inspection to examine the quality of the rehabilitation work, the monitor should perform a walk-through of the property with the initial inspection, the work write-up, and the final inspection report.</p> <p> <i>Monitoring report/notes from on-site inspection.</i></p>		
<p>76. Based upon observable conditions, have the deficiencies identified in the initial inspection report been corrected? [24 CFR 92.251]</p> <p> <i>Monitoring report/notes from on-site inspection.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>77. If the homeowner was interviewed, is s/he satisfied with the rehabilitation?</p> <p> <i>Monitoring report/notes from on-site inspection.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>78. Is the property free of all obvious property standard violations? [24 CFR 92.251(a)(1)]</p> <p> <i>Monitoring report/notes from on-site inspection.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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While inspecting construction work for quality and for compliance with property standards requires skills in those areas, a common sense approach allows monitors to make some basic determinations:

- Are the work items mentioned in the file present on the job? Do they appear to have been completed in a way the monitor would accept in her or his own home?
- Do costs seem reasonable? Are they allowable under HOME?
- What is the homeowner's evaluation of the work? (Expect that some homeowners will have continuing expectations that are not realistic.)

Monitors that have questions about work or costs seek the advice of an experienced construction inspector. When visiting homes, monitors are careful not to create problems between homeowners and the Recipient's personnel or contractors. If an issue is encountered on a site, monitors always deal with the problem by communicating with the Recipient rather than the homeowner.

G. Contractor Selection [24 CFR 92.350(a), 24CFR 92.505(a), 24 CFR 85.36(c)(9)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
79. How does the Recipient select the contractor? <i>Clipboard</i> <i>Procedures explaining how rehabilitation contractors are chosen.</i>		
80. Does the Recipient maintain a list of qualified contractors? <i>Clipboard</i> <i>Procedures outlining how contractors qualify for the list.</i> <i>Clipboard</i> <i>List of contractors and documentation of qualification.</i> <i>Clipboard</i> <i>Contractor file for each active contractor with page printed from Excluded Parties List, references, and bonding and insurance documentation.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
81. Does the project file include verification of contractor eligibility, e.g. that awards were not made to any party excluded, disqualified or otherwise ineligible (i.e., suspension, debarment or limited denial of participation) for federal procurement or nonprocurement programs? [24 CFR 92.350(a)] <i>Clipboard</i> <i>Evidence the contractor is not on the exclude parties list at time of project.</i> <i>Clipboard</i> <i>Bidding procedures and documentation that contractor met other eligibility requirements of the Recipient.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>82. Was the rationale for the selection of the contractor documented? [24 CFR 92.505(a) and 24 CFR 85.36(c)(9)]</p> <p> <i>Bidding procedures.</i></p> <p> <i>Documentation of selection such as worksheet or notes of bid review.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>83. Did the Recipient select the contractor through a competitive bid process? [24 CFR 92.505(a) and 85.36(c) and (d)]</p> <p> <i>Bidding procedures and documentation procedures followed.</i></p> <p> <i>Worksheet or notes of bid review and cost are determined reasonable and eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>84. Did the recipient solicit, accept and review bids according to the ADFA bid solicitation requirements?</p> <p> <i>Documentation (e.g., worksheet or copies) of bids collected and reviewed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Contractors working under HOME-funded homeowner rehabilitation programs are selected by the Recipient. The selection process must comply with federal procurement rules regarding competitive bidding and ADFA requirements for bid solicitations:

- Monitors verify that a competitive bidding process was used, including that a public invitation for bids was issued and that an attempt was made to solicit more than one bid. Copies of the list the request for bids was mailed to, along with a copy of the newspaper the announcement was published in, should be in the file.
- Bids must be reviewed using consistent criteria. The Recipient should have written guidelines for processing and reviewing their bids that comply with the ADFA requirements for screening contractors (bidding and contract award process).
- In cases where contractors were rejected, monitors confirm that the Recipient documented the reasons the contractor was not selected.

Monitors verify that contractors used for HOME funded projects must, at a minimum:

- Be eligible to work on Federally-funded projects. Eligibility is documented by checking the excluded parties list (<http://www.epls.gov/index.html>) and establishing that contractor is not on the list before issuing a federally funded contract. Monitors should check to ensure this verification is occurring. A print out of the page from the website at <http://www.epls.gov/index.html> stating the contractor is not on the excluded parties list at the time of the search.
- Have a record of good performance and strong references.
- Show proof of having met bonding and insurance requirements required by the ADFA.

Excluded Parties Website:
<http://www.epls.gov/index.html>



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In reviewing project files, monitors verify that all bids were solicited, accepted and reviewed in line with ADFA's requirements. A copy of the winning bid should be found in the project file. Monitors confirm that all firms used in the rehabilitation program perform quality work, are licensed and maintain proper insurance coverage. IADFA requires documentation of the following items in the Recipient's project files:

- Copies of advertisements for bids;
- Proof of publication;
- Bid tabulation worksheets;
- Contractors Arkansas State License;
- General Liability Insurance;
- Builders Risk Insurance; and
- Contractor's ability to obtain a Payment and Performance Bond or Irrevocable Letter of Credit (reconstruction only).

Monitors review the process by which contractors are selected to participate in the program and assess whether the program involves an appropriate number of contractors given its volume. A disproportionately small number of contractors involved in the program can be seen as a possible sign of program performance problems and should be trigger further investigation.

H. Construction Management

To ensure that HOME funds are used for eligible activities, it is important to monitor and document the construction process. The Recipient should have the following documentation in each project file:

- Pre-construction conference report;
- Rehabilitation contract and notice to proceed;
- Change orders;
- Contractor payment requests and inspection documentation;
- Copies of Lead Hazard Evaluation and Reduction Notices and Lead-based Paint Clearance Report (if applicable); and
- Contract close-out.

In reviewing project files, monitors confirm that this documentation is consistent. If the review reveals that total payments to a contractor exceed the amount of the original contract, the file must contain approved change orders documenting the additional cost.

Similarly, if a desk review of the final inspection report (or an on-site inspection) reveals items not included in the original write-up, or if specified work was not performed, the file should contain relevant change orders. When expenditures are unaccounted for in project files, the



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monitor should determine the nature of the costs above the amount of the construction contract. If HOME funds were used to pay for these costs, they must be supported as eligible and reasonable costs or be repaid to the HOME account.

Pre-construction Conference [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
85. Was a pre-construction conference conducted and documented in the file? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] <i>Preconstruction notes or minutes.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The pre-construction conference is required by ADFA to enhance program performance by helping to avoid confusion between the owner and the contractor. Monitors confirm that these conferences are conducted on-site with the owner and the contractor before the execution of any construction contract. The conference documentation should show that the Recipient reviewed the work to be performed and the terms of the contract with both parties. A pre-construction conference reports signed by all parties should be placed in the project file.

Construction Contract [24 CFR 92.505(a), 24 CFR 85.20(b)(6), 24 CFR 92.508.(a)(3)(ii)]

Monitoring staff must confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
86. Does the documentation in the file include a rehabilitation contract executed between the Recipient and contractor? [24 CFR 92.508.(a)(3)(ii)] <i>Construction contract.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
87. Does the file contain a notice to proceed? <i>Notice to proceed.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



Prior to the start of construction, the owner and contractor must execute a rehabilitation contract. ADFA subsequently issues a Notice to Proceed. The monitor should verify that copies of each document are kept in the project file. The work write-up and the contractor's accepted proposal should become a part of the rehabilitation contract. The monitor should review the contract to verify that it was properly executed. If so, the Notice to Proceed is an indicator that all pre-construction tasks have been completed and the project is officially ready to proceed. The notice can be issued at a pre-construction conference or at a later time.



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Progress Inspections [24 CFR 92.505(a), 24 CFR 85.36(b)(2)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
88. Were progress inspections of the project performed prior to approving the contractor's request for payment? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]  <i>Progress/payment inspection reports (log or notes).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
89. Was a final property standards inspection performed? [24 CFR 92.251(a) and 24 CFR 85.36(b)(2)]  <i>Inspection notes.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No


Monitors should ensure that progress inspections are conducted to document that the work being done adheres to the construction contract and all applicable codes and standards prior to contractor payment. Monitors should find records of performance and inspections of the construction work in the project file. Inspections should be documented for any of the following situations:

- Payment requests;
- Change orders;
- Client complaints;
- Project delays; or
- Critical point in construction; when certain work is about to be covered by other work (e.g. before drywall covers the electrical, plumbing, framing rough-in, before concrete covers the foundation trench and reinforcing bar).

Monitors verify that inspections are done with both the owner and contractor present and that the homeowner signs off on the payment approvals.

Appropriate Approvals

Monitoring staff must confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
90. Did the owner approve final payment to the contractor?  <i>Documentation of homeowner approval (signature) on final payment request/draw or similar documentation.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors verify that the homeowner agreed that the work was completed on his/her home prior to final payment to the contractor and release of liens. This should be done by locating the



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homeowner's signature on the final payment/draw request and on any other final documentation at the end of the project.

Change Orders [24 CFR 92.505(a), 24 CFR 85.20(b)(6), 85.36(f)(1), 24 CFR 92.508.(a)(3)(ii)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>91. Is there documentation in the file that the Recipient, owner and ADFA review and approve change orders for any changes in the scope of work? [24 CFR 92.505(a) and 24 CFR 85.20(b)(6) and 85.36(f)(1)]</p> <p> <i>Change orders with backup documentation regarding necessity of change order and compliance with written rehabilitation and other applicable housing codes/standards.</i></p> <p> <i>Documentation that costs were reviewed for eligibility and reasonableness.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Any change in the scope of work or budget for a project must be documented and approved as a change order before the work is initiated. A change order then becomes a binding part of the construction contract and helps ADFA ensure the quality of the work. Recipients should have procedures for handling change orders. When reviewing change orders, monitors confirm that the revised scope of work was necessary to meet applicable standards and that the new costs were eligible and did not exceed funding limits. Monitors also confirm that change orders were signed by all appropriate parties (the homeowner, the contractor, the Recipient and ADFA as ADFA has to review and approve all change orders).



- If a desk review of the final inspection report (or an on-site inspection) reveals items not included in the original write-up or, if specified work was not performed, the file should contain change order(s).
- In reviewing project files, monitors confirm that this documentation is consistent. For example, change order documentation should appear any time a change is made regardless if whether or not the dollar amount of the project changed.
- If the monitoring reveals that total payments to a contractor exceeded the amount of the original contract, the file must contain approved change orders documenting the additional cost.
- When expenditures are unaccounted for in project files, the monitor should determine the nature of the costs above the amount of the construction contract. If HOME funds were used to pay for these costs, ADFA may determine that the Recipient must repay those funds.



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Lien Releases and Warranty Information [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]

Monitoring must confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
92. Does the project file contain: Final Lien Release? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]  <i>Lien release form signed by the Recipient and/or homeowner.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
93. Does the project file contain: Contractor Warranty or Equipment Warranties? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]  <i>Warranty information and documentation it was provided to the homeowner (e.g., signature on form indicating receipt).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



Monitors look for a release of liens signed by all parties in the files. In addition, the contractor should provide all warranties or affidavits to the homeowner at the completion of the project. Original warranty documents should be provided to the homeowner; however, the Recipient should maintain a copy or other documentation in the project file.

I. Loan Processing and Servicing

There are several HOME and ADFA requirements concerning loan documentation, repayment and use of loan funds. These areas are discussed below.

Underwriting Procedures

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
94. Does the Recipient have program procedures in regards to underwriting?  <i>Program procedures, particularly with regard to loan underwriting.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
95. Is there a worksheet or other documentation showing how the loan amount was calculated?  <i>Documentation as to how loan amount calculated.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

ADFA establishes specific underwriting practices for repayable loans. In particular, to qualify for a repayable loan, the homeowner must meet the following criteria:



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- Total monthly housing expense may not exceed 33% of monthly gross income. Housing expenses include principal, interest, taxes, and insurance;
- Total monthly debt related expenses –including car loan payments, credit card debt payments- may not exceed 43% of monthly gross income; and
- Credit inquiry to determine the homeowner’s ability to repay the repayable portion of the ADFA HOME Program Loan

Loan Approval

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
96. Is there a date on the approval determination? <i>Date of Approval—assistance must be provided within six months of income determination.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
97. Are there acceptance and rejection letters in regards to the loan in the file? <i>Letter of acceptance or rejection of loan.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
98. Is there a copy of the Truth-in-lending notice in the file? <i>Truth-in-lending notice.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors review the Recipient’s loan approval process to determine if it provides adequate information to the homeowner. When a loan is approved or rejected, homeowners should receive full information about their status (i.e., approved or not approved) and, if applicable, the terms of the assistance and their payment obligations. At the time the loan documents are executed, the Recipient must provide truth-in-lending materials to the borrower and fully explain the owner’s rights to cancel the assistance. Loan documents signed by the homeowner should also be in the project files. The signed agreements should contain all of the provisions required by the HOME Program at 24 CFR 92.504(c)(5).







Loan Documentation [24 CFR 92.205(b)(1), 24 CFR 92.505(a), 24 CFR 85.20(b), 24 CFR 92.508(a)(3)(ii)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
99. Did the homeowner sign the loan agreement? [24 CFR 92.205(b)(1); 24 CFR 92.505(a) and 24 CFR 85.20(b)(2) and 85.20(b)(6)] <i>Signed loan agreement.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>100. Were loan documents recorded? [24 CFR 92.505(a) and 24 CFR 85.20(b)(3)]</p> <p> <i>Deed of trust or note and mortgage and evidence documents were recorded with the local government.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>101. If funding sources in addition to HOME were used, do project records include documentation of the source and application of funds for the project? [24 CFR 92.508(a)(3)(ii); 24 CFR 92.505(a) and 24 CFR 85.20(b)]</p> <p> <i>Documentation of additional funding sources such copy of application, budget documents, financial records indicating the HOME portion of payments.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>102. Regarding legal documents, are there closing documents in the file? [24 CFR 92.508(a)(3)(ii)]</p> <p> <i>Executed written agreement.</i></p> <p> <i>Deed of trust or promissory note & mortgage signed and notarized.</i></p> <p> <i>Truth in Lending Disclosure Statement.</i></p> <p> <i>Right to Cancel or Right of Rescission.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors confirm that program loan documents are consistent, complete, properly executed, properly recorded and reflect all applicable HOME and other federal requirements. The following documents are recommended for inclusion:

- Deed of trust or note and mortgage (usually filed at the courthouse or county records office; the recorded copy should be returned to ADFA to be placed in the file);
- Real estate note (copy of promissory note should be in the file, signed and notarized);
- Truth in Lending Disclosure Statement; and
- Right to Cancel or Right of Rescission (applicants have a right to cancel their loans within three days).





In addition, HOME rules require that the homeowner signs a written agreement that includes the required provisions. ADFA's template written agreement must be executed before any HOME funds may be disbursed. Monitors verify that the Recipient has used ADFA's standard loan agreement and that an executed copy of the agreement is available in all project files.



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J. Program Administrator and Performance Standard

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>103. Does the Recipient directly administer the homeowner rehabilitation program? If not, obtain a copy of the HOME written agreement for the use of a contractor/administrator.</p> <p> <i>Written agreement(s) with contractors/administrators, particularly roles and responsibilities.</i></p> <p> <i>HOME Status reports from staff or Recipient.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>104. Is the Recipient meeting the performance standard related to expenditures?</p> <p> <i>Review Notice to proceed issued by ADFA for the Recipient's program. This document establishes timeline for standard.</i></p> <p> <i>Review draws submitted for reimbursement</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

While many Recipients operate their HOME-funded rehabilitation programs with internal staff and resources, others rely on contractors to administer all or part of the program. Recipients might use contractors to perform marketing activities, identify eligible applicants, provide homeowner counseling, develop initial work write-ups and cost estimates, manage construction, or serve as the contractor on individual projects.

When the administration of the program is shared between the Recipient and a partner, monitors review written agreements that articulate roles and responsibilities to ensure that all obligations of the ADFA HOME Program are carried out by one of the administering entities. ADFA's written agreement template should be used for agreements with contractors/administrators.

Monitoring staff regularly review status reports from HOME staff or Recipients in order to monitor compliance and evaluate performance. ADFA's performance standard is related to expenditure from issuance of the Notice to Proceed. Recipients must expend:

- 25% of allocation within 90 days;
- 75% of allocation within 1 year; and
- 100% of allocation within 18 months.



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Section 3. Monitoring Program and Project (Case File) for Loan Term Compliance (Reference: HUD Checklists 7-0 and 7-3)

A. Occupancy [24 CFR 92.254(b)(2), 24 CFR 508(a)(3)(xi)]

Checklist Questions & Key Documents		
<p>105. Is the Recipient monitoring ongoing occupancy?</p> <p> <i>Review Notice to proceed issued by ADFA for the Recipient's program. This document establishes timeline for standard.</i></p> <p> <i>Utility bills, copy of annual insurance policy statement or other documentation that owner is using home as principal residence.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>106. Does the Recipient take appropriate actions when a homeowner is found in noncompliance with the principal residency requirements? [HOME: 24 CFR 92.504(a)(5)]</p> <p> <i>Project file documentation evidencing enforcement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Ongoing monitoring requirements, imposed by ADFA, include requirements that assisted households must maintain principal residency. Appropriate documentation in files for annual reviews include:

- Certified letter sent to the homebuyer;
- Verification of hazard insurance on the property; and/or
- Review of annual tax records.

B. Ownership [§92.254(c), 92.508(a)(3)(xi)]

ADFA imposes restrictions on changes in ownership during the term of the loan. Recipients must document compliance with restrictions.

Checklist Questions & Key Documents		
<p>107. If the ownership changed before the end of the affordability period, were the ADFA requirements related to changes in ownership met?</p> <p> <i>Documentation that new owner is eligible and maintaining property as principal residency.</i></p> <p> <i>Documentation that ADFA was informed of the change and approved new owner.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>108. Based upon a review of the project file, is the documentation being maintained sufficient to demonstrate compliance with the ADFA requirements for changes in homeownership?</p> <p> <i>Written agreement with ADFA provisions.</i></p> <p> <i>Documentation that ADFA was informed of the change and approved new owner.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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ADFA imposes long term affordability requirements on homeowner rehabilitation activities. Program written agreements must reflect the long term affordability requirements and the restriction should be listed on the deed to alert interested parties of the ownership related restrictions during the loan term. For example, HOME Program loan may be assumed, with ADFA's prior written approval, if the new owner satisfies the requirements to properly obtain title and will meet the following requirements:

- Is low-income (i.e., income is equal to or less than eighty percent (80%) of area median income, adjusted for family size);
- Will occupy the property as the principal residence; and
- Is certified by ADFA as eligible to receive HOME Program assistance.

In cases where an owner-occupant dies before the end of the "affordability period" and/or a HOME Program promissory note is paid in full, the following remedies are applicable and should be documented in the files reviewed:


- **HOME Program loan with no heirs.** If ADFA has the first position on the property, it will seek to sell the property to an income eligible borrower.
- **HOME Program loan with heirs.** If ADFA has the first position on the property, and an heir qualifies to become an owner-occupant, with ADFA's prior written approval, the heir may purchase or have title transferred to him.
 - If the heir does not qualify as eligible to receive HOME Program assistance, the heir will have the opportunity to sell the property to an income eligible borrower or in the case of sale of the property to a non-income eligible borrower, the heirs will be required pay off any remaining balance of HOME Program funds.
 - If the heir does not sell the property, ADFA will foreclose and seek to sell the property to an income eligible borrower.
- **Loan repayment conditions with heirs.** If ADFA has the first position on the property, the heirs will have the option of paying off the loan. If the heirs are unable to pay off the total loan and qualify as an eligible owner-occupant, the heir may assume the loan upon verification of eligibility and ability to repay the loan according to terms negotiated between ADFA and the heir(s).
- **Forgivable loans (\$25K or less).** In the event of the death of owner-occupant(s) on homeowner rehabilitation forgivable loans (\$25K or less) during the ADFA-imposed affordability period, ADFA will prepare a Release of Lien forgiving the remaining loan balance.



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C. Inspections [24 CFR 92.205(a), 24 CFR 85.36(f), 24 CFR 92.251(a)(1), 24 CFR 92.508(a)(3)(iv)]


Ongoing monitoring requirements, imposed by ADFA, include requirement that the property is maintained at Housing Quality Standards.

Checklist Questions & Key Documents		
109. Regarding property information, is the following documentation in the file: Ongoing inspections during the loan term?  <i>Ongoing inspection report.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Recipients are expected to perform annual inspection and provide reports or other evidence that exterior of the property meets minimum Housing Quality Standards (HQS).

D. Insurance and Tax Requirements

Ongoing monitoring requirements, imposed by ADFA, include requirements that assisted households must be current real estate tax payments and maintain hazard insurance for post-rehabilitation replacement cost.


Checklist Questions & Key Documents		
110. Is the Recipient monitoring for compliance with ADFA's insurance and tax requirements?  <i>Inspection report.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Recipients must provide evidence of annual payment of real estate taxes and homeowners insurance sufficient to cover replacement of the structure.

When applicable, efforts to obtain copies of homeowner's insurance policies and real estate tax receipts must include a minimum of two letters of request and one personal visit by the recipient or other designee. If these efforts are unsuccessful, ADFA reserves the right to take steps necessary to obtain the documents, up to and including recapture of funds or foreclosure.

E. Compliance Determination based on File Review [24 CFR 92.508(a)(3)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
111. Based upon this file review, is the document sufficient to determine compliance with HOME requirements? [24 CFR 92.508(a)(3)]  <i>File review checklists and notes.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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After reviewing the file, monitors determine whether the project is in compliance or not. The monitoring file will be documented to show whether it meets compliance and follow-up action items should be addressed and documented if applicable.



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Section 4. Resources

The following tools are provided as additional resources to assist the monitor in reviewing Recipients for compliance for the homeowner rehabilitation program:

- ADFA Checklist for Homeowner Rehabilitation Monitoring – (Attachment 4-1).
- Summary of Key Homeowner Rehabilitation Rules and How to Document (Attachment 4-2).
- Summary of Key Other Federal Requirements for Owner Occupied Rehabilitation (Attachment 4-3).



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Attachment 4-1

ADFA Checklist for Homeowner Rehabilitation Monitoring

Checklist Questions & Key Documents		
<p>1. Are written informational materials such as marketing materials, informational materials for potential applicants, application forms, etc. about the program available? If “yes” obtain copies.</p> <p> <i>Marketing procedures/plan.</i></p> <p> <i>Marketing advertisements and flyers.</i></p> <p> <i>Evidence of fair housing logo on marketing materials.</i></p> <p> <i>Application form/package.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>2. Does the Recipient have a procedures manual that outlines policies with respect to:</p> <p>(a) Initial eligibility screenings of applicants;</p> <p>(b) Program education for homeowners;</p> <p>(c) Procedures for notifying homeowners about awards/rejection?</p> <p> <i>Policies/procedures.</i></p> <p> <i>Documentation indicating how applicants were selected.</i></p> <p> <i>Approval or rejection letters.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>3. Does the list of participating households in the Recipient files match the list of households in the program application to ADFA? Does it match the households listed in the written agreement with ADFA? If there are any changes, was ADFA informed and the written agreement updated?</p> <p> <i>Application with participant household information.</i></p> <p> <i>Written agreement with participant household information.</i></p> <p> <i>Communication with ADFA regarding changes</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>4. Was the Part 5 (Section 8) definition of income used (e.g. selected for this homeownership rehabilitation program)?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>5. Did the Recipient correctly apply income inclusions and exclusions for the Part 5 (Section 8) definition and was the calculation performed correctly? [24 CFR 92.203(b)]</p> <p> <i>Procedures detailing the definition of income for activity.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>6. Was household income supported with source documentation? [24 CFR 92.203(a)(2)]</p> <p> <i>Source documentation of income for all household members—pay stubs, bank statements, and documents from third parties (e.g., Social Security Administration).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>7. Was the household's annual income less than or equal to 80 percent of the area median income? [24 CFR 92.254(b)]</p> <p> <i>Copy of HUD's income limits from verification date.</i></p> <p> <i>Documentation of comparison of the household's income to the HUD income limit for the applicable household size.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>8. Was the household's income determined not more than six months before the HOME funds were committed to this homebuyer? [HOME: 24 CFR 92.203(d)(2)]</p> <p> <i>Income verification date (on income calculation worksheet) compared to HOME/ADDI written agreement date.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>9. For household information, is the following documentation in the file: Completed application?</p> <p> <i>Application with all household members identified.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>10. For household information, is the following documentation in the file: Verification of Income? [24 CFR 92.508(a)(3)(v)]</p> <p> <i>Worksheet calculating anticipated household income and compared to current HUD income limits.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>11. For household information, is the following documentation in the file: Approval notification/documents?</p> <p> <i>Acceptance or rejection letter based upon income determination.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>12. Does the documentation in the file demonstrate that the household uses this property as its principal residence (e.g., utility bill)? [24 CFR 92.254(b)(2)]</p> <p><i>✍ Evidence the participant has certified the property is and will continue to be their primary residence (e.g., signed statement or form developed by the Recipient).</i></p> <p><i>✍ Notes/reports in the file showing an inspector visited the property and witnessed that the applicant resides at the property or other documentation such as utility bills to demonstrate residency.</i></p> <p><i>✍ Written agreement with language regarding the principal residence requirement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>13. Has the household been using this property as its principal residence for a minimum of 3 years (e.g., utility bill)?</p> <p><i>✍ Evidence the participant has certified the property was their primary residence for a minimum of 3 years (e.g., signed statement or form developed by the Recipient).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>14. Does the written agreement with the homeowner specify that the homeowner must maintain principal residency throughout the loan term?</p> <p><i>✍ Written agreement with language regarding the principal residency and loan term requirements.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>15. Does the written agreement specify remedies or actions the Recipient must take if the loan term requirements are not met for the loan term?</p> <p><i>✍ Written agreement with language regarding the Recipient's action if loan term requirements are not met.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>16. Did program staff obtain evidence of ownership? (Note: A deed alone is not sufficient documentation. A title search or a recent review of recorded ownership information should have been conducted.) [24 CFR 92.254(c)]</p> <p><i>✍ Deed or other documentation of ownership.</i></p> <p><i>✍ Title search report or other similar documented review of ownership.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No













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<p>17. Was the form of ownership eligible under the ADFA HOME program (i.e., fee simple title; condominium or other, with ADFA and HUD approval)? [HOME: 24 CFR 92.2 and 24 CFR 92.254(c)]</p> <p> <i>Fee simple title, deed or other documentation of ownership.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>18. Regarding legal documents, is there a copy of the deed in the file? [24 CFR 92.508(a)(3)(xi)]</p> <p> <i>Deed or other documentation of ownership.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>19. Regarding legal documents, is there a copy of the Title Search and/or Preliminary Title Opinion in the file? [24 CFR 92.508(a)(3)(xi)]</p> <p> <i>Title Search Report or Preliminary Title Opinion.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>20. Does the written agreement with the homeowner include required provisions related to changes in ownership?</p> <p> <i>Written agreement with all required provisions.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>21. Was a deed restriction or covenant running with the land recorded?</p> <p> <i>Deed restriction or covenant running with the land.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>22. Regarding legal documents, is there a Homeowner HOME Written Agreement in the file? [24 CFR 92.504(b)(5) and 92.508(a)(3)(ii)]</p> <p> <i>Copy of fully executed (signed) written agreement. Check that all required provisions included, that dates are filled in and that signatures are on the document.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>23. Does the Recipient have a loan agreement and a promissory note with the homeowner that clearly explains the terms of the loan?</p> <p> <i>Loan Agreement (check dates, conditions and terms); and</i> <i>Promissory Note (check dates, conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>24. Are ADFA template program agreements, loan agreements, promissory note and lien documents used?</p> <p> <i>Review program agreements with beneficiaries and lien documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>25. Did the Recipient make changes to the ADFA template program agreements, loan agreements, promissory note and lien documents? If so, were the changes approved and reviewed by ADFA?</p> <p> <i>Correspondence with ADFA regarding proposed changes to the ADFA template documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>26. Are the program agreements, loan agreements, promissory note and lien documents recorded?</p> <p> <i>Review copies of recorded documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>27. Is the ADFA lien position appropriate?</p> <p> <i>Lien position related documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>28. Does the Recipient have procedures for resolving disputes between contractors and homeowners?</p> <p> <i>Program guide for applicants.</i></p> <p> <i>Conflict resolution procedures and documentation that any complaints were handled in accordance with such procedures.</i></p> <p> <i>Disciplinary procedures for poor performing contractors.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>29. Has ADFA received an unusually high number of complaints regarding the Recipient's homeowner rehabilitation program during the past 12-24 months?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>30. Is the Recipient assisting eligible property types?</p> <p> <i>Review Recipient procedures, marketing and intake materials to ensure the eligible property types are specified for the program.</i></p> <p> <i>Review application to ADFA HOME Program for compliance.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>31. Was the property listed as a single-family home (1-4 units)?</p> <p> <i>Inspection report or other document that provides identification of property type.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>32. Was the property within the Recipient's boundaries?</p> <p> <i>Map or tax information indicating location of property to ensure property located within Recipient's boundaries.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>33. Are there policies/procedures for ensuring that all projects will require at least \$1,000 of funds per HOME assisted unit, but no more than the maximum HOME subsidy amount pursuant to 24 CFR 92.205(c) and 24 CFR 92.250(a)?</p> <p><i>Review Recipient procedures, marketing and intake materials to ensure the eligible property types are specified for the program.</i></p> <p><i>Review application to ADFA HOME Program for compliance.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>34. Was the amount of HOME subsidy at or below the applicable maximum per unit subsidy limit for the unit? [24 CFR 92.250(a)]</p> <p><i>Copy of the 221(d)(3) limits for the year the project was funded.</i></p> <p><i>Evidence in the file that the amount provided was less than the applicable 221(d)(3) limit (form or other documentation).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>35. Was the amount of HOME subsidy equal to or greater than the \$1,000 minimum per unit subsidy? [24 CFR 92.205(c)]</p> <p><i>Agreement or grant/loan document or other documentation in the file showing amount of assistance provided.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>36. Is the assistance provided to homeowners within the maximum and minimum assistance limits set by ADFA?</p> <p><i>Review Recipient procedures, marketing and intake materials to ensure the assistance limits are specified for the program.</i></p> <p><i>Review application form to ADFA.</i></p> <p><i>Review loan agreement and promissory note to beneficiary.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>37. Is the Recipient program within the maximum and minimum program limits set by ADFA?</p> <p><i>Review Recipient procedures to ensure that applicant intake and approval processes account for program limit.</i></p> <p><i>Review application form to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>38. What is the 95 percent of area median purchase price applicable to the Recipient's program for the time period being reviewed? Obtain the Federal Housing Administration (FHA) 203(b)-determined limits for the area. [24 CDR 92.254(a)(2)(iii)]</p> <p> Procedures identifying the method used for estimate of value of property after rehabilitation.</p> <p> Procedures identifying the method used for determining 95 percent of median purchase price limit.</p>		
<p>39. Is the estimated after-rehabilitation property value less than or equal to 95 percent of the median single-family purchase price for the area as determined by Recipient? [24 CFR 92.254(b)(1)]</p> <p> 203(b) limits for year project was funded.</p> <p> Evidence in the file comparing the after rehabilitation value to the 203(b)limits and that the limits were not exceeded.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>40. Was the after-rehabilitation value of the property determined using appropriate methods (e.g., appraisal, tax assessments or assessments by qualified staff)? [HOME: 24 CFR 92.254(a)(2)]</p> <p> Appraisal, tax assessment or in-house estimate by qualified staff documenting after-rehabilitation value.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>41. Does the project file include an Environmental Review Record [HOME: 24 CFR 92.352]</p> <p> Environmental Review Record (ERR).</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>42. Does the Environmental Review Record meet the environmental review requirements? (Complete HUD Checklist 21-1 to answer this question.) [24 CFR 92.352]</p> <p> Environmental Review Record (ERR).</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>43. Does the Recipient have a temporary relocation plan?</p> <p> Temporary relocation policy.</p> <p> Evidence that the relocation dwelling was safe and sanitary by an inspection report or notes.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>44. If relocation was required for a project, does the Recipient document a file for each resident relocated?</p> <p> Payment expense log for the resident.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No












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<p>45. Are all costs detailed on the cost estimate and in the rehabilitation contract eligible under the HOME Program? [24 CFR 92.206]</p> <p> <i>Work write-up and draw requests to ensure costs are eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>46. If costs were not eligible, was another source of funds used for these costs?</p> <p> <i>IDIS Activity set-up sheet and draw record.</i></p> <p> <i>Budget review sheet/log for project.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>47. Are total projects costs within the maximum limit?</p> <p> <i>Review Recipient procedures to ensure that applicant intake and approval processes account for program limit.</i></p> <p> <i>Review application form to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>48. Are costs to rehabilitate/build garages eligible?</p> <p> <i>Review program procedures, marketing and intake materials to ensure that eligible garage costs are specified for the program.</i></p> <p> <i>Review plans to determine if garages are attached to the structure.</i></p> <p> <i>If detached, review documentation of extenuating circumstances.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>49. Are project and project administration costs eligible and within the 10% limit?</p> <p> <i>Review total amount drawn to-date to ensure compliance with 10% limit.</i></p> <p> <i>Review cost certification forms.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>50. Are changes in the Recipient's program communicated to ADFA?</p> <p> <i>Review Recipient procedures to ensure that any changes in number of units, development costs and/or financing sources are communicated to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>51. Do the costs appear reasonable (e.g., based upon the Recipients cost estimate and costs of comparable work in the area)? [24 CFR 92.505(a) and 24 CFR 85.22 and OMB A-87, Attachment A, Section C.2]</p> <p> <i>Work write-up and draw requests to ensure costs are reasonable.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>52. If ADFA HOME funds were used for refinancing, is there documentation in the file demonstrating that the primary use of the funds is rehabilitation and that the household's overall housing costs were reduced?</p> <p> <i>Documentation of rehabilitation.</i></p> <p> <i>Worksheet or form illustrating the reduction in overall housing costs to the homeowner.</i></p> <p> <i>Copy of the refinanced loan document(s).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>53. If ADFA HOME funds were used for refinancing, is there documentation that the balance on the mortgage at the time of application was \$5,000 or less?</p> <p> <i>Review Recipient procedures, marketing and intake materials to ensure the eligible property types are specified for the program.</i></p> <p> <i>Review Recipient application to ADFA HOME Program for compliance.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>54. Are the procedures for determining the amount and terms of assistance provided inline with ADFA requirements for the amount and terms of assistance?</p> <p> <i>Policies/procedures identifying the type of assistance provided to homeowners.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>55. Was the subsidy provided in an eligible form of investment? [24 CFR 92.205(b)(1)]</p> <p> <i>Written agreement and, if applicable, loan documents to determine if form of assistance is HOME eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>56. If the subsidy was provided in a different form, was that form approved by ADFA? [24 CFR 92.205(b)(1)]?</p> <p> <i>Documentation from ADFA indicating approval of some other form of subsidy.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No














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<p>57. Are the terms of the loans described in information provided to, and written agreements executed by, homeowners? Obtain a copy of the written agreement and any written guidance provided to homeowners.</p> <p> <i>Policies/procedures describing the provisions related to changes in homeownership.</i></p> <p> <i>Written agreement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>58. Do the loan terms reflect ADFA's requirements for Forgivable and Repayable loans?</p> <p> <i>Loan Agreement (check dates, conditions and terms); and</i></p> <p> <i>Promissory Note (check dates, conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>59. Are loan repayments directed to ADFA's Accounting Department?</p> <p> <i>Loan Agreement (check conditions and terms); and</i></p> <p> <i>Promissory Note (check conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>60. What property standards apply to the homeowner rehabilitation program? Obtain copy if monitoring rehabilitation work. [24 CFR 92.251(a)(1)]</p> <p> <i>Procedures identifying the state/local code used for activity.</i></p> <p> <i>Procedures identifying the applicable ADFA written rehabilitation/reconstruction standards.</i></p>		
<p>61. Was the work performed in accordance with the ADFA's standards? [24 CFR 92.251(a)(1)]</p> <p> <i>Copy of applicable rehabilitation/reconstruction standards.</i></p> <p> <i>Specifications/work write-ups and inspections reports (for comparison to the standards).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>62. Does the final inspection confirm that the property met all applicable property standards at completion? [24 CFR 92.251(a)(1)]</p> <p> <i>Copy of final inspection report to ensure property met all applicable codes and standards at completion.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>63. Does the work write-up/cost estimate documentation in the file establish that rehabilitation work required meets HUD and ADFA minimum assistance limits? [24 CFR 92.205(c)]</p> <p> <i>Work write-up/cost estimate</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>64. Does the work write-up include all work noted on the initial inspection report? [24 CFR 92.251]</p> <p> <i>Initial Inspection Report.</i></p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>65. Does the work write-up reflect the ADFA's standards for rehabilitation and/or reconstruction, as applicable? [24 CFR 92.251(a)(1)]</p> <p> <i>Written rehabilitation standards.</i></p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>66. Was the work write-up written with enough detail to enable a contractor to provide a reliable bid? [24 CFR 92.505(a) and 24 CFR 85.36(c)(3)(i) and 85.36(d)(2)(i)(A)]</p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>67. Does the project file include documentation of initial inspection? [24 CFR 92.205(a) and 24 CFR 85.36(f)]</p> <p> <i>Initial inspection report.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>68. Does the project file include documentation of progress inspection? [24 CFR 92.205(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Progress inspection reports (or log with notes).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>69. Does the final inspection confirm that all necessary work was completed? [24 CFR 92.251(a)(1)]</p> <p> <i>Final inspection report.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>70. Regarding property information, is the following documentation in the file: Final inspection report? [24 CFR 92.508(a)(3)(iv)]</p> <p> <i>Final inspection report.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>71. Does the project file include documentation of a warranty inspection at 11 months?</p> <p> <i>Warranty inspection report.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>72. Regarding property information, is the following documentation in the file: Warranty inspection report?</p> <p> <i>Warranty inspection report.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>73. If the project was constructed before 1978, does project comply with lead safe housing requirements at 24 CFR Part 35? (Complete Lead Hazards Monitoring Guidance for Rehabilitation HUD Checklist, Exhibit 24-1 to answer this question.)</p> <p> <i>Documentation that Lead-Based Paint Pamphlet being provided.</i></p> <p> <i>Documentation that Notice of Lead Hazard Evaluation or Notice of Presumption being provided.</i></p> <p> <i>Risk Assessment (if applicable).</i></p> <p> <i>Evidence that qualified contractors being used.</i></p> <p> <i>Clearance Test (if applicable).</i></p> <p> <i>Documentation that Notice of Lead Hazard Reduction Activities being provided (if applicable).</i></p> <p> <i>Abatement Report (if applicable).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>74. Regarding Property Information, is the following documentation in the file: Notification of Lead-Based Paint? [24 CFR 92.508.(a)(3)(iv)]</p> <p> <i>Notice of Lead Hazard Evaluation or Notice of Presumption.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>75. If the project has been selected for an on-site inspection to examine the quality of the rehabilitation work, the monitor should perform a walk-through of the property with the initial inspection, the work write-up, and the final inspection report.</p> <p> <i>Monitoring report/notes from on-site inspection.</i></p>		
<p>76. Based upon observable conditions, have the deficiencies identified in the initial inspection report been corrected? [24 CFR 92.251]</p> <p> <i>Monitoring report/notes from on-site inspection.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>77. If the homeowner was interviewed, is s/he satisfied with the rehabilitation?</p> <p> <i>Monitoring report/notes from on-site inspection.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No












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<p>78. Is the property free of all obvious property standard violations? [24 CFR 92.251(a)(1)]</p> <p> <i>Monitoring report/notes from on-site inspection.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>79. How does the Recipient select the contractor?</p> <p> <i>Procedures explaining how rehabilitation contractors are chosen.</i></p>		
<p>80. Does the Recipient maintain a list of qualified contractors?</p> <p> <i>Procedures outlining how contractors qualify for the list.</i></p> <p> <i>List of contractors and documentation of qualification.</i></p> <p> <i>Contractor file for each active contractor with page printed from Excluded Parties List, references, and bonding and insurance documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>81. Does the project file include verification of contractor eligibility, e.g. that awards were not made to any party excluded, disqualified or otherwise ineligible (i.e., suspension, debarment or limited denial of participation) for federal procurement or nonprocurement programs? [24 CFR 92.350(a)]</p> <p> <i>Evidence the contractor is not on the exclude parties list at time of project.</i></p> <p> <i>Bidding procedures and documentation that contractor met other eligibility requirements of the Recipient.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>82. Was the rationale for the selection of the contractor documented? [24 CFR 92.505(a) and 24 CFR 85.36(c)(9)]</p> <p> <i>Bidding procedures.</i></p> <p> <i>Documentation of selection such as worksheet or notes of bid review.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>83. Did the Recipient select the contractor through a competitive bid process? [24 CFR 92.505(a) and 85.36(c) and (d)]</p> <p> <i>Bidding procedures and documentation procedures followed.</i></p> <p> <i>Worksheet or notes of bid review and cost are determined reasonable and eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>84. Did the recipient solicit, accept and review bids according to the ADFA bid solicitation requirements?</p> <p> <i>Documentation (e.g., worksheet or copies) of bids collected and reviewed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No












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<p>85. Was a pre-construction conference conducted and documented in the file? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Preconstruction notes or minutes.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>86. Does the documentation in the file include a rehabilitation contract executed between the Recipient and contractor? [24 CFR 92.508.(a)(3)(ii)]</p> <p> <i>Construction contract.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>87. Does the file contain a notice to proceed?</p> <p> <i>Notice to proceed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>88. Were progress inspections of the project performed prior to approving the contractor's request for payment? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Progress/payment inspection reports (log or notes).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>89. Was a final property standards inspection performed? [24 CFR 92.251(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Inspection notes.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>90. Did the owner approve final payment to the contractor?</p> <p> <i>Documentation of homeowner approval (signature) on final payment request/draw or similar documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>91. Is there documentation in the file that the Recipient, owner and ADFA review and approve change orders for any changes in the scope of work? [24 CFR 92.505(a) and 24 CFR 85.20(b)(6) and 85.36(f)(1)]</p> <p> <i>Change orders with backup documentation regarding necessity of change order and compliance with written rehabilitation and other applicable housing codes/standards.</i></p> <p> <i>Documentation that costs were reviewed for eligibility and reasonableness.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>92. Does the project file contain: Final Lien Release? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Lien release form signed by the Recipient and/or homeowner.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>93. Does the project file contain: Contractor Warranty or Equipment Warranties? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Warranty information and documentation it was provided to the homeowner (e.g., signature on form indicating receipt).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>94. Does the Recipient have program procedures in regards to underwriting?</p> <p> <i>Program procedures, particularly with regard to loan underwriting.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>95. Is there a worksheet or other documentation showing how the loan amount was calculated?</p> <p> <i>Documentation as to how loan amount calculated.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>96. Is there a date on the approval determination?</p> <p> <i>Date of Approval—assistance must be provided within six months of income determination.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>97. Are there acceptance and rejection letters in regards to the loan in the file?</p> <p> <i>Letter of acceptance or rejection of loan.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>98. Is there a copy of the Truth-in-lending notice in the file?</p> <p> <i>Truth-in-lending notice.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>99. Did the homeowner sign the loan agreement? [24 CFR 92.205(b)(1); 24 CFR 92.505(a) and 24 CFR 85.20(b)(2) and 85.20(b)(6)]</p> <p> <i>Signed loan agreement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>100. Were loan documents recorded? [24 CFR 92.505(a) and 24 CFR 85.20(b)(3)]</p> <p> <i>Deed of trust or note and mortgage and evidence documents were recorded with the local government.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>101. If funding sources in addition to HOME were used, do project records include documentation of the source and application of funds for the project? [24 CFR 92.508(a)(3)(ii); 24 CFR 92.505(a) and 24 CFR 85.20(b)]</p> <p> <i>Documentation of additional funding sources such copy of application, budget documents, financial records indicating the HOME portion of payments.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>102. Regarding legal documents, are there closing documents in the file? [24 CFR 92.508(a)(3)(ii)]</p> <ul style="list-style-type: none"> Executed written agreement. Deed of trust or promissory note & mortgage signed and notarized. Truth in Lending Disclosure Statement. Right to Cancel or Right of Rescission. 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>103. Does the Recipient directly administer the homeowner rehabilitation program? If not, obtain a copy of the HOME written agreement for the use of a contractor/administrator.</p> <ul style="list-style-type: none"> Written agreement(s) with contractors/administrators, particularly roles and responsibilities. HOME Status reports from staff or Recipient. 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>104. Is the Recipient meeting the performance standard related to expenditures?</p> <ul style="list-style-type: none"> Review Notice to proceed issued by ADFA for the Recipient's program. This document establishes timeline for standard. Review draws submitted for reimbursement 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>105. Is the Recipient monitoring ongoing occupancy?</p> <ul style="list-style-type: none"> Review Notice to proceed issued by ADFA for the Recipient's program. This document establishes timeline for standard. Utility bills, copy of annual insurance policy statement or other documentation that owner is using home as principal residence. 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>106. Does the Recipient take appropriate actions when a homeowner is found in noncompliance with the principal residency requirements? [HOME: 24 CFR 92.504(a)(5)]</p> <ul style="list-style-type: none"> Project file documentation evidencing enforcement. 	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>107. If the ownership changed before the end of the affordability period, were the ADFA requirements related to changes in ownership met?</p> <p> <i>Documentation that new owner is eligible and maintaining property as principal residency.</i></p> <p> <i>Documentation that ADFA was informed of the change and approved new owner.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>108. Based upon a review of the project file, is the documentation being maintained sufficient to demonstrate compliance with the ADFA requirements for changes in homeownership?</p> <p> <i>Written agreement with ADFA provisions.</i></p> <p> <i>Documentation that ADFA was informed of the change and approved new owner.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>109. Regarding property information, is the following documentation in the file: Ongoing inspections during the loan term?</p> <p> <i>Ongoing inspection report.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>110. Is the Recipient monitoring for compliance with ADFA's insurance and tax requirements?</p> <p> <i>Inspection report.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>111. Based upon this file review, is the document sufficient to determine compliance with HOME requirements? [24 CFR 92.508(a)(3)]</p> <p> <i>File review checklists and notes.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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Attachment 4-2 Summary of Key Homeowner Rehabilitation Rules and How to Document

	Key HOME Requirement	Documentation (See checklists for details)
Eligible Activities		
Eligible Activities	<ul style="list-style-type: none"> Rehabilitation, reconstruction. 	<ul style="list-style-type: none"> Document all expenditures. Document initial inspection work specifications and write-up. Include picture of unit.
Eligible Participants		
Owner Income	<ul style="list-style-type: none"> Gross income \leq 80 percent of median income based on the upcoming 12 months. Income is defined by Section 8 annual income. 	<ul style="list-style-type: none"> Completed application in the project file. Source documentation (wage statements, interest statements) in the project file. Completed calculation of income (done in accordance with selected income definition).
Owner Occupancy	<ul style="list-style-type: none"> Applicant must occupy unit as his/her principal residence for a minimum of 3 years. 	<ul style="list-style-type: none"> Client must sign a clause on the application form certifying that the property will be the principal residence of the owner. This clause must also be included in the written agreement.
Ownership of Property	<ul style="list-style-type: none"> Applicant must have ownership of the property through: <ul style="list-style-type: none"> Fee simple title; 	<ul style="list-style-type: none"> Title check documentation in project file. Copy of deed or other ownership document in the project file.
Eligible Properties		
Property Type	<ul style="list-style-type: none"> Eligible property types include: <ul style="list-style-type: none"> One unit property; Condominium unit; Cooperative or mutual housing unit, if recognized by state law; or Manufactured or mobile home <ul style="list-style-type: none"> Must be located on unit owner's land Must be permanently affixed to foundation Not eligible for rehabilitation; reconstruction only 	<ul style="list-style-type: none"> If two-to-four units, indicate status of non-owner-occupied units in the application. If non-owner occupied units were assisted with HOME funds, agreement with homeowner regarding rental requirements and reference to the property's rental monitoring file.



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	Key HOME Requirement	Documentation <i>(See checklists for details)</i>
Property Location	<ul style="list-style-type: none"> Property must be located within geographic area of the Recipient. 	<ul style="list-style-type: none"> Application must include address in Recipient geographic area. A map may also be included.
HOME Minimum and Maximum Subsidy	<ul style="list-style-type: none"> A minimum of \$1,000 in HOME funds must be invested in each assisted unit. The maximum per-unit subsidy limit is determined by HUD. 	<ul style="list-style-type: none"> Maintain records on expenditures in project file demonstrating that the per-unit HOME investment exceeded \$1,000. Maintain records on expenditures in the project file indicating total HOME subsidy did not exceed maximums provided by HUD (221(d)(3) limits).
ADFA's Program Limits	<ul style="list-style-type: none"> Total development costs capped at 221(d)3 Assistance to homeowner capped at <ul style="list-style-type: none"> \$25,000 for rehabilitation \$90,000 for reconstruction Recipient program application capped at <ul style="list-style-type: none"> \$450,000 maximum 10 units maximum Minimum Limits: <ul style="list-style-type: none"> \$1000 per unit \$100,000 per program 5 units per program 	<ul style="list-style-type: none">
Property Value	<ul style="list-style-type: none"> After-rehabilitation value must not exceed 95 percent of the area median purchase price. 	<ul style="list-style-type: none"> Use 203(b) limits
Property Standards	<ul style="list-style-type: none"> Property must meet ADFA's written rehabilitation/reconstruction standards, as applicable. Property must meet applicable local codes. 	<ul style="list-style-type: none"> Document local code used in program files. Maintain written rehabilitation/reconstruction standards in program files. Keep inspection checklist and work write-up in project file. Include inspection report or certification by inspector in project file.
Ongoing ADFA requirements	<ul style="list-style-type: none"> Current on real estate tax payments: no delinquencies Proof of Hazard Insurance: no less than the after-rehab value of the property 	<ul style="list-style-type: none"> Document Certificate of Hazard Insurance. Document tax payment receipts.



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Attachment 4-3
Other Key Federal Requirements for Homeowner Rehabilitation

Other Federal Requirement	Apply to Homeowner Rehabilitation?	Special/Issues/ Considerations	Regulatory Citations and References
<i>Non-Discrimination and Equal Access Rules</i>			
Fair Housing and Equal Opportunity	Yes. Must affirmatively further Fair Housing.		<ul style="list-style-type: none"> • 92.202 and 92.250 • Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.) • Fair Housing Act (42 U.S.C. 3601-3620) • Executive Order 11063 (amended by Executive Order 12259) • Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) • 24 CFR 5.105(a)
Affirmative Marketing	No.		<ul style="list-style-type: none"> • 92.351
Handicapped Accessibility	No. (Note: Accessibility improvements are eligible costs.)		<ul style="list-style-type: none"> • Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8) • For multi-family buildings only, 24 CFR 100.205 (implements the Fair Housing Act)
<i>Employment and Contracting Rules</i>			
Equal Opportunity Employment	Yes.	<ul style="list-style-type: none"> • Small projects offer opportunities for minority and resident-contractors. 	<ul style="list-style-type: none"> • Executive Order 11246 (implemented at 41 CFR Part 60)
Section 3 Economic Opportunity	Yes, if amount of assistance exceeds \$200,000 or contract or subcontract exceeds \$100,000.	<ul style="list-style-type: none"> • Include Section 3 clause in contracts and subcontracts. 	<ul style="list-style-type: none"> • Section 3 of the Housing and Urban Development Act of 1968 (implemented at 24 CFR Part 135)
Minority/Women Employment	Yes.	<ul style="list-style-type: none"> • Recipient must develop procedures and include in contracts and subcontracts. 	<ul style="list-style-type: none"> • Executive Orders 11625, 12432 and 12138 • 24 CFR 85.36(e)



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Other Federal Requirement	Apply to Homeowner Rehabilitation?	Special/Issues/ Considerations	Regulatory Citations and References
Davis-Bacon	No.		<ul style="list-style-type: none"> • 92.354 • Davis-Bacon Act (40 U.S.C. 276a – 276a-5) • 24 CFR Part 70 (volunteers) • Copeland Anti-Kickback Act (40 U.S.C. 276c)
Conflict of Interest	Yes.		<ul style="list-style-type: none"> • 92.356 • 24 CFR 85.36 • 24 CFR 84.42
Debarred Contractors	Yes.	Recipient should check HUD's list of debarred contractors.	<ul style="list-style-type: none"> • 24 CFR Part 5
Other Federal Requirement			
Environmental Reviews	Yes.	<ul style="list-style-type: none"> • Neighborhood reviews may facilitate targeted programs, but individual checklists still required for each project site. • Special attention should be paid to flood insurance and historic requirements. 	<ul style="list-style-type: none"> • 92.352 • 24 CFR Part 58.35 a(4) • National Environmental Policy Act (NEPA) of 1969
Flood Insurance	Yes for Recipients that are cities/counties. No for state programs.	<ul style="list-style-type: none"> • Must obtain flood insurance if located in a FEMA designated 100-year flood plain. • Community must be participating in FEMA's flood insurance program. 	<ul style="list-style-type: none"> • Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106)
Site and Neighborhood Standards	No.		<ul style="list-style-type: none"> • 24 CFR 893.6(b)



Chapter 4: Homeowner Rehabilitation Programs

Other Federal Requirement	Apply to Homeowner Rehabilitation?	Special/Issues/Considerations	Regulatory Citations and References
<i>Lead-Based Paint</i>	Yes for pre-1978 units.	<ul style="list-style-type: none"> • Notices to owners. • Paint testing of surfaces to be disturbed. • Risk assessment, if applicable, based on level of rehabilitation assistance. • Appropriate lead-hazard reduction activity (based on level of rehabilitation assistance). • Safe work practices and clearance. • Provisions included in all contracts and subcontracts. 	<ul style="list-style-type: none"> • 92.355 • Lead Based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821 et. seq.) • 24 CFR Part 35 • 982.401(j) (except paragraph 982.401(j)(1)(i))
Relocation	Yes.	<ul style="list-style-type: none"> • Relocation is required if tenants are living in the other units. • Relocation is not required for owner-occupied units. 	<ul style="list-style-type: none"> • 92.353 • Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) • 49 CFR Part 24 • 24 CFR Part 42 (subpart B) • Section 104(d) "Barney Frank Amendments"

Chapter 5: Homebuyer Programs



This chapter describes how to monitor ADFA's HOME-funded homebuyer programs. Homebuyer is one of the four types of housing activities eligible under HOME. Recipients may use ADFA HOME funds for the development of housing for sale to low-income purchasers (rehabilitation, new construction) and/or provide direct assistance (e.g., downpayment or closing cost assistance) to low-income homebuyers. Homebuyer programs, like all HOME-funded programs, will be monitored to ensure compliance with HOME and other applicable rules and requirements.

This chapter focuses on two key stages of monitoring – pre-monitoring and project (or case file) monitoring. Project monitoring is undertaken in two phases. On-going monitoring takes place while projects are active and under construction and/or rehabilitation. Loan term compliance monitoring is initiated once title transfers to the homebuyer and the property is now subject to the loan terms. Section 1 on pre-monitoring reviews the actions necessary to become familiar with the projects and prepare for the on-site review. Section 2 details the requirements related to active/ongoing projects. Section 3 provides detailed guidance on each of the loan term compliance requirements to be monitored during the term of the loan.

Sections 2 and 3 are organized to reflect the key questions from HUD's Monitoring checklist as well as ADFA specific questions. For each set of questions, this Manual provides guidance on the requirements to determine compliance. A full checklist is provided as an attachment to this chapter.

Section 1. Pre-Monitoring—Notification and Preparation

Preparation is key to conducting thorough and effective program monitoring. Staff will become familiar with a Recipient's program and projects prior to arriving on site to review files and documents.

Under the program design implemented by ADFA for single family homebuyers, the Recipient application holds a significant amount of information relating to beneficiary eligibility, property eligibility, contractor eligibility and construction oversight and management. The monitoring and compliance staff will spend time reviewing a Recipient application, as well as, prior annual reports, outstanding monitoring issues and related correspondence. Informal discussions with program staff regarding a Recipient's ongoing performance will also provide additional insight in preparation for the desk audit and any formal monitoring visit that may be required. Documents reviewed by staff to increase their familiarity with the Recipient's program include:

- **Monitoring records** including the monitoring spreadsheet used to identify the homebuyers reviewed and approved to participate in the Recipient's program by ADFA. Previous monitoring reports and correspondences will also be reviewed for red flags and possible problem areas.
- **Project files** maintained by the ADFA HOME Program Managers, including the ADFA HOME agreement with the Recipient, recent status report, and financial report. Any red flags or issues identified in the project files need to be noted. Additionally, the approved list of homebuyers will be compared against the Monitoring Department spreadsheet to identify any discrepancies.

Annually, monitors contact Recipients and request a Status Report with documentation of the following long term compliance requirements:

- Principal residency;
- Current homeowner insurance;
- Current real estate taxes; and



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➤ Inspection report.

If Recipients are unable to obtain documentation from the homeowner, ADFA monitors schedule an onsite visit to the Recipient to discuss the options available to establish compliance with the terms of the loan.



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Section 2. Program and Project (Case File) for Monitoring Ongoing Activities(Reference: HUD Checklist 7-0 and 7-5)

Program staff determine and document compliance to the HOME program requirements for active projects. ADFA monitoring staff review individual project files for each of the households/housing units assisted with ADFA HOME program funds in preparation for their loan term compliance review.




A. Participant Selection including Marketing and Applicant Intake, Screening and Selection Process

ADFA staff will confirm that the following key documents are available in Recipient files, paying particular attention to any changes in the list of participating households. Recipient must notify ADFA and await ADFA’s approval prior to making any changes in participating households.

Checklist Questions & Key Documents		
<p>1. Are written informational materials such as marketing materials, informational materials for potential applicants, and application forms about the program available? If “yes” obtain copies.</p> <ul style="list-style-type: none"> Marketing procedures/plan. Marketing advertisements and flyers. Evidence of fair housing logo on marketing materials. Application form/package. 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>2. Does the Recipient have a procedures manual that outlines policies with respect to:</p> <ul style="list-style-type: none"> (a) Initial eligibility screenings of applicants; (b) Program education for homebuyers; (c) Procedures for notifying homebuyers about awards/rejection? <ul style="list-style-type: none"> Policies/procedures. Documentation indicating how applicants were selected. Approval or rejection letters. 	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>3. Does the list of participating households in the Recipient files match the list of households in the program application to ADFA? Does it match the households listed in the written agreement with ADFA? If there are any changes, was ADFA informed and the written agreement updated?</p> <p> <i>Application with participant household information.</i></p> <p> <i>Written agreement with participant household information.</i></p> <p> <i>Communication with ADFA regarding changes</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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Monitors will review the Recipient’s marketing procedures/plan, copies of ads or flyers and other materials used in marketing the homebuyer program. Policies will prohibit conflict of interest or bias in the selection process including discrimination or favoritism towards friends or relatives.

Marketing procedures/plans will also ensure that the program is marketed to the full range of potential clients, including those least likely to apply. These procedures will address the following:

- Use of fair housing and affirmative marketing language in advertisements and literature;
- Literature that is understandable to clients, including key information available in other languages; and
- A schedule and plans to ensure that advertising or other outreach efforts reach potential clients at places they frequent.

Recipients will also have policies/procedures for taking and screening applications and selecting homebuyers for participation in the program. Monitors will ensure that the Recipients are selecting homebuyers using one of the following methods:

- First-come, first-served. Monitors will confirm that a date and time were stamped on each application upon receipt.
- Lottery. Monitors will look for a list of applicants in the lottery, the date of the lottery draw, and letters to applicants indicating the outcome of the lottery – both those accepted and rejected.
- Selection criteria. Monitors will confirm that there were pre-established criteria (such as urgency of repairs, needs, and income) and look for documentation of application rankings, in accordance with these criteria. Criteria need to be applied in a manner that is consistent with fair housing laws.

Monitors will also ensure that there is a system in place for written notification to ineligible applicants and applicants who could not be served due to lack of funds.

B. Participant Eligibility







This section covers the monitoring of participant eligibility including income eligibility, occupancy and ownership related requirements. Monitors review the documentation in the project files to verify that the Recipient is in compliance with the ADFA HOME rules.



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Income Eligibility [HOME: §92.203; ADDI: §92.610(c)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>4. Was the Part 5 (Section 8) used (e.g. the definition selected for this homebuyer program)?</p> <p> <i>Procedures detailing the definition of income for activity.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>5. Did the Recipient correctly apply income inclusions and exclusions for the Part 5 (Section 8) definition and was the calculation performed correctly? [24 CFR 92.203(b)]</p> <p> <i>Procedures detailing the definition of income for activity.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>6. Was household income supported with source documentation? [HOME: 24 CFR 92.203(a)(2); ADDI: 24 CFR 92.610(c)]</p> <p> <i>Source documentation of income for all household members—pay stubs, bank statements, and documents from third parties (e.g., Social Security Administration, verification of employment).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>7. Was the household’s annual income less than or equal to 80 percent of the area median income? [HOME: 24 CFR 92.254(b); ADDI: 24 CFR 92.612(c)]</p> <p> <i>Copy of HUD’s income limits associated with income verification date (on income calculation worksheet).</i></p> <p> <i>Documentation of comparison of the household’s income to the HUD income limit for the applicable household size.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>8. Was the household’s income determined not more than six months before the HOME or ADDI funds were committed to this homebuyer? [HOME: 24 CFR 92.203(d)(2); ADDI: 24 CFR 92.610(c)]</p> <p> <i>Income verification date (on income calculation worksheet) compared to HOME/ADDI written agreement date.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>9. For household information, is the following documentation in the file: Completed application?</p> <p><i>Application with all household members identified.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>10. For household information, is the following documentation in the file: Verification of Income? [HOME: 24 CFR 92.203 and 02.254(a)(3); ADDI: 24 CFR 92.610(c) and 612(c)]</p> <p><i>Income calculation worksheet/form and compared to current HUD income limits.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>11. For household information, is the following documentation in the file: Approval notification/documents?</p> <p><i>Acceptance or rejection letter based upon income determination.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The HOME Program mandates that all HOME funds benefit low-income households. A low-income household is defined as a household with an income at or below 80 percent of the area median income as determined by HUD, adjusted for household size.

To meet this requirement, Recipients determine the income eligibility of households assisted with HOME funds. In general, income eligibility is based on the anticipated annual income of all adults in the household. ADFA requires all Recipients to use the Part 5 (Section 8) definition of annual income (note that ADFA is more restrictive than the HOME rules which provides additional options). Recipients must use this definition consistently for all program applicants and all project files should show that eligibility was determined using the Part 5 definition.

The monitor will ensure that all beneficiaries of the HOME Program qualify as low-income households. To do this, the monitor will review the following areas:

- **Documentation.** Verification of income/employment (e.g., verification of employment or wage statements, copies or source letters from providers of other income (such as Social Security and Disability) will be obtained and reviewed to determine annual (gross) income. Income needs to be documented by source documents or through third party verification.
 - Eligibility is based on anticipated income during the next 12 months.

Income Limits

HUD Income Limits are revised annually and are available from the HUD Field Office or on the HUD Web site at: <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm>.

- A completed application and documentation showing the calculation will also be in the files. Household size will be determined based upon information received from both a written application and a personal interview (if applicable). There will be documentation in the file showing the household size was compared to the HUD income limits (at the time of eligibility review) and that it was at or below the published limits to be eligible.



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- If the household was over income, this will also be documented in the file.
- **Timing.** Income determinations need to be completed before HOME assistance is provided. Income need not be reexamined at the time HOME assistance is actually provided unless more than six months has elapsed since the initial determination. Monitors will compare dates of income eligibility determination to the dates of the financial closing to ensure it meets the six month time period for being considered current.

Occupancy [24 CFR 92.254(b)(2)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>12. If the household is assisted with ADFA's downpayment assistance only funds, does the household meet the first time homebuyer definition in 24 CFR 92.2? [24 CFR 92.602(a)(1)]</p> <p> <i>Self certification from household.</i></p> <p> <i>Documentation of displaced homemaker or single parent.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>13. Are there policies/procedures to ensure that the assisted homebuyers will occupy their properties as a principal residence (e.g., written agreements) pursuant to 24 CFR 92.254(a)(3)?</p> <p> <i>Policies/procedures.</i></p> <p> <i>Review of files for written agreements.</i></p> <p> <i>Review of file documentation evidencing principal residence requirement met.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>14. Does the written agreement with the homebuyer specify the buyer must use the property as a principal residence throughout the loan term? [HOME: 24 CFR 92.254(a)(3) and 24 CFR 92.504(c)(5)(i); and ADDI: 24 CFR 92.612(c) and 24 CFR 92.616(e)]</p> <p> <i>Written agreement with language regarding the principal residence and loan term requirements.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>15. Does the written agreement specify remedies or actions the Recipient will take if the principal residence requirement is not met for the loan term? [HOME: 24 CFR 92.254(a)(5) and 24 CFR 92.254(c)(5)(i); ADDI: 24CFR 92.612(c) and 616(e)]</p> <p><i>Written agreement with language regarding the Recipient action if principal residence requirement is not met.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>16. Based upon a review of the project file, is the documentation being maintained sufficient to demonstrate compliance with the following long term affordability requirements for the loan term?</p> <p><i>Evidence the participant has certified the property is and will continue to be their primary residence (e.g., signed statement or form developed by the Recipient).</i></p> <p><i>Copies of Hazard Insurance certificate noting principal residency (designation of Homeowner's policy).</i></p> <p><i>Written agreement with language regarding the loan term requirements.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Homebuyers served under ADFA's downpayment assistance only program must meet the definition of first time homebuyer. To meet this requirement, one of the following needs to be documented.

- **Ownership.** The applicant has not owned a house in the last three years. This can be documented through a self certification, a current bank application, or copies of prior year's tax returns.
- **Displaced Homemaker.** Applicant who is an adult and has not worked full-time or for a full-year in the labor force for a number of years, but has, during such years, worked primarily without remuneration to care for the home or family, and is unemployed or underemployed and is experiencing difficulty in obtaining or upgrading employment. This can be documented through a self certification, resume and/or other employment record, or copies of prior year tax returns/W-2's showing employment or unemployment.
- **Single Parent.** An applicant may be a single parent, which means an unmarried or legally separated from a spouse and has one or more minor children of whom the individual has custody or joint custody, or is pregnant. This can be documented through a self certification, divorce decree or separation agreement, and the household application.

Monitors verify that one of the three eligibility criteria has been met with appropriate documentation.



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Ownership [HOME: §92.254(c); ADDI: §92.612(c)]

Checklist Questions & Key Documents		
<p>17. Was the form of ownership eligible under the HOME or ADDI programs (i.e., fee simple title; 99-year lease; 50-year lease on Indian lands; condominium or cooperative; or other, with state and HUD approval)? [HOME: 24 CFR 92.2 and 24 CFR 92.254(c); ADDI: 24 CFR 92.612(c)]</p> <p> <i>Fee simple title, deed or other documentation of ownership.</i></p> <p> <i>Lease for the appropriate period of time (99-year or 50-year).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>18. Based upon a review of the project file, is the documentation being maintained sufficient to demonstrate compliance with the following HOME requirements: Approved form of ownership? [24 CFR 92.2; HOME: 92.254(c); ADDI: 24 CFR 92.612(c)]</p> <p> <i>Deed or other documentation of ownership.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The monitor must verify that program participants own their properties through a form of ownership permitted under the HOME Program. Eligible forms of ownership include:

- Fee simple title;
- An equivalent form of ownership approved by ADFA and HUD.

Note that ADFA is more restrictive than the HOME rules and does **not** allow for certain forms of ownership:








- 99-year leasehold interest (or 50-year leasehold on trust or restricted Indian lands) or
- Ownership/membership in a cooperative or mutual housing project because Arkansas law does not recognize cooperative or mutual housing as ownership.



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C. Written Agreement with Homebuyer [24 CFR 92.504]

Monitoring staff verify that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>19. Regarding legal documents, is there a Homebuyer HOME Written Agreement in the file? [HOME: 24 CFR 92.504; ADDI: 24 CFR 92.616(e)]</p> <p> <i>Copy of fully executed (signed) written agreement between Recipient and homebuyer. Check that all required provisions included, that dates are filled in and that signatures are on the document.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>20. Does the Recipient have a loan agreement and a promissory note with the homeowner that clearly explains the terms of the loan?</p> <p> <i>Loan Agreement (check dates, conditions and terms); and</i></p> <p> <i>Promissory Note (check dates, conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>21. Are ADFA template program agreements, loan agreements, promissory note and lien documents used?</p> <p> <i>Review program agreements with beneficiaries and lien documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>22. Did the Recipient make changes to the ADFA template program agreements, loan agreements, promissory note and lien documents? If so, were the changes approved and reviewed by ADFA?</p> <p> <i>Correspondence with ADFA regarding proposed changes to the ADFA template documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>23. Are the program agreements, loan agreements, promissory note and lien documents recorded?</p> <p> <i>Review copies of recorded documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>24. Is the ADFA lien position appropriate?</p> <p> <i>Lien position related documentation</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The monitor will ensure that before any HOME funds are disbursed, a written agreement is executed between the homebuyer and the HOME Program.

The monitor will ensure that the following provisions at §92.254(c)(5)(i) are included, which are:

- The estimated value of the property;



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- The principal residence requirement needs to be maintained throughout the period of affordability;
- Resale or recapture provision;
- Amount and form of HOME/ADDI assistance;
- Use of funds; and
- Time by which housing has to be acquired.

For projects involving owners/developers/sponsors, the Recipient is required to execute written agreements with all the required provisions with the owners/developers/sponsors. The written agreements will involve concise statements of the relationship between the Recipient and the owner/developer/sponsor, state the conditions under which the HOME funds are being provided, and include the following provisions required at §92.254(c)(3):

- Use of funds;
- Affordability;
- Project requirements (under Subpart F);
- Property standards (§92.251);
- Other program requirements (e.g., affirmative marketing, lead-based paint);
- Records and reports;
- Requests for disbursement of funds;
- Enforcement;
- Recipient requirements (§92.300 and 301, as applicable); and
- Duration of the agreement.

The monitor will ensure that written agreements with any entity that received HOME funds were put in place before HOME funds were disbursed.

- Dates will be checked on agreements and compared to initial draw down dates.
- All documents have to contain proper signatures by authorized personnel.
- The monitor will verify that written agreements will remain in effect for the relevant period of affordability.

While looking at project/case files, monitors may discover that written agreements have been updated or amended. If an agreement was amended, proper documentation needs to accompany the written agreement in the files to justify the change and the change will be signed or initialed area with the date of change.

Loan Term Restrictions in Written Agreements and Other Legal Instruments

ADFA requires that Recipients use loan agreements that clearly explain the terms of the loan. (See section below on Form of Assistance for an explanation of the two types of loans available.) This agreement is accompanied by a promissory note that is signed by the owner who agrees to repay the








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loan as the terms are listed in the promissory note. In all cases where HOME Program assistance is provided, a promissory note will be executed along with a mortgage and deed restriction which will be recorded by ADFA in the local land records as a lien against the property's title.

Only ADFA-approved lien documents can be used by Recipients. Generally, note that the ADFA HOME loan should be in first position. The ADFA HOME Program assistance may be in a junior position to private lender financing as long as the combined loan-to-value does not exceed one hundred percent (100%).

Also, with ADFA's prior approval, the homeowner may refinance his first mortgage (i.e., the non-HOME debt) during the period of affordability. ADFA permits refinancing only to allow the owner to obtain a lower interest rate. Owner cannot receive cash proceeds from the transaction, and total indebtedness cannot exceed the value of the property.

Recapture [24 CFR 92.254, 24 CFR 92.504]

Checklist Questions & Key Documents		
<p>25. Does the written agreement with the homebuyer include required recapture provisions? [HOME: 24 CFR 92.504(c)(5); ADDI: 24 CFR 92.616(e)]</p> <p> <i>Written agreement with all required provisions.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>26. Are there adequate policies/procedures and controls in place to ensure that the Recipient is aware that a homebuyer is reselling the property during the period of affordability? [24 CFR 92.505(a) (HOME) and 24 CFR 616(f) (ADDI); 24 CFR 85.20(b)(3)]</p> <p> <i>Policies/procedures.</i></p> <p> <i>Review of project/case files of projects involving resale of the property during the loan term to ensure Recipient is adhering to recapture policies/procedures.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>27. Did the Recipient use the correct loan term based upon the total the direct subsidy provided with ADFA HOME program funds? [HOME: 24 CFR 92.254(a)(4); ADDI: 24 CFR 92.612(c)]</p> <p> <i>For recapture, calculation of direct assistance to the buyer (e.g., spreadsheet, form or memo to the file).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>28. Are recapture funds paid to ADFA? [HOME: 24 CFR 92.254(a)(4); ADDI: 24 CFR 92.612(c)]</p> <p> <i>Written agreement with recapture provisions that direct payment to ADFA</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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The ADFA HOME Program requires that if a property is sold, either voluntarily or involuntarily (e.g., foreclosure) during the affordability period, the ADFA HOME investment that enabled the homebuyer to buy the dwelling unit (the “direct HOME assistance” must be “repaid.” The ADFA HOME Program refers to this repayment requirement as “recapture.” In reviewing project files, monitors verify that written agreements with all Recipients (e.g., beneficiaries, owners/developers/sponsors) contain the required provisions for recapture.

Recapture provisions also dictate the term of the loan. Specifically, the term of the loan is based upon the direct assistance to the homebuyer. This “direct HOME assistance” is defined as a “mortgage subsidy” and includes the following for ADFA programs:

- Downpayment and closing cost assistance;
- Gap financing (e.g., second mortgage); and/or
- Reduction in purchase price from market value to an affordable sales price, if HOME funds were provided to a developer.

The term of the loan will be based on the direct HOME assistance to the homebuyer, as summarized in the table below.

Loan Amount	Number of Years
\$1,000 - \$15,000	5
\$15,000 - \$40,000	10
Over \$40,000 +	15

Monitors verify that the written agreement was executed for the correct period of affordability associated with recapture. Calculation worksheets or other documentation should be in the project file.

Additionally, monitors verify that a deed or trust or lien along with a note and mortgage is executed and appropriately recorded.

D. Participant Complaints and Dispute Resolution

Monitoring staff will confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.



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Checklist Questions & Key Documents		
<p>29. Does the Recipient have procedures for resolving disputes between contractors and homebuyers?</p> <p> <i>Program guide for applicants.</i></p> <p> <i>Conflict resolution procedures and documentation that any complaints were handled in accordance with such procedures.</i></p> <p> <i>Documentation that any complaints were handled in accordance with such policies/procedures?.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>30. Has ADFA received an unusually high number of complaints regarding the Recipient's homebuyer program during the past 12-24 months?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Recipients must also have conflict/complaint resolution procedures in case of dispute with contractors. Monitors will check that the policies/procedures:

- Define who is responsible for referring disputes, how notifications will be handled, and who will monitor through to resolution.
- Advise rehabilitation staff to monitor relations between the contractor and homebuyer, and to intervene early in disagreements to provide for informal resolution.
- Codify that when disputes cannot be handled informally by staff, they will be resolved in a manner that is prompt and includes an equitable investigation and resolution.
- It is advisable, though not required by HOME, to require the homebuyer and contractor to sign an arbitration clause prior to commencement of work. When the dispute cannot be resolved with the assistance of the staff person, third-party conflict resolution will be utilized.

Monitors will also check that the Recipient has disciplinary procedures for poor-performing contractors that:

- Define poor performance and determine through what process poor performance will be identified;
- Identify who will determine whether or not, and when, to take disciplinary action. (Effective programs typically use a system of progressive discipline, including probation, suspension, and debarment for contractors.); and
- Identify actions that would be cause for immediate debarment.

E. Property Eligibility

Eligible Properties [HOME: 24 CFR 92.254(a); ADDI: 24 CFR 92.602]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.



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Checklist Questions & Key Documents		
<p>31. Is the Recipient assisting eligible property types?</p> <p> Review Recipient procedures, marketing and intake materials to ensure the eligible property types are specified for the program.</p> <p> Review application to ADFA HOME Program for compliance.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>32. Does the file list the property as a single-family home (1-4 units)? [HOME: 24 CFR 92.254(a)(1); ADDI: 24 CFR 92.602(a)(1)]</p> <p> Inspection report, tax assessment or other document that provides identification of property type.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>33. Was the property within the Recipient's boundaries?</p> <p> Map, inspection report or tax information indicating location of property.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

In reviewing project files, monitors will verify that the property qualifies as a single-family residence under the HOME Program. Qualifying units include:

- Single-family properties. ADFA is more stringent than the HOME rules and restricts eligibility to single unit structures. Structures with 2-4 units are not eligible for assistance;
- Manufactured or mobile homes. ADFA is more stringent than the HOME rules and restricts eligibility to units located on unit owner's land. Additionally, units are required to be affixed permanently to foundation; and
- Condominiums.

Additionally, ADFA restricts eligible properties to owner-occupied or vacant properties. This discourages displacement and any potential relocation related costs. It is more restrictive than the HOME rules.

There are a number of different ways that Recipients use to document the property is a single family residence. Monitors will look for the following documentation in the project file:

- Application. The application will include a section that requires applicants to identify the type of property that will be rehabilitated.
- Inspection. Property eligibility will also be confirmed during an initial property inspection and noted on the inspection report and in photographs.
- Maps. Many Recipients also include a map with the location of the home clearly marked in the file. The monitor will check the address and location to ensure the property is located within the Recipient's boundaries.



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Minimum and Maximum HOME Investment [HOME: §92.205(c) and §92.250; ADDI: §92.612(a) and §92.602(c)]

Monitoring staff will confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>34. Was the amount of HOME subsidy and/or ADDI investment at or below the maximum per unit subsidy limit established by HUD? [HOME: 24 CFR 92.250(a); ADDI: 24 CFR 92.612(a)]</p> <p> <i>Copy of the 221(d)(3) limits for the year the project was funded.</i></p> <p> <i>Evidence in the file that the amount provided was less than the applicable 221(d)(3) limit (subsidy calculation worksheet/form or other documentation and written agreement with the owner/developer sponsor [if applicable] and homebuyer).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>35. Did the HOME and/or ADDI investment total at least \$1,000 per HOME-assisted unit? [HOME: 24 CFR 92.205(c); ADDI: 24 CFR 92.602(c)]</p> <p> <i>Agreement or grant/loan document showing amount of assistance provided.</i></p> <p> <i>Subsidy calculation worksheet/form and/or HUD or other settlement statement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>36. If downpayment assistance (ADFA ADDI funds) were used in the project, was the ADDI investment less than the greater of either: a) \$10,000; or b) 6 percent of the sales price of the property? (Note: This requirement does not apply to FY 2003 ADDI funds.) [24 CFR 92.602(e)]</p> <p> <i>Subsidy calculation worksheet/form, HUD or other settlement statement and written agreement with the owner/developer sponsor [if applicable] and homebuyer.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>37. Is the ADFA HOME assistance provided to homeowners in line with the amount approved by ADFA and within the maximum and minimum assistance limits set by ADFA?</p> <p><i>Review Recipient procedures, marketing and intake materials to ensure the assistance limits are specified for the program.</i></p> <p><i>Review application form to ADFA.</i></p> <p><i>Review loan agreement and promissory note to beneficiary.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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Monitors confirm that the Recipients provided the subsidy levels approved by ADFA to their program homebuyer. If there are any discrepancies between the subsidy levels approved by ADFA and those used by the Recipient, monitors verify that the Recipient communicated the changes to ADFA and that the subsidies provided are in line with the following subsidy limits:

Minimum Subsidy Limit: ADFA HOME funds may only be used for projects that require a minimum HOME investment of \$1,000 per unit. In addition, ADFA ADDI funds used for downpayment assistance have to be less than six percent of the purchase price or \$10,000, whichever is greater.

In reviewing project files, monitors will check the project's subsidy calculation worksheet/form, written agreement(s), and HUD or other settlement statement to confirm that the amount of HOME and/or ADDI funds invested exceeds this minimum amount.

Maximum Per Unit Subsidy (221(d)(3) Limits

The maximum per unit subsidy limits can be obtained from the local HUD Field Office or online at the HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/subsidylimits.cfm>.

Maximum Subsidy Limit: Furthermore, for each area, HUD establishes the maximum amount of HOME funds that can be invested in a homebuyer project. Monitors confirm the amount of HOME and/or ADDI-assistance provided does not exceed this maximum amount. This assistance for a homebuyer project includes both HOME/ADDI downpayment assistance as well as any HOME assistance used for construction and/or acquisition and rehabilitation. (ADDI funds can be used for rehabilitation for FY2004-2007 funds.)

that

The maximum per unit subsidy amount is based on the Recipient's Section 221(d)(3) program limits for the metropolitan area and is updated on an annual basis.

- The maximum per unit subsidy limits can be obtained from the local HUD Field Office or online.
- The limits are 100 percent of the dollar limits for a Section 221(d)(3) nonprofit sponsor, elevator-type development, indexed for base city high cost areas, and adjusted for the number of bedrooms.
- For some Recipients, the 221(d)(3) limit has already been increased to 210 percent of the base limit. For these Recipients, HUD will allow, upon request, an increase in the per-unit subsidy



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amount on a program-wide basis. However, the absolute maximum subsidy limit that HUD will allow is 240 percent of the base 221(d)(3) limits

Additional costs for a project must be covered from other sources. In reviewing project files, monitors will confirm that the amount of HOME and ADDI funds invested in the project did not exceed the maximum per unit limit. There should be documentation in the file such as a memo or form comparing the HUD maximum subsidy limit applicable at the time the project was funded to the amount of HOME and/or ADDI assistance in the project.

Additional ADFA Cost and Assistance Limits: ADFA is more restrictive than the HOME Final Rule regarding cost and assistance limits. For example, ADFA also uses the maximum per unit subsidy as the ceiling for project costs. This means that projects with total development costs that exceed the FHA 221(d)3 limits are ineligible for assistance.

Another example, ADFA also limits subsidy provided for mortgages and developments loans as follows:

- Mortgage subsidies: \$25,000 or 20% of purchase price, whichever is lower
- Development loans for new construction or acquisition/rehabilitation: \$90,000

Units that exceed ADFA subsidy limits but are less than the total development costs limit (the FHA 221(d)3 limits) may still be eligible for assistance, so long as there are other funds available, evidenced by a commitment letter, to cover the difference between the total development budget and the HOME assistance limit.

Finally, changes in subsidy provided to homebuyers may also impact program limits imposed by ADFA. In particular, ADFA imposes the following limits:

- \$900,000 maximum and \$100,000 minimum per program and
- 10 units maximum and 5 unit minimum per program. This means that a program is required to include, at minimum, 5 units but not more than 10 units. Programs may be allowed to proceed with fewer than 5 units if the total HOME allocation does not decrease below \$100,000.

Maximum Property Value [HOME: 24 CFR 92.254(a)(2); ADDI: 24 CFR 92.612(c)]

Monitoring staff will confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.



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Checklist Questions & Key Documents		
<p>38. Was the sales price or, if applicable, the after-rehabilitation property value less than 95 percent of the median single-family purchase price? [HOME: 24 CFR 92.254(a)(2); ADDI: 24 CFR 92.612(c)]</p> <p> <i>203(b) limits for year project was funded.</i></p> <p> <i>If acquisition only, sales contract and/or settlement statement.</i></p> <p> <i>For projects involving rehabilitation, appraisal, tax assessment or in-house estimate by qualified staff documenting after-rehabilitation value.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>39. For projects involving rehabilitation, was the after-rehabilitation value of the property determined using appropriate methods (e.g., appraisal, tax assessments or assessments by qualified staff)? [HOME: 24 CFR 92.254(a)(2); and ADDI: 24 CFR 92.612(c)]</p> <p> <i>Appraisal, tax assessment or in-house estimate by qualified staff documenting after-rehabilitation value.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors confirm that the property's sales price or after-rehabilitation does not exceed 95 percent of the median purchase price for the area. The Recipient will use the figures established for the area by FHA for its 203(b) Program.

For acquisition or new construction activities, monitors should see evidence in the file of a purchase price that was compared to the 203(b) limit or approval local market survey figure. The purchase price should be available in a number of documents including a ratified sales contract, appraisal, or settlement statement.

For rehabilitation projects, there are three methods for establishing the after rehabilitation value of a unit:

- Estimate of value. Estimates of value by the Recipient or independent contractor be used. Project files are required to contain the estimates of value and document the basis for the value estimates.
- Appraisal. Appraisals, whether prepared by a licensed fee appraiser or by a Recipient's staff appraiser, may be used. Project files will document the appraised value and the appraisal approach used.
- Tax assessment. Tax assessments for a comparable property located in the same neighborhood may be used to establish the after-rehabilitation value if the assessment is current and accurately reflects market value after rehabilitation. Assessments based on a percentage of market value may be used, if adjusted to reflect actual market value.



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The monitor will review the project files to ensure the documentation is present for the sales price or after-rehabilitation value. The monitor will also find a document that demonstrates the sales price or after-rehabilitation value is within the 203(b) limit in effect at the time the project was funded.

Environmental Review [HOME: §92.352; ADDI: §92.614(a)(2); 24 CFR Part 58]

Monitoring staff will confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
40. Does the project file include an Environmental Review Record [HOME: 24 CFR 92.352; ADDI: 24 CFR 92.614(a)(2)] <i>Environmental Review Record (ERR).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
41. Does the Environmental Review Record meet the environmental review requirements? (Complete HUD Checklist 21-1 to answer this question.) [24 CFR 92.352] <i>Environmental Review Record (ERR).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Environmental Review

Further guidance is available through both HUD Notice CPD 01-11 (www.hud.gov/offices/cpd/lawsregs/notices/2001/01-11.pdf), and HOMEfires Vol. 4, No. 2 (www.hud.gov/offices/cpd/affordablehousing/library/homefires/volumes/vol4no2.cfm).

HOME Program funded activities are subject to the environmental review requirements at 24 CFR Part 58. The Environmental Review Record (ERR) should contain all required environmental documentation. Individual homeowner rehabilitation projects are typically categorically excluded subject to 24 CFR

58.5, which means that a broad review is completed of the program and placed in the file and then site specific reviews are completed for certain statutory items when project sites are known. Therefore, the ERR must contain the program documentation as well as the site specific checklists indicating that the 24 CFR 58.5 items were reviewed and appropriately addressed. Monitors complete HUD Checklist 21-1 to determine if the environmental review requirements were met.

Uniform Relocation Act and 104(d) [HOME: §92.353; ADDI: §92.614(b)(2)]

Monitoring staff will confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
42. Does the project file include: Relocation notice to seller (if applicable)? (Note: For ADDI, the Uniform Relocation Act requirements apply only to FY 2003 funds.) [HOME: 24 CFR 92.353; ADDI: 24 CFR 92.614(b)(2)] <i>Guideform Notice – Disclosures to Seller with Voluntary, Arm's Length Purchase Offer.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>43. Does the project file include: Notice to tenant (if applicable)? (Note: For ADDI, the Uniform Relocation Act requirements apply only to FY 2003 funds.) [HOME: 24 CFR 92.353; ADDI: 24 CFR 92.614(b)(2)]</p> <p> <i>General Information Notice.</i></p> <p> <i>Other relocation notices as applicable.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>44. If relocation was required for a project, does the Recipient document a file for each resident relocated?</p> <p> <i>Payment expense log for the resident.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The Uniform Relocation Assistance and Real Property Acquisition Policies Act (URA) requires that the seller in a voluntary, for-sale transaction funded with HOME monies be provided a GUIDEFORM NOTICE—Disclosures to Seller with Voluntary, Arm's Length Purchase Offer. The monitor confirms that the notice was in fact provided to the seller of properties purchased by HOME-assisted homebuyers.

Tenants living in for-sale housing that may be purchased with HOME funds are covered by the Uniform Relocation Act (URA) and may also be covered by the relocation requirements of Section 104(d) of the Housing and Community Development Act of 1974, as amended. Both laws require certain notices be provided to tenants along with relocation assistance. The monitor confirms that these requirements were adhered to and properly documented in the files (i.e., evidence of notices received by tenants and calculation of assistance).

Recall that ADFA discourages displacement or relocation by limiting eligible properties to those that are owner-occupied or vacant.

F. Eligible/Reasonable Costs












Eligible HOME Costs [HOME: §92.206; ADDI: §92.602(b)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>45. Are there policies/procedures in place to ensure that all costs paid with HOME/ADDI funds are eligible under 24 CFR 92.205?</p> <p> <i>Program policies/procedures and program application forms describing eligible costs.</i></p> <p> <i>Review of project/case files to ensure policies/procedures adhered to and that all costs were eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>46. Are all costs detailed on the cost estimate and in the construction contract eligible under the HOME Program?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>[24 CFR 92.206]</p> <p> <i>Work write-up and draw requests to ensure costs are eligible.</i></p>		
<p>47. If costs were not eligible, was another source of funds used for these costs?</p> <p> <i>IDIS Activity set-up sheet and draw record.</i></p> <p> <i>Budget review sheet/log for project.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>48. Are total projects costs within the maximum limit?</p> <p> <i>Review Recipient procedures to ensure that applicant intake and approval processes account for program limit.</i></p> <p> <i>Review application form to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>49. Are costs to rehabilitate/build garages eligible?</p> <p> <i>Review program procedures, marketing and intake materials to ensure that eligible garage costs are specified for the program.</i></p> <p> <i>Review plans to determine if garages are attached to the structure.</i></p> <p> <i>If detached, review documentation of extenuating circumstances.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>50. Are project and project administration costs eligible and within the 10% limit?</p> <p> <i>Review total amount drawn to-date to ensure compliance with 10% limit.</i></p> <p> <i>Review cost certification materials.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>51. Are changes in the Recipient's program communicated to ADFA?</p> <p> <i>Review Recipient procedures to ensure that any changes in number of units, development costs and/or financing sources are communicated to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors review the costs that HOME funds paid for in the project. HOME funds can be used to cover the acquisition, and hard and soft costs that are eligible under the program. The table below summarizes eligible hard and soft costs under the HOME Program.



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Exhibit 5-1 HOME-Eligible Homebuyer Project Costs

HARD COSTS	SOFT COSTS
<ul style="list-style-type: none">• Acquisition of vacant land or land with improvements• Meeting the rehabilitation standards• Meeting applicable codes, standards and ordinances• Construction materials and labor• Essential improvements• Energy-related improvements• Lead-based paint hazard reduction• Accessibility for disabled persons• Repair or replacement of major housing systems• Site preparation, including demolition• Securing buildings• Site improvements and utility connections	<ul style="list-style-type: none">• Financing fees• Credit reports• Title binders and insurance• Surety fees• Recordation fees, transaction taxes• Legal and accounting fees, including cost certification• Appraisals• Architectural/engineering fees, including specifications and job progress inspections• Environmental investigations• Builders' or developers' fees• Affirmative marketing and marketing costs• Homebuyer counseling provided to purchasers of HOME-assisted housing• Management fees• Project costs incurred by the Recipient that are directly related to a specific project• <u>Private sector</u> origination fees and discount points• Project audit costs• Flood insurance -up to one year
RELOCATION COSTS <ul style="list-style-type: none">• Replacement housing, moving costs and out-of-pocket expenses• Advisory services• Staff and overhead related to relocation assistance and services	

Additional specific cost restrictions imposed by ADFA include:

- **Garage Costs:** Attached garages may be rehabilitated with HOME funds, in conjunction with rehabilitation of the residential living space. Detached garages may only be rehabilitated with HOME funds if the structure has documented existing health and safety code violations and is performed as part of the rehabilitation of the housing unit. Also, for new construction projects, garages may be constructed if attached to the dwelling unit. Detached garages are permitted only if the structure is required by local ordinance or to accommodate a person with disabilities, and has received prior written approval by ADFA. The reconstruction of a garage without a dwelling unit as part of the project is ineligible.
- **Developer fee.** ADFA HOME funds may be used to pay a pro rata share of the developer fee based upon percent of HOME funds to development costs. ADFA restricts total developer fee to 15 percent. Additionally, while soft costs include developer fees, developers cannot hire themselves as consultants on their HOME-Funded project and thus earn additional profit and/or fee.
- **Marketing costs.** For new construction, a marketing plan must be conducted and submitted upfront. If HOME funds are requested for use in providing mortgage subsidies, the marketing



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plan must include a plan for the use of those HOME-funded mortgage subsidies. The marketing plan must be completed by an ADFA approved market analyst or firm.

- **Program and project administrative costs.** Program and project administrative costs are limited to 10% of the final allocation amount for the proposed owner-occupied rehabilitation/reconstruction program. Changes in project costs that result in an increase to the project budget do not increase either the administrative or project delivery soft cost amount. On the other hand, a reduction in the project budget will result in a decrease of administrative or project delivery soft costs. Also, ADFA expects that the majority of the 10% allotted to administration and project-related soft costs will be incurred as project-related soft costs. Note that a certification of costs needs to be submitted with all requests for program administration and project-related soft costs.

Monitors confirm that all costs funded by ADFA HOME are eligible. To confirm costs, monitors check IDIS draw records for comparison with local financial records. Costs should be supported by invoices and, possibly, timesheets or cost allocation plans. Where costs are shared across multiple units, the allocation of those costs should be clear from a worksheet or some other statement of cost allocation. It is also important to check that the activity was set up correctly in IDIS, and that the draws match the documentation of eligible costs. For example, administrative and project-related soft costs have to be supported by the following source documentation and maintained on file by the Recipient:

- **Detailed bill.** A copy of a detailed bill highlighting the costs to be reimbursed. The detailed bill needs to be substantiated by a cancelled check, a copy of the bank statement or other proof of payment. The detailed bill will, at a minimum, include vendor identification, a description of the services received, the quantity (hours, units, etc.), and the price for services received. Handwritten invoices will not be accepted.
- **Authorized signature.** All invoices require an authorized signature of the Recipient's Executive Director, or their designee. The authorization also needs to include payment approval, verification of satisfactory services, and the relevant month for costs incurred and date.
- **Copies of subcontracts,** as applicable. A copy of any subcontracts for professional services (i.e., consultants, architects, contractors, etc.) is required to be provided in the initial application outlining the cost of the service rendered and the payment schedule or terms.

If a review of a project's files reveals that ineligible costs were included, monitors require corrective action. The typical correction will require an adjustment to financial records and repayment to the Recipient (if other entity) for any ineligible expenses.










Documentation should be thorough enough so that the monitor can identify how each cost was classified, and verify that it was drawn down under the proper classification.

Cost Reasonableness and Subsidy Layering [HOME: §92.505(a) and §92.250(b); ADDI: §92.616(a)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.



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Checklist Questions & Key Documents		
<p>52. Are policies/procedures in place to ensure that assisted homebuyers do not receive excessive subsidy?</p> <p> <i>Program policies/procedures determining amount of homebuyer assistance.</i></p> <p> <i>Review of project/case files to ensure calculation was consistent with policies/procedures.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>53. Was the amount of assistance provided to the homebuyer reasonable (i.e., based upon a review of individual financial circumstances) [OMB A-87, Attachment A, Section C.2)]</p> <p> <i>Affordability calculation worksheet.</i></p> <p> <i>HUD or other settlement sheet.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>54. If the program involves construction, does the Recipient have policies/procedures for reviewing cost estimates and evaluating whether they are cost reasonable? [24 CFR 92.505(a) (HOME) and 24 CFR 92.616(f) (ADDI); 24 CFR 85.36(f)]</p> <p> <i>Review of project/case file specifications/work write-ups compared to the selected contractor bids to ensure costs are reasonable.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>55. Is the cost estimate reviewed by a party other than the originator of the estimate (e.g., another Recipient staff person)?</p> <p> <i>Program policies/procedures that stipulate who is responsible for generation of cost estimates and review of cost estimates.</i></p> <p> <i>Review of project/case files to see evidence of review by a staff person other than the preparer of the estimates. (Signature or note to the files).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>56. Is the actual cost of the work documented? [24 CFR 92.505(a) and 92.508)(a)(3) (HOME) and 24 CFR 92.616(f) and 92.616(i) (ADDI); 24 CFR 85.20(b)(6)]</p> <p> <i>Review of project/case files for documents such as construction contracts and any change orders, draw requests/payment approvals.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>57. Do the costs appear to be reasonable? [OMB A-87, Attachment A, Section C.2)]</p> <p> <i>Work write-up and draw requests to ensure costs are reasonable.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>58. Did the Recipient inform ADFA of all sources of public funds, including any changes during construction? Note: if more than one source of public funds (Federal, state, and local) was provided, ADFA must perform a subsidy layering review to ensure that excessive subsidy was not provided [HOME: 24 CFR 92.250(b); ADDI: 24 CFR 92.612(a)]</p> <p> <i>Communication to ADFA certifying public sources of funds</i></p> <p> <i>Subsidy layering policies/procedures.</i></p> <p> <i>Subsidy layering analysis worksheet.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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Monitors look for evidence in the project case file that a cost estimate was completed (for construction projects) or affordability calculation worksheet/HUD or other settlement sheet prior to funding a homebuyer project.

For acquisition projects, the affordability calculation worksheet and/or settlement sheet should demonstrate that only the amount of HOME and/or ADDI funds necessary to make a unit affordable was provided. For construction projects, there should also be evidence in the file that bids were found to be within a reasonable range of the in-house cost estimate. If the costs are not reasonable, there should be some explanation in the file (such as project was re-bid or bids were accepted because homebuyer paid for the cost overage).

ADFA completes a subsidy layering analysis before committing HOME and/or ADDI funds to a homebuyer project that involves another source of public funds (local, state or Federal). Subsidy layering involves a review of project finances to ensure that the Recipient does not invest any more HOME funds than are necessary to provide affordable housing. To facilitate this analysis, HOME Recipients are obligated to contact ADFA as soon as there are any changes in project size/scope, cost or financing sources at any point during the development of the project. Monitors confirm that Recipients were diligently communicating changes to ADFA.




Cost Allocation (Methodology and Calculation) 92.205 and 92.208

Monitoring staff confirm that the following key documents are available in ADFA project files.

Checklist Questions & Key Documents		
<p>59. If a proration method of cost allocation was used, comparability of units (in terms of bedroom size, square footage and level of amenities) is documented in the files? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p> <p> <i>Project information to document types of units such as plans, blueprints, bid documents, etc.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>60. If a proration method of cost allocation was used, documentation confirms that HOME-ineligible costs were subtracted from the total development cost to determine the total HOME-eligible development costs? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>61. If units are not comparable, is a unit-by-unit cost allocation system documented in the files? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>62. Are cost allocation calculations documented in the files? [24 CFR 92.508(a)(3)(ii)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>63. Does the documentation confirm that changes in project size/scope, cost or financing sources during the development of the project were communicated to ADFA by the Recipient?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Actual assistance to programs/projects will depend upon the amount of the subsidy determined by cost allocation and subsidy layering analysis. See previous section for a discussion on subsidy layering. Cost allocation reviews are completed by ADFA staff prior to award of ADFA HOME funds. Cost allocation is impacted by any changes in the proportion of HOME-assisted unit to total units in the project, development cost or financing sources. As such, all ADFA Recipients are obligated to contact ADFA **as soon as there are any changes** in project size/scope, cost or financing sources at any point during the development of the project.

Monitors confirm the various steps in the cost allocation process. For example, before costs can be allocated across units, luxury amenities, off-site infrastructure and other costs that would not be eligible for HOME funding are subtracted from the total development costs to arrive at the HOME eligible development costs. Also, the process of allocating costs for mixed projects with HOME-assisted and non-HOME-assisted units will depend on comparability of units:

- If both the assisted and non-assisted units were comparable in size, features, and number of bedrooms, the HOME-eligible costs should be pro-rated across units. (Since floating units, by definition, must be comparable, costs should always be pro-rated.)
- If the assisted and non-assisted units were not comparable, the actual costs must be determined and allocated unit-by-unit. The specific units identified to “receive” HOME funds must be fixed—that is, designated as HOME-assisted.

For additional guidance on understanding allocating costs in projects with HOME funds, please refer to HUD Notice CPD 98-02

Form of Assistance [HOME: §92.205(b); ADDI: §92.602(c)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.



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Checklist Questions & Key Documents		
<p>64. Was the subsidy provided in an eligible form of investment? [HOME: 24 CFR 92.205(b)(1); ADDI: 24 CFR 92.602(c)]</p> <p> <i>Written agreement and, if applicable, loan documents to determine if form of assistance is HOME eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>65. If the subsidy was provided in a different form, was that form approved by ADFA? [24 CFR 92.205(b)(1)]?</p> <p> <i>Documentation from ADFA indicating approval of some other form of subsidy.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>66. Are the terms of the loans described in information provided to, and written agreements executed by, homebuyers? Obtain a copy of the written agreement and any written guidance provided to homebuyers.</p> <p> <i>Policies/procedures describing the provisions related to changes in homeownership.</i></p> <p> <i>Written agreement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>67. Do the loan terms reflect ADFA's requirements for Development and Homebuyer loans?</p> <p> <i>Loan Agreement (check dates, conditions and terms); and</i></p> <p> <i>Promissory Note (check dates, conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>68. Are loan repayments directed to ADFA's Accounting Department?</p> <p> <i>Loan Agreement (check conditions and terms); and</i></p> <p> <i>Promissory Note (check conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

HOME allows virtually any form of financial assistance, or subsidy, to be provided for eligible projects and to eligible beneficiaries. ADFA restricts the forms of assistance that can be used. Monitors confirm that the assistance provided is one of the two forms of financial assistance that can be provided: development and homebuyer loans.

- Development loans. These loans are provided to Recipients for carrying out homebuyer activities. The interest rate on development loans is 1%. The loan (minus the amount provided to the homebuyer as a mortgage subsidy) will be repayable upon the sale and closing of each unit. The Recipient/developer and ADFA will enter into a written agreement that codifies the terms of the loan.
- Homebuyer loans. Also known as mortgage subsidies, these loans allow the homebuyer to afford the cost of the newly developed or rehabilitated single family home. ADFA reviews and approves the type of mortgage subsidy proposed by ADFA HOME Recipients at the time of application



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submission. Monitors confirm that the Recipient used the approved mortgage subsidies. The interest rate on homebuyer loans should be 0%. Also, the loan should be structured as a forgivable loan with a term that coincides with the ADFA required affordability period (5, 10, or 15 years).

- Examples of mortgage subsidies include:
 - Gap financing, downpayment assistance, and closing cost assistance.
 - Additionally, mortgage subsidies may be provided to homebuyers as a development activity for acquisition and rehabilitation or new construction.
 - Finally, ADFA runs a downpayment assistance only activity that is separate from homebuyer activities described in this chapter.
- When reviewing homebuyer loans, monitors confirm that the assisted homebuyer met the ADFA qualification criteria for a repayable loan:
 - Total monthly housing expense may not exceed 33% of monthly gross income. Housing expenses include principal, interest, taxes, insurance and utilities.
 - Total monthly debt related expenses –including car loan payments, credit card debt payments– may not exceed 43% of monthly gross income.
 - Additionally, recipients must perform a credit inquiry to determine the homebuyer’s ability to repay the repayable portion of the HOME Program Loan.

In all cases where HOME Program assistance is provided, the HOME Homebuyer Assistance Agreement, a HOME Promissory Note, Deed Restriction, and HOME Program Subordinate Mortgage will be recorded by ADFA in the local land records as a lien against the property’s title. Only ADFA-approved lien documents will be used.

Finally, although, Recipients provide the homebuyer loans directly to the homebuyer, all monthly mortgage payments on repayable loans shall be paid to ADFA.

G. Property Standards

Property Standards [HOME: §92.251; ADDI: §92.612(b)]

Monitoring staff will confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
69. If direct homebuyer assistance only was provided (no construction), did the property meet applicable property standards at time of transfer to the homebuyer? [HOME: 24 CFR 92.251(a)(2); ADDI: 24 CFR 92.612(b)] <i>Inspection form for acquisition.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>70. If only direct homebuyer assistance was provided and the homebuyer was to perform necessary rehabilitation: Was the property free of health and safety violations before occupancy? [HOME: 24 CFR 92.251(b)(3); ADDI: 24 CFR 92.612(b)]</p> <p> <i>Health and safety inspection form.</i></p> <p> <i>Program policies/procedures describing the Recipient's property standard for health and safety violations.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>71. If only direct homebuyer assistance was provided and the homebuyer was to perform necessary rehabilitation: Does the agreement require completion of rehabilitation within 24 months or, if ADDI funds are used for rehabilitation, within one year? [HOME: 24 CFR 92.251(b)(3); ADDI: 24 CFR 92.612(b)]</p> <p> <i>Periodic and final inspections.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>72. If the project involved rehabilitation, was the work performed in accordance with ADFA's written rehabilitation standards? [HOME: 24 CFR 92.251(a)(1); ADDI: 24 CFR 92.612(b)]</p> <p> <i>Copy of ADFA's written rehabilitation standards.</i></p> <p> <i>Specifications/work write-ups and inspections reports (for comparison to the standards).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>73. If the homebuyer project involved new construction, did the unit meet ADFA's property standards?</p> <p> <i>Program policies/procedures including ADFA's property standard for new construction.</i></p> <p> <i>Inspection forms, work write-ups, and project plans/specifications.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

To ensure compliance with property standard requirements, local monitors will verify that:

- The Recipient conducted and documented an initial inspection for acquisition will meet local code. For rehabilitation and new construction, inspection forms will be completed that demonstrate the unit met applicable codes. For rehabilitation involving rehabilitation over a two-year period or when a homebuyer is performing the work, health and safety inspection will be completed prior to occupancy and within 6 months of transfer, followed by progress and final inspections within 24 months;
- The Recipient maintains written rehabilitation standards that establish performance standards for HOME-assisted rehabilitation;
- All project files contain work write-ups and cost estimates that are written to meet the written rehabilitation standards, new construction standards, and applicable local or national codes and standards; and



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- The inspection documentation demonstrates that the work carried out was done in compliance with the written rehabilitation standards (if applicable) and other required property codes/standards.

For projects involving rehabilitation or new construction, ADFA's inspectors will visit a sample of properties to see if the construction work met the required standards. ADFA's standards for rehabilitation and new construction are listed below. .

Standards applicable to both new construction and rehabilitation projects:

- ADFA Construction Performance Manual Sections I and II;
- The International Code Council (ICC);
- All applicable state and local property codes; and
- Zoning ordinances.

Standards applicable to rehabilitation projects only:

- Rehabilitation standards, the method, materials and techniques used in the renovation, remodeling and repair of a unit.

Standards applicable to new construction and reconstruction projects only:

- Arkansas Energy Code;
- Energy Star standards;
- Arkansas Usability Standards in Housing: Guidance Manual for Constructing Inclusive Functional Dwelling (AUSH); and
- ADFA's approved house plans for all single-family reconstruction projects. ADFA's approved plans require a minimum of 1,000 square feet heated and cooled for two bedroom houses and 1,200 square feet heated and cooled for three bedroom structures. Different plans may be permitted provided the plans are comparable to the ADFA plans(s) and are approved by ADFA HOME staff prior to bidding and submission of application for funding.

Additional requirements applicable to new construction and reconstruction projects only:

- Survey of the property is required prior to the start of construction; and
- Permanent utility hook-ups and permanent foundations for replacement of a manufactured unit under reconstruction.

Work Write-ups [24 CFR 92.205, 24 CFR 85.36, 24 CFR 92.251, 24 CFR 92.505(a)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.



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Checklist Questions & Key Documents		
<p>74. Does the work write-up/cost estimate documentation in the file establish that rehabilitation work required meets HUD and ADFA minimum assistance limits? [24 CFR 92.205(c)]</p> <p> <i>Work write-up/cost estimate</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>75. If the project involved rehabilitation and/or new construction, does the work write-up: include all work noted on the initial inspection report?</p> <p> <i>Initial inspection.</i></p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>76. If the project involved rehabilitation and/or new construction, does the work write-up reflect the applicable ADFA standards? [24 CFR 92.251(a)(1)]</p> <p> <i>Written property standards.</i></p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>77. If the project involved rehabilitation and/or new construction, was the work write-up written with enough detail to enable a contractor to provide a reliable bid? [24 CFR 92.505(a) and 24 CFR 85.36(c)(3)(i) and 85.36(d)(2)(i)(A)]</p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

All projects that involve construction activities require work write-ups or cost estimates. A good work write-up/cost estimate will include:

- A description of the work to be performed that is sufficiently detailed to serve as the basis for obtaining bids from contractors.
- A description of construction items necessary to bring a unit up to code through rehabilitation or build to specifications as for new construction.
- Specifications of the type of repairs, their location and scope, the method and quality of materials to be used. Any special requirements need to be noted.
- Accurate cost estimates that can be used to evaluate bids from contractors and determine whether the cost estimates are reasonable.









The monitor confirm that the work write-up cost estimate was sufficient for the contractors to use to provide bids. This may be evidenced by no change orders or the bids coming in close to the project's original cost estimate (for example, within ten percent).



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Inspections [24 CFR 92.205(a), 24 CFR 85.36(f), 24 CFR 92.251(a)(1), 24 CFR 92.508(a)(3)(iv)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>78. Where HOME/ADDI funds are used for acquisition only, are there inspection policies/procedures in place to ensure that all properties purchased meet property standards pursuant to 24 CFR 92.251(a)(2)?</p> <p> <i>Program policies/procedures detailing property standards requirements.</i></p> <p> <i>Review of project/case files for inspection forms that evidence compliance with acquisition only activities.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>79. If the project involved rehabilitation and/or new construction, does the project file include the following: Documentation of initial inspection? [24 CFR 92.505(a); 24 CFR 85.36(f)]</p> <p> <i>Initial inspection.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>80. If the project involved rehabilitation and/or new construction, does the project file include the following: Documentation of progress inspections? [24 CFR 92.505(a); 24 CFR 85.36(b)(2)]</p> <p> <i>Progress inspections.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>81. If the project included rehabilitation and/or new construction, does the final inspection confirm that: all contracted work was completed? [24 CFR 92.205(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Final inspections.</i></p> <p> <i>Work write-up and/or construction contract with final approved bid.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>82. If the project included rehabilitation and/or new construction, does the final inspection confirm that: the property met all applicable property standards at completion? [24 CFR 92.251(a); ADDI: 24 CFR 92.612(b)]</p> <p> <i>Final inspections.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>83. Does the project file include documentation of a warranty inspection at 11 months?</p> <p> <i>Warranty inspection report.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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84. Regarding property information, is the following documentation in the file: Ongoing inspections during the loan term?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
 <i>Ongoing inspection report.</i>		

For acquisition only projects, there should be at least one inspection form that demonstrates the unit meets the Recipient's written property standards. Inspections revealing items that need to be addressed necessitate a follow up inspection that confirms the work was completed and the unit meets property standards.

For homebuyer projects that involve rehabilitation or new construction, monitors confirm that three types of inspections are occurring—initial, payment/progress inspections and final inspections.

- **Initial Inspection**—Monitors verify that staff performed and documented an initial inspection to identify the extent of necessary rehabilitation. Inspection reports will identify conditions within the unit that do not meet applicable property standards or codes. In reviewing the files, monitors confirm that inspections were thorough and that the inspectors have adequate training and experience. Finally, if a project involved acquisition and rehabilitation was going to take up to two years for completion, a health and safety inspection form has to be completed within six months or prior to occupancy, followed by progress and final inspections that document compliance.
- **Payment/Progress Inspections**—Contractors may make as many payment requests as allowed by the Recipient's program policies/procedures, but cannot be paid until a qualified person inspects the property to verify that work requested for payment is in place and done according to the Recipient's property standards. A small amount (typically 10 percent) should be retained with each progress payment until all work is completed and all contract close-out documentation has been received. Monitors will review project files for documentation of each contractor payment request, the subsequent property inspection, and contractor payment documentation.
- **Final Inspection**—Final inspection documents need to show that all work specified in the write-up and construction contract is performed properly and that the appropriate property standards and codes are met. If an inspection reveals that additional work is required, a detailed list of the remaining work (a "punch list") needs to be prepared. Monitors verify that final payment to the contractor was not made until all punch list items were completed and re-inspected. Upon satisfactory re-inspection, the Recipient is required to conduct a final inspection. Where building code inspections are required, the building code inspectors' reports or other documentation from the jurisdiction indicating that the work meets codes/standards will be included in the project file.
- **Warranty Inspection** – A one-year warranty period must be instituted for each contract completed to ensure that the workmanship and materials of the contractor(s) and subcontractor(s) have been sufficient. A final warranty inspection must be conducted by the Recipient and/or ADFA staff eleven months after the initiation of the warranty period to finalize any adjustments needed to correct covered deficiencies. Any such deficiencies shall be noted by the Recipient or architect, if applicable, and provided to the contractor in writing and corrected.
- **Ongoing Inspections** – Ongoing monitoring requirements, imposed by ADFA, include requirement that the property is maintained at Housing Quality Standards. Recipient is expected to perform annual inspection and provide reports or other evidence that exterior of the property meets minimum Housing Quality Standards (HQS);



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Lead-Based Paint Requirements [24 CFR 92.355 and 24 CFR Part 35]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>85. If the project was constructed before 1978, did the project comply with lead-safe housing requirements at 24 CFR Part 35? (Complete Lead Hazards Monitoring Guidance for Rehabilitation HUD Checklist Exhibits 24-1, 24-2 or 24-3 to answer this question.) [HOME: 24 CFR 92.355; ADDI: 24 CFR 92.614(a)(4)]</p> <ul style="list-style-type: none"> <i>Guideform Notice – Disclosures to Seller with Voluntary, Arm's Length Purchase Offer.</i> <i>Signed Lead-Based Paint Pamphlet and/or lead-based paint notice.</i> <i>Signed Notice of Lead Hazard Evaluation or Notice of Presumption.</i> <i>Risk Assessment (if applicable).</i> <i>Evidence that qualified contractors being used.</i> <i>Clearance Test (if applicable).</i> <i>Documentation that Notice of Lead Hazard Reduction Activities being provided (if applicable).</i> <i>Abatement Report (if applicable).</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>86. Does the project file include: Lead-Based Paint notice (if pre-1978 property)? [24 CFR 92.508.(a)(3)(iv)]</p> <ul style="list-style-type: none"> <i>Signed Lead-Based Paint Pamphlet and/or lead-based paint notice.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors complete the Lead Hazards Monitoring Guidance for Rehabilitation HUD Checklist Exhibits 24-1, 24-2 or 24-3 to ensure the Lead Safe Housing Rule was applied correctly and appropriately to each particular project/case file. Below is a summary of the lead requirements and documentation required (see 24 CFR Part 35 for more details). For all projects involving acquisition and/or acquisition or rehabilitation of pre-1978 units, the files will evidence a copy of the signed lead-based paint notice. In addition, for homebuyer projects, a copy of the seller's disclosure for known lead-based paint hazards will also be included. This disclosure is typically a signed document that accompanies a purchase contract or in closing documents.

For acquisition, documentation of a visual assessment should be in the project files. Monitors may see this as a separate document or as a part of the property inspection form.



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For rehabilitation, the “level of assistance” dictates the required type of lead hazard evaluation and reduction. This number is determined by calculating the lesser of the Federal funds per unit or the rehabilitation hard costs per unit (exclusive of the lead hazard evaluation and reduction costs). Depending on the level of assistance, the monitor will confirm that the correct level of lead hazard evaluation and reduction was conducted. The file should also contain a cost allocation work sheet substantiating that determination.

Monitors confirm that the following documentation is in the file:

- **If the Level of Assistance was *under \$5,000*,*** documentation of a paint test of disturbed surfaces, notice of lead hazard evaluation, evidence of paint repaired by qualified workers who followed safe work practices, clearance and notice of lead hazard reduction activities before re-occupancy.
- **If the Level of Assistance was *between \$5,000–\$25,000*,*** documentation of a risk assessment or an inspection that presumed there was lead-based paint in the home, notice of lead hazard evaluation or presumption, evidence of interim controls or standard treatments by qualified workers who followed safe work practices, clearance and notice of lead hazard reduction activities before re-occupancy.
- **If the Level of Assistance *over \$25,000*,*** documentation of a risk assessment or an inspection that presumed there was lead-based paint in the home, notice of lead hazard evaluation or presumption, evidence of abatement activities by qualified workers who followed abatement practices, clearance and notice of lead hazard reduction activities before re-occupancy.

If lead hazard reduction activities occurred, the file should contain the results of a clearance test as well as a lead hazard reduction notice.

- The clearance examination report should indicate that the home passed clearance. If not, the unit will have been cleaned and clearance performed again until the unit passed.
- Monitors check the date of the notice to confirm it was distributed to the homebuyer within 15 days of the Recipient receiving the clearance results.



On-site Inspections for Rehabilitation Quality [24 CFR 92.251]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
87. If the project has been selected for an on-site inspection to examine the quality of the rehabilitation and/or new construction work, the monitor will perform a walk-through of the property with the initial inspection, the work write-up, and the final inspection report.	<div style="margin-left: 20px;"> <i>Monitoring report/notes from on-site inspection.</i> </div>	
88. Based upon the observable conditions, have the deficiencies identified in the initial inspection report been corrected? [HOME: 24 CFR 92.251; ADDI: 24 CFR 92.612(b)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<div style="margin-left: 20px;"> <i>Inspection forms</i> </div>		



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<p>89. Is the homebuyer satisfied with the rehabilitation?</p> <p> <i>Homebuyer satisfaction survey</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>90. Is the property free of all obvious property standards violations? [HOME: 24 CFR 92.251; ADDI: 24 CFR 92.612(b)]</p> <p> <i>Inspection forms that evidence the unit meets the Recipient's property and written rehabilitation standards.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No






Inspecting construction work for quality and for compliance with property standards requires skills in those areas, but a common sense approach allows monitors to make some basic determinations:

- Are the work items mentioned in the file present on the job? Do they appear to have been completed in a way the monitor would accept in her or his own home?
- Do costs seem reasonable? Are they allowable under HOME?
- What is the homebuyer's evaluation of the work? (Expect that some homebuyers will have continuing expectations that are not realistic.)

Monitors that have questions about work or costs seek the advice of an experienced construction inspector. When visiting homes, monitors are careful not to create or add to problems between homebuyers, owners/sponsors/developers (if applicable) or contractors.

H. Contractor Selection [24 CFR 92.350(a), 24CFR 92.505(a), 24 CFR 85.36(c)(9)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>91. How does the Recipient select the contractor?</p> <p> <i>Procedures explaining how rehabilitation contractors are chosen.</i></p>		
<p>92. Does the Recipient maintain a list of qualified contractors?</p> <p> <i>Procedures outlining how contractors qualify for the list.</i></p> <p> <i>List of contractors and documentation of qualification.</i></p> <p> <i>Contractor file for each active contractor with page printed from Excluded Parties List, references, and bonding and insurance documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>93. Do policies/procedures for maintaining the list of contractors allow for regular reviews of the firms to check that these firms are licensed, perform quality work and maintain insurance coverage? [24 CFR 92.505(a) and 24 CFR 85.36(c)(4)]</p> <p> <i>Program or contractor selection policies/procedures.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p> <i>Review of project/case files for documentation that policies/procedures were followed with regard to ensuring firms meet requirements.</i></p>		
<p>94. Did the Recipient select the contractor through a competitive bid process? [HOME: 24 CFR 92.505(a) and 85.36(c) and (d); ADDI: 24 CFR 92.616(f)]</p> <p> <i>Bidding policies/procedures and documentation policies/procedures followed.</i></p> <p> <i>Worksheet or notes of bid review and cost are determined reasonable and eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>95. Did the Recipient solicit, accept and review bids according to the ADFA bid solicitation requirements?</p> <p> <i>Documentation (e.g., worksheet or copies) of bids collected and reviewed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>96. Was the rationale for the selection of the contractor documented? [24 CFR 92.505(a) and 24 CFR 85.36(c)(9)]</p> <p> <i>Bidding policies/procedures.</i></p> <p> <i>Documentation of selection such as worksheet or notes of bid review.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>97. Does the project file include verification of contractor eligibility, e.g. that awards were not made to any party excluded, disqualified or otherwise ineligible (i.e., suspension, debarment or limited denial of participation) for federal procurement or nonprocurement programs? [24 CFR 92.350(a)]</p> <p> <i>Evidence the contractor is not on the exclude parties list at time of project.</i></p> <p> <i>Bidding procedures and documentation that contractor met other eligibility requirements of the Recipient.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Contractors working under HOME-funded homebuyer programs are selected by the Recipient. The selection process must comply with federal procurement rules regarding competitive bidding and ADFA requirements for bid solicitations:

- Monitors verify that a competitive bidding process was used, including that a public invitation for bids was issued and that an attempt was made to solicit more than one bid. Copies of the mailing list for the project's request for bids, along with a copy of the newspaper the announcement was published in, should be in the file.



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- Bids must be reviewed using consistent criteria. The Recipient should have written guidelines for processing and reviewing their bids that comply with the ADFA requirements for screening contractors (bidding and contract award process).
- In cases where contractors were rejected, monitors confirm that the Recipient documented the reasons the contractor was not selected.

Monitors verify that contractors used for HOME funded projects met the minimum requirements:

- Be eligible to work on Federally-funded projects. Eligibility is documented by checking the excluded parties list (<http://www.epls.gov/index.html>) and establishing that contractor is not on the list before issuing a Federally funded contract. Monitors should check to ensure this verification is occurring. A print out of the page from the website at <http://www.epls.gov/index.html> stating the contractor is not on the excluded parties list at the time of the search.

Excluded Parties Website:
<http://www.epls.gov/index.html>

- Have a record of good performance and strong references.
- Show proof of having met bonding and insurance requirements required by the ADFA.

In reviewing project files, monitors verify that all bids were solicited, accepted and reviewed in line with ADFA's requirements. A copy of the winning bid should be found in the project file. Monitors confirm that all firms used in the rehabilitation program perform quality work, are licensed and maintain proper insurance coverage. ADFA requires documentation of the following items in the Recipient's project files:

- Copies of advertisements for bids;
- Proof of publication;
- Bid tabulation worksheets;
- Contractors Arkansas State License;
- General Liability Insurance;
- Builders Risk Insurance; and
- Contractor's ability to obtain a Payment and Performance Bond or Irrevocable Letter of Credit (reconstruction only).

Monitors review the process by which contractors are selected to participate in the program and assess whether the program involves an appropriate number of contractors given its volume. A disproportionately small number of contractors involved in the program can be seen as a possible sign of program performance problems and should be trigger further investigation.



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I. Construction Management

To ensure that HOME funds are used for eligible construction activities, it is important to monitor and document the construction process. The Recipient should have the following documentation in each project file:


- Pre-construction conference report;
- Rehabilitation/construction contract and notice to proceed;
- Change orders;
- Contractor payment requests and inspection documentation;
- Copies of Lead Hazard Evaluation and Reduction Notices and Lead-based Paint Clearance Report (if applicable); and
- Contract close-out.

In reviewing project files, a monitor will ascertain that this documentation is consistent. If the review reveals that total payments to a contractor exceed the amount of the original contract, the file needs to contain approved change orders documenting the additional cost.

Similarly, if any inspection report (or other documentation) reveals items not included in the original write-up, or if specified work was not performed, the file will contain relevant change orders. When expenditures are unaccounted for in project files, monitors determine the nature of the costs above the amount of the construction contract. If HOME funds were used to pay for these costs, they have to be supported as eligible and reasonable costs or be repaid to the HOME account.

Pre-construction Conference [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
98. Was a pre-construction conference conducted and documented in the file? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
 <i>Preconstruction notes or minutes.</i>		



The pre-construction conference is required by ADFA to enhance program performance by helping to avoid confusion between the owner and the contractor. Monitors will confirm that these conferences are conducted on-site with the owner and the contractor before the execution of any construction contract. The conference documentation should show that the Recipient reviewed the work to be performed and the terms of the contract with both parties. The project field is also required to include a pre-construction conference reports signed by all parties will be placed in the project file.



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Construction Contract [24 CFR 92.505(a), 24 CFR 85.20(b)(6), 24 CFR 92.508.(a)(3)(ii)]


Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
99. Did the homebuyer and contractor execute a rehabilitation contract and is the documentation in the file? [24 CFR 92.505(a) and 24 CFR 85.20(b)(6)]  <i>Construction contract.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
100. Does the file contain a notice to proceed?  <i>Notice to proceed.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Prior to the start of the work, a rehabilitation/construction contract is required to be executed and the Recipient has to issue a Notice to Proceed subsequently. Monitors verify that copies of each document are kept in the project file. The work write-up and the contractor's accepted proposal should become a part of the rehabilitation/construction contract. Monitors review the contract to verify that it was properly executed. If so, the notice to proceed is an indicator that all pre-construction tasks have been completed and the project is officially ready to proceed. The notice can be issued at a pre-construction conference or at a later time.

Progress Inspections [24 CFR 92.505(a), 24 CFR 85.36(b)(2)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
101. Were progress inspections of the project performed prior to approving the contractor's request for payment and are they documented in the file? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]  <i>Progress/payment inspection reports (log or notes).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors verify that progress inspections are conducted to document that the work being done adheres to the construction contract and all applicable codes and standards prior to contractor payment. Monitors should find records of performance and inspections of the construction work in the project file. Inspections should be documented for any of the following situations:

- Payment requests;
- Change orders;
- Client complaints;
- Indications of project delays; or




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- Critical points in the rehabilitation/construction such as when certain work is about to be covered by other work (e.g., before drywall covers the electrical, plumbing, framing rough-in, before concrete covers the foundation trench and reinforcing bar).

Monitors confirm that inspections were conducted with the appropriate parties and contractor present and that a proper sign off on the payment request was completed.

Appropriate Approvals



Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
102. Did the owner approve final payment to the contractor?  <i>Documentation of homeowner approval (signature) on final payment request/draw or similar documentation.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors verify that the homebuyer, if applicable, agreed that the work was completed on his/her home prior to final payment to the contractor and release of liens. Monitors should be able to locate the homebuyer's signature/approval on the final payment/draw request and on any other final documentation at the end of the project.

Change Orders [24 CFR 92.505(a), 24 CFR 85.20(b)(6), 85.36(f)(1), 24 CFR 92.508.(a)(3)(ii)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
103. Did the Recipient and the applicable parties review and approve change orders for any changes in the scope of work and are these change orders documented in the file? [24 CFR 92.505(a) and 24 CFR 85.20(b)(6) and 85.36(f)(1)]  <i>Change orders with backup documentation as to why change order necessary and that it meets written rehabilitation standards and applicable housing codes/standards.</i>  <i>Documentation that costs were reviewed for eligibility</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Any change in the scope of work or budget for a project have to be documented and approved as a change order before the work is initiated. A change order then becomes a binding part of the construction contract and helps the Recipient ensure the quality of the work.

Recipients should have policies/procedures for handling change orders. When reviewing change orders, monitors confirm that the revised scope of work was necessary to meet applicable codes and standards



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and that the new costs were eligible and did not exceed subsidy limits. Monitors also confirm that change orders were signed by the appropriate parties (including ADFA as ADFA has to review and approval all change orders).

- If a desk review of the final inspection report (or an on-site inspection) reveals items not included in the original write-up or, if specified work was not performed, the file should contain change order(s).
- In reviewing project files, monitors confirm that documentation is consistent. For example, change order documentation should appear any time a change is made regardless if whether or not the dollar amount of the project changed.
- If the monitoring reveals that total payments to a contractor exceeded the amount of the original contract, the file should contain approved change orders documenting the additional cost.
- When expenditures are unaccounted for in project files, the monitor determines the nature of the costs above the amount of the construction contract. If HOME or ADDI funds were used to pay for these costs, ADFA may determine that the Recipient need to repay those funds.

Lien Releases and Warranty Information [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
104. Does the project file contain a Lien Release? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] <i>Lien release form signed by the Recipient and/or homebuyer.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
105. Does the project file contain a Contractor Warranty or Equipment Warranty? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] <i>Warranty information and documentation it was provided to the homebuyer (e.g., signature on form indicating receipt).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors look for a release of liens signed by all parties in homebuyer files that involve rehabilitation or new construction. In addition, the contractor will provide all warranties or affidavits to the homebuyer at the completion of the project. Original warranty documents will be provided to the homebuyer; however, the Recipient needs to maintain a copy or other documentation in the project files.

J. Loan Processing and Servicing



There are several HOME and ADFA requirements concerning loan documentation, repayment and use of loan funds. These areas are discussed below.



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Underwriting Policies/procedures

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
106. Does the Recipient have program policies/procedures in regards to underwriting?  <i>Program policies/procedures regarding loan underwriting.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
107. Is there a worksheet or other documentation showing how the loan amount was calculated?  <i>Documentation as to how loan amount calculated.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No




ADFA establishes specific underwriting practices for development and repayable loans. In particular, to qualify for a development or repayable loan, the homebuyer has to meet the following criteria:

- Total monthly housing expense may not exceed 33% of monthly gross income. Housing expenses include principal, interest, taxes, insurance and utilities.
- Total monthly debt related expenses –including car loan payments, credit card debt payments– may not exceed 43% of monthly gross income.

Recipients must also perform a credit inquiry to determine the homebuyer's ability to repay the repayable portion of the HOME Program Loan.

Loan Approval

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
108. Is there a date on the approval determination?  <i>Date of Approval—assistance must be provided within six months of income determination.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
109. Are there acceptance and rejection letters in regards to the loan in the file?  <i>Letter of acceptance or rejection of loan.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
110. Is there a copy of the Truth-in-lending notice in the file?  <i>Truth-in-lending notice.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors review the Recipient's loan approval process to determine if it provides adequate information to the homebuyer. When a loan is approved or rejected, homebuyers should receive full information about their











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status (i.e., approved or not approved) and, if applicable, the terms of the assistance and their payment obligations. At the time the loan documents are executed, the Recipient is required to provide truth-in-lending materials to the borrower and fully explain the owner's rights to cancel the assistance. Loan documents signed by the homebuyers should also be in project/case files.

Loan Documentation [24 CFR 92.205(b)(1), 24 CFR 92.505(a), 24 CFR 85.20(b), 24 CFR 92.508(a)(3)(ii)]

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>111. Did the homebuyer sign the loan agreement? [24 CFR 92.205(b)(1); 24 CFR 92.505(a) and 24 CFR 85.20(b)(2) and 85.20(b)(6)]</p> <p> <i>Signed loan agreement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>112. Were loan documents recorded? [24 CFR 92.505(a) and 24 CFR 85.20(b)(3)]</p> <p> <i>Deed of trust or note and mortgage and evidence documents were recorded with the local government.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>113. If funding sources in addition to HOME and/or ADDI were used, do project records include documentation of the source and application of funds for the project? [24 CFR 92.508(a)(3)(ii); 24 CFR 92.505(a) and 24 CFR 85.20(b)]</p> <p> <i>Documentation of additional funding sources such copy of application, budget documents, financial records indicating the HOME portion of payments.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>114. Regarding legal documents, are there closing documents in the file? [24 CFR 92.508(a)(3)(ii)]</p> <p> <i>Executed written agreement.</i></p> <p> <i>Deed of trust or promissory note & mortgage signed and notarized.</i></p> <p> <i>Deed restriction (required for resale only).</i></p> <p> <i>Truth in Lending Disclosure Statement.</i></p> <p> <i>Right to Cancel or Right of Rescission.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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Monitors examine program loan documents to make sure that they are consistent, complete, properly executed, properly recorded and reflect all applicable HOME and other Federal requirements. The following documents should be available in the project files for review:

- Deed of trust or note and mortgage (usually filed at the courthouse or county records office; the recorded copy will be returned to the Recipient to be placed in the file);
- Real estate note (copy of promissory note will be in the file, signed and notarized);
- Deed restriction (required for resale only);
- Truth in Lending Disclosure Statement; and
- Right to Cancel or Right of Rescission (applicants have a right to cancel their loans within three days).

In addition, HOME rules require that the homebuyer signs a written agreement that includes the required provisions. ADFA's template written agreement needs to be executed before any HOME funds may be dispersed. Monitors confirm that the Recipient has used ADFA's standard loan agreement and that an executed copy of the agreement is found in all project files.

K. Program Administrator and Performance Standard

Monitoring staff confirm that documentation related to each of the key questions in the ADFA checklist is available in Recipient files.

Checklist Questions & Key Documents		
<p>115. Does the Recipient directly administer the homebuyer program? If not, obtain a copy of the HOME written agreement for the use of a contractor/administrator.</p> <p> <i>Written agreement(s) with contractors/administrators, particularly roles and responsibilities.</i></p> <p> <i>HOME Status reports from staff or Recipient.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>116. Is the Recipient meeting the performance standard related to expenditures?</p> <p> <i>Review Notice to proceed issued by ADFA for the Recipient's program. This document establishes timeline for standard.</i></p> <p> <i>Review draws submitted for reimbursement</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

While many Recipients operate their HOME-funded homebuyers programs with internal staff and resources, others rely on contractors to administer all or part of the program. Recipients might use contractors to perform marketing activities, identify eligible applicants, provide homebuyer counseling, develop initial work write-ups and cost estimates, manage construction, or serve as the contractor on individual projects.



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When the administration of the program is shared between the Recipient and a partner, monitors review written agreements that articulate roles and responsibilities to ensure that all obligations of the ADFA HOME Program are carried out by one of the administering entities. Recipients should be using ADFA's written agreement template for all agreements with contractors/administrators.

Also, monitoring staff will review status reports from HOME staff or Recipients in order to monitor compliance and evaluate performance. ADFA's performance standard is related to expenditure from issuance of the Notice to Proceed. Recipients are required to expend:

- 25% of allocation within 90 days;
- 75% of allocation within 1 year; and
- 100% of allocation within 18 months.



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Section 3. Monitoring Program and Project (Case File) for Loan Term Compliance (Reference: HUD Checklist 7-0 and 7-5)

Status reports from Recipients are reviewed for compliance with the requirements outlined below. To determine whether a homebuyer program is in compliance with the ADFA HOME Program requirements, a monitor will review the individual project files for each of the households/housing units assisted with ADFA HOME Program funds.

A. Loan Term Monitoring for Occupancy and Property Standards

Checklist Questions & Key Documents		
117. Is the Recipient monitoring ongoing occupancy? <i>Utility bills, copy of annual insurance policy statement or other documentation that owner is using home as principal residence.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
118. Is the Recipient monitoring maintenance of unit exterior at the property standards? <i>Inspection report.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
119. Does the Recipient take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements? [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)] <i>Project file documentation evidencing enforcement.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
120. If the property was sold before the end of the affordability period, were the recapture requirements met? [HOME: 24 CFR 92.254(a)(4); ADDI: 24 CFR 92.612(c)] <i>For recapture, documentation that recapture provisions were followed, including the receipt of recaptured funds in the Recipients HOME account and information entered into IDIS.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Ongoing monitoring requirements, imposed by ADFA, include requirements that assisted households must maintain principal residency, real estate tax payments, hazard insurance for post-rehabilitation replacement cost, and the property at Housing Quality Standards.

Appropriate documentation in files for annual reviews should include:

- Evidence that the property is the principal residence of the person assisted with HOME funds (by way of a certified letter sent to the homeowner's address, review of hazard insurance, or tax records);
- Annual inspection reports or other evidence the exterior of the property meets minimum Housing Quality Standards (HQS);



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Evidence of annual payment of real estate taxes and homeowners insurance sufficient to cover replacement of the structure. ADFA requires that efforts to obtain copies of homeowner's insurance policies and real estate tax receipts must include a minimum of two letters of request and one personal visit by the recipient or other designee. If these efforts are unsuccessful, ADFA reserves the right to take steps necessary to obtain the documents, up to and including recapture of funds or foreclosure.


If the unit is no longer the principal residence of the homebuyer, the Recipient or developer has two options:

- Ensure the homebuyer reoccupies the unit; or
- Pay back the outstanding total amount of HOME assistance (minus any principal loan payments, if applicable). Note, this may be more than the amount of direct assistance provided to the homebuyer under the recapture mechanism found in the mortgage.

If a property is sold during the period of affordability, monitors confirm that the recapture amount was calculated appropriately. Under the ADFA required recapture mechanism, the unforgivable portion of the amount of direct HOME assistance is due when the property is sold (or title is transferred) during the term of the loan, subject to net proceeds, to protect the HOME investment throughout the term of the loan. Forgiveness terms and net proceeds are defined below:

- ADFA provides a 0% forgivable loan that is forgiven commensurate with the period of affordability. For example, a 10 year period of affordability would be forgiven at 120th a month for each month occupied by the homebuyer.
- Net proceeds are defined by the sales price minus superior loan repayment (other than HOME funds, if applicable) and any seller's closing costs. If net proceeds exceed the amount of HOME assistance, the homebuyer will receive the balance of these proceeds. If net proceeds are less than the amount of HOME assistance, the amount available will be repaid to ADFA and the loan will be considered satisfied.

B. Compliance Determination based on File Review [24 CFR 92.508(a)(3)]

Checklist Questions & Key Documents		
121. Based upon this file review, is the document sufficient to determine compliance with HOME requirements? [24 CFR 92.508(a)(3)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
 <i>File review checklists and notes.</i>		

After reviewing the file, monitors determine whether the project is in compliance or not. The monitoring file will be documented to show whether it meets compliance and follow-up action items will be addressed and documented if applicable.



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Section 4. Resources

The following tools are provided as additional resources to assist the monitor in reviewing Recipients for compliance for the homebuyer program:

- ADFA Checklist for Homebuyer Monitoring – (Attachment 5-1)
- Summary of Key Homebuyer Rules and How to Document (Attachment 5-2)
- Summary of Key Other Federal Requirements for Homebuyer Projects (Attachment 5-3)










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Attachment 5-1 ADFA Checklist for Homebuyer Monitoring

Checklist Questions & Key Documents		
<p>1. Are written informational materials such as marketing materials, informational materials for potential applicants, and application forms about the program available? If “yes” obtain copies.</p> <p> <i>Marketing procedures/plan.</i></p> <p> <i>Marketing advertisements and flyers.</i></p> <p> <i>Evidence of fair housing logo on marketing materials.</i></p> <p> <i>Application form/package.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>2. Does the Recipient have a procedures manual that outlines policies with respect to:</p> <p>(a) Initial eligibility screenings of applicants;</p> <p>(b) Program education for homebuyers;</p> <p>(c) Procedures for notifying homebuyers about awards/rejection?</p> <p> <i>Policies/procedures.</i></p> <p> <i>Documentation indicating how applicants were selected.</i></p> <p> <i>Approval or rejection letters.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>3. Does the list of participating households in the Recipient files match the list of households in the program application to ADFA? Does it match the households listed in the written agreement with ADFA? If there are any changes, was ADFA informed and the written agreement updated?</p> <p> <i>Application with participant household information.</i></p> <p> <i>Written agreement with participant household information.</i></p> <p> <i>Communication with ADFA regarding changes</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>4. Was the Part 5 (Section 8) used (e.g. the definition selected for this homebuyer program)?</p> <p> <i>Procedures detailing the definition of income for activity.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>5. Did the Recipient correctly apply income inclusions and exclusions for the Part 5 (Section 8) definition and was the calculation performed correctly? [24 CFR 92.203(b)]</p> <p> <i>Procedures detailing the definition of income for activity.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>6. Was household income supported with source documentation? [HOME: 24 CFR 92.203(a)(2); ADDI: 24 CFR 92.610(c)]</p> <p> <i>Source documentation of income for all household members—pay stubs, bank statements, and documents from third parties (e.g., Social Security Administration, verification of employment).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>7. Was the household's annual income less than or equal to 80 percent of the area median income? [HOME: 24 CFR 92.254(b); ADDI: 24 CFR 92.612(c)]</p> <p> <i>Copy of HUD's income limits associated with income verification date (on income calculation worksheet).</i></p> <p> <i>Documentation of comparison of the household's income to the HUD income limit for the applicable household size.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>8. Was the household's income determined not more than six months before the HOME or ADDI funds were committed to this homebuyer? [HOME: 24 CFR 92.203(d)(2); ADDI: 24 CFR 92.610(c)]</p> <p> <i>Income verification date (on income calculation worksheet) compared to HOME/ADDI written agreement date.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>9. For household information, is the following documentation in the file: Completed application?</p> <p> <i>Application with all household members identified.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>10. For household information, is the following documentation in the file: Verification of Income? [HOME: 24 CFR 92.203 and 02.254(a)(3); ADDI: 24 CFR 92.610(c) and 612(c)]</p> <p> <i>Income calculation worksheet/form and compared to current HUD income limits.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>11. For household information, is the following documentation in the file: Approval notification/documents?</p> <p> <i>Acceptance or rejection letter based upon income determination.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>12. If the household is assisted with ADFA's downpayment assistance only funds, does the household meet the first time homebuyer definition in 24 CFR 92.2? [24 CFR 92.602(a)(1)]</p> <p> <i>Self certification from household.</i></p> <p> <i>Documentation of displaced homemaker or single parent.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>13. Are there policies/procedures to ensure that the assisted homebuyers will occupy their properties as a principal residence (e.g., written agreements) pursuant to 24 CFR 92.254(a)(3)?</p> <p> <i>Policies/procedures.</i></p> <p> <i>Review of files for written agreements.</i></p> <p> <i>Review of file documentation evidencing principal residence requirement met.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>14. Does the written agreement with the homebuyer specify the buyer must use the property as a principal residence throughout the loan term? [HOME: 24 CFR 92.254(a)(3) and 24 CFR 92.504(c)(5)(i); and ADDI: 24 CFR 92.612(c) and 24 CFR 92.616(e)]</p> <p> <i>Written agreement with language regarding the principal residence and loan term requirements.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>15. Does the written agreement specify remedies or actions the Recipient will take if the principal residence requirement is not met for the loan term? [HOME: 24 CFR 92.254(a)(5) and 24 CFR 92.254(c)(5)(i); ADDI: 24CFR 92.612(c) and 616(e)]</p> <p> <i>Written agreement with language regarding the Recipient action if principal residence requirement is not met.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>16. Based upon a review of the project file, is the documentation being maintained sufficient to demonstrate compliance with the following long term affordability requirements for the loan term?</p> <p> <i>Evidence the participant has certified the property is and will continue to be their primary residence (e.g., signed</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No











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<p><i>statement or form developed by the Recipient).</i></p> <p> <i>Copies of Hazard Insurance certificate noting principal residency (designation of Homeowner's policy).</i></p> <p> <i>Written agreement with language regarding the loan term requirements.</i></p>		
<p>17. Was the form of ownership eligible under the HOME or ADDI programs (i.e., fee simple title; 99-year lease; 50-year lease on Indian lands; condominium or cooperative; or other, with state and HUD approval)? [HOME: 24 CFR 92.2 and 24 CFR 92.254(c); ADDI: 24 CFR 92.612(c)]</p> <p> <i>Fee simple title, deed or other documentation of ownership.</i></p> <p> <i>Lease for the appropriate period of time (99-year or 50-year).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>18. Based upon a review of the project file, is the documentation being maintained sufficient to demonstrate compliance with the following HOME requirements: Approved form of ownership? [24 CFR 92.2; HOME: 92.254(c); ADDI: 24 CFR 92.612(c)]</p> <p> <i>Deed or other documentation of ownership.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>19. Regarding legal documents, is there a Homebuyer HOME Written Agreement in the file? [HOME: 24 CFR 92.504; ADDI: 24 CFR 92.616(e)]</p> <p> <i>Copy of fully executed (signed) written agreement between Recipient and homebuyer. Check that all required provisions included, that dates are filled in and that signatures are on the document.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>20. Does the Recipient have a loan agreement and a promissory note with the homeowner that clearly explains the terms of the loan?</p> <p> <i>Loan Agreement (check dates, conditions and terms); and</i></p> <p> <i>Promissory Note (check dates, conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>21. Are ADFA template program agreements, loan agreements, promissory note and lien documents used?</p> <p> <i>Review program agreements with beneficiaries and lien documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No










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<p>22. Did the Recipient make changes to the ADFA template program agreements, loan agreements, promissory note and lien documents? If so, were the changes approved and reviewed by ADFA?</p> <p> <i>Correspondence with ADFA regarding proposed changes to the ADFA template documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>23. Are the program agreements, loan agreements, promissory note and lien documents recorded?</p> <p> <i>Review copies of recorded documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>24. Is the ADFA lien position appropriate?</p> <p> <i>Lien position related documentation</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>25. Does the written agreement with the homebuyer include required recapture provisions? [HOME: 24 CFR 92.504(c)(5); ADDI: 24 CFR 92.616(e)]</p> <p> <i>Written agreement with all required provisions.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>26. Are there adequate policies/procedures and controls in place to ensure that the Recipient is aware that a homebuyer is reselling the property during the period of affordability? [24 CFR 92.505(a) (HOME) and 24 CFR 616(f) (ADDI); 24 CFR 85.20(b)(3)]</p> <p> <i>Policies/procedures.</i></p> <p> <i>Review of project/case files of projects involving resale of the property during the loan term to ensure Recipient is adhering to recapture policies/procedures.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>27. Did the Recipient use the correct loan term based upon the total the direct subsidy provided with ADFA HOME program funds? [HOME: 24 CFR 92.254(a)(4); ADDI: 24 CFR 92.612(c)]</p> <p> <i>For recapture, calculation of direct assistance to the buyer (e.g., spreadsheet, form or memo to the file).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>28. Are recapture funds paid to ADFA? [HOME: 24 CFR 92.254(a)(4); ADDI: 24 CFR 92.612(c)]</p> <p> <i>Written agreement with recapture provisions that direct payment to ADFA</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No








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<p>29. Does the Recipient have procedures for resolving disputes between contractors and homebuyers?</p> <p> <i>Program guide for applicants.</i></p> <p> <i>Conflict resolution procedures and documentation that any complaints were handled in accordance with such procedures.</i></p> <p> <i>Documentation that any complaints were handled in accordance with such policies/procedures?.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>30. Has ADFA received an unusually high number of complaints regarding the Recipient's homebuyer program during the past 12-24 months?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>31. Is the Recipient assisting eligible property types?</p> <p> <i>Review Recipient procedures, marketing and intake materials to ensure the eligible property types are specified for the program.</i></p> <p> <i>Review application to ADFA HOME Program for compliance.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>32. Does the file list the property as a single-family home (1-4 units)? [HOME: 24 CFR 92.254(a)(1); ADDI: 24 CFR 92.602(a)(1)]</p> <p> <i>Inspection report, tax assessment or other document that provides identification of property type.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>33. Was the property within the Recipient's boundaries?</p> <p> <i>Map, inspection report or tax information indicating location of property.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>34. Was the amount of HOME subsidy and/or ADDI investment at or below the maximum per unit subsidy limit established by HUD? [HOME: 24 CFR 92.250(a); ADDI: 24 CFR 92.612(a)]</p> <p> <i>Copy of the 221(d)(3) limits for the year the project was funded.</i></p> <p> <i>Evidence in the file that the amount provided was less than the applicable 221(d)(3) limit (subsidy calculation worksheet/form or other documentation and written agreement with the owner/developer sponsor [if applicable] and homebuyer).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>35. Did the HOME and/or ADDI investment total at least \$1,000 per HOME-assisted unit? [HOME: 24 CFR 92.205(c); ADDI: 24 CFR 92.602(c)]</p> <p> <i>Agreement or grant/loan document showing amount of assistance provided.</i></p> <p> <i>Subsidy calculation worksheet/form and/or HUD or other settlement statement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>36. If downpayment assistance (ADFA ADDI funds) were used in the project, was the ADDI investment less than the greater of either: a) \$10,000; or b) 6 percent of the sales price of the property? (Note: This requirement does not apply to FY 2003 ADDI funds.) [24 CFR 92.602(e)]</p> <p> <i>Subsidy calculation worksheet/form, HUD or other settlement statement and written agreement with the owner/developer sponsor [if applicable] and homebuyer.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>37. Is the ADFA HOME assistance provided to homeowners in line with the amount approved by ADFA and within the maximum and minimum assistance limits set by ADFA?</p> <p> <i>Review Recipient procedures, marketing and intake materials to ensure the assistance limits are specified for the program.</i></p> <p> <i>Review application form to ADFA.</i></p> <p> <i>Review loan agreement and promissory note to beneficiary.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>38. Was the sales price or, if applicable, the after-rehabilitation property value less than 95 percent of the median single-family purchase price? [HOME: 24 CFR 92.254(a)(2); ADDI: 24 CFR 92.612(c)]</p> <p> <i>203(b) limits for year project was funded.</i></p> <p> <i>If acquisition only, sales contract and/or settlement statement.</i></p> <p> <i>For projects involving rehabilitation, appraisal, tax assessment or in-house estimate by qualified staff documenting after-rehabilitation value.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>39. For projects involving rehabilitation, was the after-rehabilitation value of the property determined using appropriate methods (e.g., appraisal, tax assessments or assessments by qualified staff)? [HOME: 24 CFR 92.254(a)(2); and ADDI: 24 CFR 92.612(c)]</p> <p> <i>Appraisal, tax assessment or in-house estimate by qualified staff documenting after-rehabilitation value.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>40. Does the project file include an Environmental Review Record [HOME: 24 CFR 92.352; ADDI: 24 CFR 92.614(a)(2)]</p> <p> <i>Environmental Review Record (ERR).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>41. Does the Environmental Review Record meet the environmental review requirements? (Complete HUD Checklist 21-1 to answer this question.) [24 CFR 92.352]</p> <p> <i>Environmental Review Record (ERR).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>42. Does the project file include: Relocation notice to seller (if applicable)? (Note: For ADDI, the Uniform Relocation Act requirements apply only to FY 2003 funds.) [HOME: 24 CFR 92.353; ADDI: 24 CFR 92.614(b)(2)]</p> <p> <i>Guideform Notice – Disclosures to Seller with Voluntary, Arm's Length Purchase Offer.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>43. Does the project file include: Notice to tenant (if applicable)? (Note: For ADDI, the Uniform Relocation Act requirements apply only to FY 2003 funds.) [HOME: 24 CFR 92.353; ADDI: 24 CFR 92.614(b)(2)]</p> <p> <i>General Information Notice.</i></p> <p> <i>Other relocation notices as applicable.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>44. If relocation was required for a project, does the Recipient document a file for each resident relocated?</p> <p> <i>Payment expense log for the resident.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>45. Are there policies/procedures in place to ensure that all costs paid with HOME/ADDI funds are eligible under 24 CFR 92.205?</p> <p> <i>Program policies/procedures and program application forms describing eligible costs.</i></p> <p> <i>Review of project/case files to ensure policies/procedures adhered to and that all costs were eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>46. Are all costs detailed on the cost estimate and in the construction contract eligible under the HOME Program? [24 CFR 92.206]</p> <p> <i>Work write-up and draw requests to ensure costs are eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>47. If costs were not eligible, was another source of funds used for these costs?</p> <p> <i>IDIS Activity set-up sheet and draw record.</i></p> <p> <i>Budget review sheet/log for project.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>48. Are total projects costs within the maximum limit?</p> <p> <i>Review Recipient procedures to ensure that applicant intake and approval processes account for program limit.</i></p> <p> <i>Review application form to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>49. Are costs to rehabilitate/build garages eligible?</p> <p> <i>Review program procedures, marketing and intake materials to ensure that eligible garage costs are specified for the program.</i></p> <p> <i>Review plans to determine if garages are attached to the structure.</i></p> <p> <i>If detached, review documentation of extenuating circumstances.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>50. Are project and project administration costs eligible and within the 10% limit?</p> <p> <i>Review total amount drawn to-date to ensure compliance with 10% limit.</i></p> <p> <i>Review cost certification materials.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>51. Are changes in the Recipient's program communicated to ADFA?</p> <p> <i>Review Recipient procedures to ensure that any changes in number of units, development costs and/or financing sources are communicated to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>52. Are policies/procedures in place to ensure that assisted homebuyers do not receive excessive subsidy?</p> <p> <i>Program policies/procedures determining amount of homebuyer assistance.</i></p> <p> <i>Review of project/case files to ensure calculation was consistent with policies/procedures.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>53. Was the amount of assistance provided to the homebuyer reasonable (i.e., based upon a review of individual financial circumstances) [OMB A-87, Attachment A, Section C.2]</p> <p> <i>Affordability calculation worksheet.</i></p> <p> <i>HUD or other settlement sheet.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>54. If the program involves construction, does the Recipient have policies/procedures for reviewing cost estimates and evaluating whether they are cost reasonable? [24 CFR 92.505(a) (HOME) and 24 CFR 92.616(f) (ADDI); 24 CFR 85.36(f)]</p> <p><i>Review of project/case file specifications/work write-ups compared to the selected contractor bids to ensure costs are reasonable.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>55. Is the cost estimate reviewed by a party other than the originator of the estimate (e.g., another Recipient staff person)?</p> <p><i>Program policies/procedures that stipulate who is responsible for generation of cost estimates and review of cost estimates.</i></p> <p><i>Review of project/case files to see evidence of review by a staff person other than the preparer of the estimates. (Signature or note to the files).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>56. Is the actual cost of the work documented? [24 CFR 92.505(a) and 92.508(a)(3) (HOME) and 24 CFR 92.616(f) and 92.616(i) (ADDI); 24 CFR 85.20(b)(6)]</p> <p><i>Review of project/case files for documents such as construction contracts and any change orders, draw requests/payment approvals.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>57. Do the costs appear to be reasonable? [OMB A-87, Attachment A, Section C.2)]</p> <p><i>Work write-up and draw requests to ensure costs are reasonable.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>58. Did the Recipient inform ADFA of all sources of public funds, including any changes during construction? Note: if more than one source of public funds (Federal, state, and local) was provided, ADFA must perform a subsidy layering review to ensure that excessive subsidy was not provided [HOME: 24 CFR 92.250(b); ADDI: 24 CFR 92.612(a)]</p> <p><i>Communication to ADFA certifying public sources of funds</i></p> <p><i>Subsidy layering policies/procedures.</i></p> <p><i>Subsidy layering analysis worksheet.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>59. If a proration method of cost allocation was used, comparability of units (in terms of bedroom size, square footage and level of amenities) is documented in the files? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p> <p> <i>Project information to document types of units such as plans, blueprints, bid documents, etc.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>60. If a proration method of cost allocation was used, documentation confirms that HOME-ineligible costs were subtracted from the total development cost to determine the total HOME-eligible development costs? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>61. If units are not comparable, is a unit-by-unit cost allocation system documented in the files? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>62. Are cost allocation calculations documented in the files? [24 CFR 92.508(a)(3)(ii)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>63. Does the documentation confirm that changes in project size/scope, cost or financing sources during the development of the project were communicated to ADFA by the Recipient?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>64. Was the subsidy provided in an eligible form of investment? [HOME: 24 CFR 92.205(b)(1); ADDI: 24 CFR 92.602(c)]</p> <p> <i>Written agreement and, if applicable, loan documents to determine if form of assistance is HOME eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>65. If the subsidy was provided in a different form, was that form approved by ADFA? [24 CFR 92.205(b)(1)]?</p> <p> <i>Documentation from ADFA indicating approval of some other form of subsidy.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>66. Are the terms of the loans described in information provided to, and written agreements executed by, homebuyers? Obtain a copy of the written agreement and any written guidance provided to homebuyers.</p> <p> <i>Policies/procedures describing the provisions related to changes in homeownership.</i></p> <p> <i>Written agreement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>67. Do the loan terms reflect ADFA's requirements for Development and Homebuyer loans?</p> <p> <i>Loan Agreement (check dates, conditions and terms); and</i></p> <p> <i>Promissory Note (check dates, conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>68. Are loan repayments directed to ADFA's Accounting Department?</p> <p> <i>Loan Agreement (check conditions and terms); and</i></p> <p> <i>Promissory Note (check conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>69. If direct homebuyer assistance only was provided (no construction), did the property meet applicable property standards at time of transfer to the homebuyer? [HOME: 24 CFR 92.251(a)(2); ADDI: 24 CFR 92.612(b)]</p> <p> <i>Inspection form for acquisition.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>70. If only direct homebuyer assistance was provided and the homebuyer was to perform necessary rehabilitation: Was the property free of health and safety violations before occupancy? [HOME: 24 CFR 92.251(b)(3); ADDI: 24 CFR 92.612(b)]</p> <p> <i>Health and safety inspection form.</i></p> <p> <i>Program policies/procedures describing the Recipient's property standard for health and safety violations.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>71. If only direct homebuyer assistance was provided and the homebuyer was to perform necessary rehabilitation: Does the agreement require completion of rehabilitation within 24 months or, if ADDI funds are used for rehabilitation, within one year? [HOME: 24 CFR 92.251(b)(3); ADDI: 24 CFR 92.612(b)]</p> <p> <i>Periodic and final inspections.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>72. If the project involved rehabilitation, was the work performed in accordance with ADFA's written rehabilitation standards? [HOME: 24 CFR 92.251(a)(1); ADDI: 24 CFR 92.612(b)]</p> <p> <i>Copy of ADFA's written rehabilitation standards.</i></p> <p> <i>Specifications/work write-ups and inspections reports (for comparison to the standards).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No










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<p>73. If the homebuyer project involved new construction, did the unit meet ADFA's property standards?</p> <p> <i>Program policies/procedures including ADFA's property standard for new construction.</i></p> <p> <i>Inspection forms, work write-ups, and project plans/specifications.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>74. Does the work write-up/cost estimate documentation in the file establish that rehabilitation work required meets HUD and ADFA minimum assistance limits? [24 CFR 92.205(c)]</p> <p> <i>Work write-up/cost estimate</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>75. If the project involved rehabilitation and/or new construction, does the work write-up: include all work noted on the initial inspection report?</p> <p> <i>Initial inspection.</i></p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>76. If the project involved rehabilitation and/or new construction, does the work write-up reflect the applicable ADFA standards? [24 CFR 92.251(a)(1)]</p> <p> <i>Written property standards.</i></p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>77. If the project involved rehabilitation and/or new construction, was the work write-up written with enough detail to enable a contractor to provide a reliable bid? [24 CFR 92.505(a) and 24 CFR 85.36(c)(3)(i) and 85.36(d)(2)(i)(A)]</p> <p> <i>Work write-up.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>78. Where HOME/ADDI funds are used for acquisition only, are there inspection policies/procedures in place to ensure that all properties purchased meet property standards pursuant to 24 CFR 92.251(a)(2)?</p> <p> <i>Program policies/procedures detailing property standards requirements.</i></p> <p> <i>Review of project/case files for inspection forms that evidence compliance with acquisition only activities.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No















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<p>79. If the project involved rehabilitation and/or new construction, does the project file include the following: Documentation of initial inspection? [24 CFR 92.505(a); 24 CFR 85.36(f)]</p> <p> <i>Initial inspection.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>80. If the project involved rehabilitation and/or new construction, does the project file include the following: Documentation of progress inspections? [24 CFR 92.505(a); 24 CFR 85.36(b)(2)]</p> <p> <i>Progress inspections.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>81. If the project included rehabilitation and/or new construction, does the final inspection confirm that: all contracted work was completed? [24 CFR 92.205(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Final inspections.</i></p> <p> <i>Work write-up and/or construction contract with final approved bid.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>82. If the project included rehabilitation and/or new construction, does the final inspection confirm that: the property met all applicable property standards at completion? [24 CFR 92.251(a); ADDI: 24 CFR 92.612(b)]</p> <p> <i>Final inspections.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>83. Does the project file include documentation of a warranty inspection at 11 months?</p> <p> <i>Warranty inspection report.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>84. Regarding property information, is the following documentation in the file: Ongoing inspections during the loan term?</p> <p> <i>Ongoing inspection report.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>85. If the project was constructed before 1978, did the project comply with lead-safe housing requirements at 24 CFR Part 35? (Complete Lead Hazards Monitoring Guidance for Rehabilitation HUD Checklist Exhibits 24-1, 24-2 or 24-3 to answer this question.) [HOME: 24 CFR 92.355; ADDI: 24 CFR 92.614(a)(4)]</p> <ul style="list-style-type: none">  <i>Guideform Notice – Disclosures to Seller with Voluntary, Arm's Length Purchase Offer.</i>  <i>Signed Lead-Based Paint Pamphlet and/or lead-based paint notice.</i>  <i>Signed Notice of Lead Hazard Evaluation or Notice of Presumption.</i>  <i>Risk Assessment (if applicable).</i>  <i>Evidence that qualified contractors being used.</i>  <i>Clearance Test (if applicable).</i>  <i>Documentation that Notice of Lead Hazard Reduction Activities being provided (if applicable).</i>  <i>Abatement Report (if applicable).</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>86. Does the project file include: Lead-Based Paint notice (if pre-1978 property)? [24 CFR 92.508.(a)(3)(iv)]</p> <ul style="list-style-type: none">  <i>Signed Lead-Based Paint Pamphlet and/or lead-based paint notice.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>87. If the project has been selected for an on-site inspection to examine the quality of the rehabilitation and/or new construction work, the monitor will perform a walk-through of the property with the initial inspection, the work write-up, and the final inspection report.</p> <ul style="list-style-type: none">  <i>Monitoring report/notes from on-site inspection.</i> 		
<p>88. Based upon the observable conditions, have the deficiencies identified in the initial inspection report been corrected? [HOME: 24 CFR 92.251; ADDI: 24 CFR 92.612(b)]</p> <ul style="list-style-type: none">  <i>Inspection forms</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>89. Is the homebuyer satisfied with the rehabilitation?</p> <ul style="list-style-type: none">  <i>Homebuyer satisfaction survey</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No












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<p>90. Is the property free of all obvious property standards violations? [HOME: 24 CFR 92.251; ADDI: 24 CFR 92.612(b)]</p> <p> <i>Inspection forms that evidence the unit meets the Recipient's property and written rehabilitation standards.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>91. How does the Recipient select the contractor?</p> <p> <i>Procedures explaining how rehabilitation contractors are chosen.</i></p>		
<p>92. Does the Recipient maintain a list of qualified contractors?</p> <p> <i>Procedures outlining how contractors qualify for the list.</i></p> <p> <i>List of contractors and documentation of qualification.</i></p> <p> <i>Contractor file for each active contractor with page printed from Excluded Parties List, references, and bonding and insurance documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>93. Do policies/procedures for maintaining the list of contractors allow for regular reviews of the firms to check that these firms are licensed, perform quality work and maintain insurance coverage? [24 CFR 92.505(a) and 24 CFR 85.36(c)(4)]</p> <p> <i>Program or contractor selection policies/procedures.</i></p> <p> <i>Review of project/case files for documentation that policies/procedures were followed with regard to ensuring firms meet requirements.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>94. Did the Recipient select the contractor through a competitive bid process? [HOME: 24 CFR 92.505(a) and 85.36(c) and (d); ADDI: 24 CFR 92.616(f)]</p> <p> <i>Bidding policies/procedures and documentation policies/procedures followed.</i></p> <p> <i>Worksheet or notes of bid review and cost are determined reasonable and eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>95. Did the recipient solicit, accept and review bids according to the ADFA bid solicitation requirements?</p> <p> <i>Documentation (e.g., worksheet or copies) of bids collected and reviewed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>96. Was the rationale for the selection of the contractor documented? [24 CFR 92.505(a) and 24 CFR 85.36(c)(9)]</p> <p> <i>Bidding policies/procedures.</i></p> <p> <i>Documentation of selection such as worksheet or notes of bid review.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>97. Does the project file include verification of contractor eligibility, e.g. that awards were not made to any party excluded, disqualified or otherwise ineligible (i.e., suspension, debarment or limited denial of participation) for federal procurement or nonprocurement programs? [24 CFR 92.350(a)]</p> <p> <i>Evidence the contractor is not on the exclude parties list at time of project.</i></p> <p> <i>Bidding procedures and documentation that contractor met other eligibility requirements of the PJ/subrecipient.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>98. Was a pre-construction conference conducted and documented in the file? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Preconstruction notes or minutes.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>99. Did the homebuyer and contractor execute a rehabilitation contract and is the documentation in the file? [24 CFR 92.505(a) and 24 CFR 85.20(b)(6)]</p> <p> <i>Construction contract.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>100. Does the file contain a notice to proceed?</p> <p> <i>Notice to proceed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>101. Were progress inspections of the project performed prior to approving the contractor's request for payment and are they documented in the file? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Progress/payment inspection reports (log or notes).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>102. Did the owner approve final payment to the contractor?</p> <p> <i>Documentation of homeowner approval (signature) on final payment request/draw or similar documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>103. Did the Recipient and the applicable parties review and approve change orders for any changes in the scope of work and are these change orders documented in the file? [24 CFR 92.505(a) and 24 CFR 85.20(b)(6) and 85.36(f)(1)]</p> <p> <i>Change orders with backup documentation as to why change order necessary and that it meets written rehabilitation standards and applicable housing codes/standards.</i></p> <p> <i>Documentation that costs were reviewed for eligibility</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>104. Does the project file contain a Lien Release? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Lien release form signed by the Recipient and/or homebuyer.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>105. Does the project file contain a Contractor Warranty or Equipment Warranty? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Warranty information and documentation it was provided to the homebuyer (e.g., signature on form indicating receipt).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>106. Does the Recipient have program policies/procedures in regards to underwriting?</p> <p> <i>Program policies/procedures regarding loan underwriting.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>107. Is there a worksheet or other documentation showing how the loan amount was calculated?</p> <p> <i>Documentation as to how loan amount calculated.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>108. Is there a date on the approval determination?</p> <p> <i>Date of Approval—assistance must be provided within six months of income determination.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>109. Are there acceptance and rejection letters in regards to the loan in the file?</p> <p> <i>Letter of acceptance or rejection of loan.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>110. Is there a copy of the Truth-in-lending notice in the file?</p> <p> <i>Truth-in-lending notice.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>111. Did the homebuyer sign the loan agreement? [24 CFR 92.205(b)(1); 24 CFR 92.505(a) and 24 CFR 85.20(b)(2) and 85.20(b)(6)]</p> <p> <i>Signed loan agreement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No







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<p>112. Were loan documents recorded? [24 CFR 92.505(a) and 24 CFR 85.20(b)(3)]</p> <p> <i>Deed of trust or note and mortgage and evidence documents were recorded with the local government.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>113. If funding sources in addition to HOME and/or ADDI were used, do project records include documentation of the source and application of funds for the project? [24 CFR 92.508(a)(3)(ii); 24 CFR 92.505(a) and 24 CFR 85.20(b)]</p> <p> <i>Documentation of additional funding sources such copy of application, budget documents, financial records indicating the HOME portion of payments.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>114. Regarding legal documents, are there closing documents in the file? [24 CFR 92.508(a)(3)(ii)]</p> <p> <i>Executed written agreement.</i></p> <p> <i>Deed of trust or promissory note & mortgage signed and notarized.</i></p> <p> <i>Deed restriction (required for resale only).</i></p> <p> <i>Truth in Lending Disclosure Statement.</i></p> <p> <i>Right to Cancel or Right of Rescission.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>115. Does the Recipient directly administer the homebuyer program? If not, obtain a copy of the HOME written agreement for the use of a contractor/administrator.</p> <p> <i>Written agreement(s) with contractors/administrators, particularly roles and responsibilities.</i></p> <p> <i>HOME Status reports from staff or Recipient.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>116. Is the Recipient meeting the performance standard related to expenditures?</p> <p> <i>Review Notice to proceed issued by ADFA for the Recipient's program. This document establishes timeline for standard.</i></p> <p> <i>Review draws submitted for reimbursement</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>117. Is the Recipient monitoring ongoing occupancy?</p> <p> <i>Utility bills, copy of annual insurance policy statement or other documentation that owner is using home as principal residence.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>118. Is the Recipient monitoring maintenance of unit exterior at</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>the property standards?  <i>Inspection report.</i></p>		
<p>119. Does the Recipient take appropriate actions when a homebuyer is found in noncompliance with the principal residency requirements? [HOME: 24 CFR 92.504(a)(5); ADDI: 24 CFR 92.612(c)]  <i>Project file documentation evidencing enforcement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>120. If the property was sold before the end of the affordability period, were the recapture requirements met? [HOME: 24 CFR 92.254(a)(4); ADDI: 24 CFR 92.612(c)]  <i>For recapture, documentation that recapture provisions were followed, including the receipt of recaptured funds in the Recipients HOME account and information entered into IDIS.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>121. Based upon this file review, is the document sufficient to determine compliance with HOME requirements? [24 CFR 92.508(a)(3)]  <i>File review checklists and notes.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



Chapter 5: Homebuyer Programs

Attachment 5-2 Summary of Key Homebuyer Rules and How to Document

	Key Home Requirement	Documentation
Eligible Participants		
Owner Income	<ul style="list-style-type: none"> • Gross income ≤80 percent of median income based on the upcoming 12 months. • Income is defined Section 8 annual income. 	<ul style="list-style-type: none"> • Completed application in project file. • Source documentation (wage statements, interest statements) in project file.
Owner Occupancy	<ul style="list-style-type: none"> • Applicant must be a first time homebuyer: <ul style="list-style-type: none"> – Not owned a home in last 3 years; – Displaced homemaker; or – Single parent. • Applicant must purchase property and maintain it as his/her principal residence. 	<ul style="list-style-type: none"> • Client must sign a clause on the application form certifying that the property is the principal residence.
Ownership of Property	<ul style="list-style-type: none"> • Applicant must obtain ownership of the property through: <ul style="list-style-type: none"> – Fee simple title; or – 99-year leasehold interest (50 year leasehold on trust or restricted Indian land). 	<ul style="list-style-type: none"> • Title search documentation in project file. • Copy of deed or other ownership document in the project file.
Eligible Property		
Property Type	<ul style="list-style-type: none"> • Eligible property types include: <ul style="list-style-type: none"> – One-to-four-unit property; – Condominium unit; or – Manufactured or mobile home – this includes homeowner rehabilitation of manufactured or mobile homes. 	<ul style="list-style-type: none"> • If 2-4 units are not eligible for assistance. • If non-owner units were assisted with HOME funds, provide agreement with homeowner regarding rental requirements and reference to the property's rental monitoring file.
Property Location	<ul style="list-style-type: none"> • Property must be located within geographic area of the Recipient. 	<ul style="list-style-type: none"> • Application should show address.
HOME Minimum and Maximum Thresholds	<ul style="list-style-type: none"> • An average of a minimum of \$1,000 in HOME funds must be invested in each assisted unit. • The maximum HOME assistance per unit is determined by HUD. 	<ul style="list-style-type: none"> • Maintain records in project file demonstrating that the average per-unit HOME investment exceeds \$1,000. • Maintain project records indicating total HOME subsidy did not exceed maximums provided by HUD.



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	Key Home Requirement	Documentation
Property Value	<ul style="list-style-type: none"> • Sales price must not exceed 95 percent of the area median purchase price. • If rehabilitating property, after rehabilitation value must not exceed 95 percent of the area median purchase price. <ul style="list-style-type: none"> – Use 203(b) limits 	
Property Standards	<ul style="list-style-type: none"> • If acquisition only, property must meet local codes/standards or Section 8 Housing Quality Standards (HQS). • If rehabilitation, property must be free of safety and health hazards prior to occupancy or within 6 months of property transfer, whichever is sooner. • Also, if rehabilitation, property must meet applicable codes (local codes/standards, ADFA Rehabilitation Standards and Arkansas Energy Code). • New construction must meet local codes/standards, the International Energy Conservation Code (IECC) and Energy Star Standards. • Also, new construction and reconstructions must meet Arkansas' Usability Standards in Housing 	<ul style="list-style-type: none"> • Document local code or model code used in program files. • Maintain written rehabilitation standards in program files. • Include inspection report or certification by inspector in project file. • Keep inspection checklist and work write-up in project file. • Checklist indicating compliance with Model Energy Code requirements for new construction projects in project file.
Eligible Activities	<ul style="list-style-type: none"> • Acquisition, acquisition and rehabilitation, and new construction. 	<ul style="list-style-type: none"> • Document all expenditures.
Long Term Affordability		
Affordability Period Resale/Recapture	<ul style="list-style-type: none"> • Property must be subject to recapture revisions for the period of affordability. • Recapture: portion or all of assistance to buyer must be recaptured at time of sale. 	<ul style="list-style-type: none"> • Recapture: Mortgage or note showing formula by which funds will be recaptured.



Chapter 5: Homebuyer Programs

Attachment 5-3 Summary of Key Other Federal Requirements for Homebuyer Projects

Other Federal Requirements	Apply to Homebuyer Programs?	Special Issues/ Considerations	Regulatory Citations and References
Non-Discrimination and Equal Access Rules			
Fair Housing and Equal Opportunity	Yes.	<ul style="list-style-type: none"> • Recipients must affirmatively further Fair Housing. • Particular attention should be paid to signs of discrimination in sale of properties. 	<ul style="list-style-type: none"> • 92.202 and 92.250 • Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.) • Fair Housing Act (42 U.S.C. 3601-3620) • Executive Order 11063 (amended by Executive Order 12259) • Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) • 24 CFR 5.105(a)
Affirmative Marketing	Yes, for all projects of five or more HOME-assisted units.	<ul style="list-style-type: none"> • Recipient must adopt affirmative marketing requirements and procedures. 	<ul style="list-style-type: none"> • 92.351
Handicapped Accessibility	Yes.	<ul style="list-style-type: none"> • New projects must be designed and constructed in accordance with applicable standards. • Rehabilitated properties may require modifications. 	<ul style="list-style-type: none"> • Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8) • For multifamily buildings only, 24 CFR 100.205 (implements the Fair Housing Act)
Employment and Contracting Rules			
Equal Opportunity Employment	Yes.	<ul style="list-style-type: none"> • Contracts and subcontracts for more than \$10,000 must include language prohibiting discrimination. 	<ul style="list-style-type: none"> • Executive Order 11246 (implemented at 41 CFR Part 60)
Section 3 Economic Opportunity	Yes, if amount of assistance exceeds \$200,000 or contract or subcontract exceeds \$100,000.	<ul style="list-style-type: none"> • Include Section 3 clause in contracts and subcontracts. 	<ul style="list-style-type: none"> • Section 3 of the Housing and Urban Development Act of 1968 (implemented at 24 CFR Part 135)
Minority/Women Employment	Yes.	<ul style="list-style-type: none"> • Recipient must develop procedures and include in all contracts and subcontracts. 	<ul style="list-style-type: none"> • Executive Orders 11625, 12432, and 12138 • 24 CFR 85.36(e)



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Other Federal Requirements	Apply to Homebuyer Programs?	Special Issues/ Considerations	Regulatory Citations and References
Davis Bacon	Yes, if construction contract includes 12 or more units that are HOME-assisted.	<ul style="list-style-type: none"> • If applicable, requirements apply to the whole project, not just the HOME-assisted units. • Include language in contracts and subcontracts. • Requirements do not apply to volunteers or sweat equity. 	<ul style="list-style-type: none"> • 92.354 • Davis-Bacon Act (40 U.S.C. 276a - 276a-5) • 24 CFR Part 70 (volunteers) • Copeland Anti-Kickback Act (40 U.S.C. 276c)
Conflict of Interest	Yes.	<ul style="list-style-type: none"> • Recipients should ensure compliance in-house and when using Recipients. 	<ul style="list-style-type: none"> • 92.356 • 24 CFR 85.36 • 24 CFR 84.42
Debarred Contractors	Yes.	<ul style="list-style-type: none"> • Recipients should check HUD list of debarred contractors. 	<ul style="list-style-type: none"> • 24 CFR Part 5
Environmental Requirements			
Environmental Reviews	Yes.	<ul style="list-style-type: none"> • Categorically excluded not subject to 58.5. • Buildings to be constructed in the future require a compliance review. 	<ul style="list-style-type: none"> • 92.352 • 24 CFR Part 58.35 b(5) • National Environmental Policy Act (NEPA) of 1969
Flood Insurance	Yes if city or county. No if state program.	<ul style="list-style-type: none"> • Must obtain flood insurance if located in a FEMA designated 100-year flood plain. • Community must be participating in FEMA's flood insurance program. 	<ul style="list-style-type: none"> • Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106)
Site and Neighborhood Standards	No.		<ul style="list-style-type: none"> • 24 CFR 893.6(b)



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Other Federal Requirements	Apply to Homebuyer Programs?	Special Issues/ Considerations	Regulatory Citations and References
Lead-Based Paint	Yes for pre-1978 units.	<ul style="list-style-type: none"> • Notices to purchasers and tenants. • Visual assessment must be performed. • Paint stabilization must be completed (if applicable). • Safe work practices and clearance. • Provisions included in all contracts and subcontracts. 	<ul style="list-style-type: none"> • 92.355 • Lead Based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821 et. seq.) • 24 CFR Part 35 • 982.401(j) (except paragraph 982.401(j)(1)(i))
Relocation	Yes.	<ul style="list-style-type: none"> • Required notifications to tenants. • Required language in offers and contracts for acquisition of property. 	<ul style="list-style-type: none"> • 92.353 • Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) • 49 CFR Part 24 • 24 CFR Part 42 (subpart B) • Section 104(d) “Barney Frank Amendments”

Chapter 6: Rental Housing Programs



This chapter describes how to monitor HOME-funded rental housing programs, which is one of the four types of housing activities eligible under HOME and is commonly undertaken to address the needs of low income tenants. HOME funds may be used to acquire existing rental housing, acquire and rehabilitate existing rental housing, or develop new construction of rental housing units. HOME funds may be used to produce affordable rental units within mixed income as well as mixed use (residential and commercial) projects with the HOME funds paying for the affordable housing rental units. Rental programs, like all HOME-funded programs, are monitored to ensure compliance with HOME and other applicable rules and requirements.

This chapter is organized into two key stages of monitoring – pre-monitoring and project (or case file) monitoring. Section 1 on pre-monitoring reviews the actions necessary to become familiar with the projects and prepare for the on-site review. Section 2 provides detailed guidance on each of the requirements to be monitored during project reviews on-site. A full ADFA monitoring checklist that incorporates the HUD monitoring checklist questions is provided as an attachment to this chapter.

Section 1. Pre-Monitoring—Notification and Preparation

Preparation is key to conducting thorough and effective program monitoring. Staff become familiar with a Recipient's program and projects prior to arriving on site to review files and documents.

Under the program design implemented by ADFA for rental housing, the HOME Recipient's application holds a significant amount of information relating to beneficiary eligibility, property eligibility, contractor eligibility and construction oversight and management. The monitoring and compliance staff spend time reviewing a Recipient's application, as well as prior annual reports, outstanding monitoring issues and related correspondence. Informal discussions with program staff regarding a Recipient's ongoing performance provide additional insight in preparation for the monitoring visit. The monitoring staff identify Recipients by geographical areas and tentatively schedule the on-site visit. Calling in advance, the monitor explains the purpose of the visit and agrees upon a convenient date and time. Written notification is sent a minimum of two weeks before the scheduled visit.. The notification letter confirms:

- The date and time of the review
- Program type (rental)
- Scope of the monitoring visit (file monitoring at Recipient office location and onsite physical inspection)
- Review of a random selection of files and units
- Project information that must be available for the review, such as a list of tenants, income determination and documentation, etc.

Prior to the site visit, staff familiarize themselves with the Recipient's program by reviewing the following:

- **Monitoring records** including the monitoring spreadsheet used to identify the number, type (High/Low), and location of the HOME units in the Recipient's project. Previous



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monitoring reports and correspondences are reviewed for red flags and possible problem areas.

- **Project files** maintained by the ADFA HOME Program Managers, including the ADFA HOME agreement with the Recipient, current web-based computer system, and financial report. Any red flags or issues of noncompliance identified in the project files are noted.

Staff also assemble a packet of checklists, forms, and travel directions for each site to be visited. Staff members provide a copy of his or her notification letter to the Compliance Department Manager who maintains a calendar of scheduled visits.

Section 2. Program and Project (Case File) Monitoring (Reference: HUD Checklist 7-0 and 7-7)

In order to determine whether a rental program is in compliance with the HOME Program, a monitor reviews a sufficient number of individual project files (sometimes referred to as case files). For rental programs, this means the files for each rental project assisted with HOME Program funds.

This section discusses the areas of review for this type of project monitoring using HUD's Checklist, Guide for Review of Rental Projects as well as ADFA specific questions. Each set of questions is followed by guidance on the requirements and the necessary documents to ensure to compliance. A complete ADFA checklist for Rental Activities may be found at the end of this chapter.

A. Project Descriptions

Monitors confirm that key project information is documented in the files. This includes basic project data and financing information.

Project Information

Monitors confirm that the following information is available in ADFA project files.

Checklist Questions & Key Documents	
1.	Project Information: <ol style="list-style-type: none">1. Project Owner: _____2. Project commitment date: _____3. Completion date: _____4. Total number of units: _____5. Number of HOME-assisted units: _____6. HOME assisted units are: Fixed _____ Floating _____



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2. Financial Information:
1. Unit costs were determined by: Proration _____ Actual cost _____
 2. List sources and amounts of funding in project: _____
 3. Terms of HOME assistance (e.g. loan/grant; interest rate; maturity): _____
 4. Per Unit Cost: _____
 5. Period of Affordability: _____

When reviewing a case file, monitors first gather data and information specific to the project. The following information must be readily available in the project file:

- Project owner.
- Project commitment date.
- Completion date.
- Total number of units. This number is used to determine how often physical on-site inspections are required during the affordability period.
- Number of HOME-assisted units. These are the only units the monitor needs to monitor. This distinction between HOME-assisted and unassisted units allows HOME funds to be spent on mixed-income projects while still targeting HOME dollars only to income-eligible households. The HOME rent and occupancy rules apply only to HOME-assisted units. The number of HOME-assisted units in a given project must be specified at project commitment and listed in the HOME Agreement.
- Designation of HOME-assisted units as fixed or floating. The monitor will check the written agreement to determine if the units were designated fixed or floating.
 - *Fixed.* When HOME-assisted units are “fixed,” the specific units that are HOME-assisted (and, therefore, subject to HOME rent and occupancy requirements) are designated and never change.
 - *Floating.* When HOME-assisted units are “floating,” the units that are designated as HOME-assisted may change over time as long as the total number of HOME-assisted units in the project remains constant.
 - The designation as HOME-assisted can only float between units that are comparable in terms of size, features and number of bedrooms. The monitor must ensure that the units designated as HOME-assisted are comparable to the units specified in the written agreements.



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Financial Viability

Monitors confirm that the following key documents are available in ADFA project files and make assessments regarding the financial viability of the project.

Checklist Questions & Key Documents		
<p>3. At the time of monitoring, does the project appear to be financially viable for the affordability period?</p> <ul style="list-style-type: none"> <i>Review of current operating budget</i> <i>Review of full project rent roll.</i> <i>Evidence of contributions to replacement and other reserve accounts.</i> <i>Notes from discussions concerning efforts to address high vacancy rates or other issues such as complaints or crime, which could affect future marketability of the units.</i> <i>Review of Audit if one conducted.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>4. Was a project audit obtained and reviewed?</p> <ul style="list-style-type: none"> <i>Copy of recent financial audit.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>5. Was the capacity of the management team reviewed?</p> <ul style="list-style-type: none"> <i>Resumes of staff.</i> <i>Notes from interviews of key staff.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors review the qualifications and performance of the management team to ensure that capacity exists to maintain the property in good financial and physical health and to ensure ongoing compliance with the ADFA HOME requirements.

- This may involve looking at resumes or interviewing key management personnel.
- The monitor will communicate possible concerns to the project owner to ensure the owner is aware of the concerns. This will allow owners to address the concerns before they become larger issues.

The financial health of the project is monitored throughout the affordability period so that, if needed, ADFA can intervene to ensure its stability and long term compliance. Monitors incorporate a review of the financial health of the property into the monitoring process, including:

- A review of the operating budget and the full project rent roll;
- Evidence of contributions to replacement and other reserve accounts; and
- Discussions concerning efforts to address high vacancy rates or other issues such as complaints or crime, which could affect future marketability of the units.



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Though project financial audits are not commonly required, ADFA may require them in order to determine whether appropriate contributions to and expenditures from capital replacement reserves have been maintained, or to determine the level of repayment from an owner that is required.

- If the developer/owner was permitted to keep the HOME funds in an operating deficit reserve, the monitor verifies that the funds were used in accordance with the written agreement and in compliance with HOME regulations.

B. Property and Activity Eligibility

In instances where Recipients pass ADFA funds through to rental project owners, monitors confirm that the following key documentation regarding property and activity eligibility are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
<p>6. Are properties and activities eligible for HOME assistance?</p> <p> <i>Program procedures and/or application materials that outline the eligible property types specified for the program.</i></p> <p> <i>Funded project as described in written agreement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Rental activities may consist of acquisition of standard housing or acquisition in conjunction with rehabilitation, rehabilitation of substandard units or new construction. Reconstruction is also eligible and considered for any single family structure if rehabilitation is not economically feasible or the projected per unit rehabilitation costs is equal to or greater than \$25,000.

There are many different eligible property types: single family units, high-rise and garden apartments, or condominium units used for rentals. The structures may be publicly or privately owned.. In addition to those types listed above, the following types of housing are also allowed for HOME rental programs:

- Both permanent and transitional housing, including group homes and SROs, are allowed.
- HOME funds may be used for the initial purchase and initial placement costs of Elder Cottage Housing Opportunity (ECHO) units that meet the HOME requirements. ECHO units are small, freestanding, barrier-free, energy-efficient and removable units designed to be installed adjacent to existing single-family dwellings.

Ineligible ADFA HOME properties include:

- Properties previously financed with HOME during the affordability period cannot receive additional HOME assistance unless assistance is provided during the first year after project completion.
- HOME funds may not be used for development, operations or modernization of public housing financed under the 1937 Act (Public Housing Capital and Operating Funds).



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- Projects assisted under 24 CFR Part 248 (Prepayment of Low-Income Housing Mortgages) may not receive HOME funds, unless assistance is provided to “priority purchasers” of such housing.
 - A priority purchaser is a resident council organized to acquire a project in accordance with a resident homeownership program, or any nonprofit organization or State or local agency that agrees to maintain low-income affordability restrictions for the remaining useful life of the project. Organizations or agencies affiliated with a for-profit entity for the purposes of purchasing a property do not qualify as priority purchasers.
- Projects assisted under Title VI of NAHA (prepayment of mortgages insured by HUD).
- Emergency shelters with limited occupancy requirements.
- Projects where developers/contractors do not have a valid Arkansas contractor’s license.
- Projects that do not have a written verification in support of the proposed development from the chief elected official of the area where the project will be located.

Monitors confirm that a Recipient’s rental program is assisting eligible activities by reviewing rental program materials such as program descriptions, policies and procedures or application packages.

C. Subsidy [24 CFR 92.205(c) and 92.250(a)]

Monitors confirm that the HOME subsidy was properly established and that project documents demonstrate compliance with subsidy limits and layering requirements.

Minimum and Maximum HOME Investment

Monitoring staff verify that the following key documents are available in ADFA project files.

Checklist Questions & Key Documents		
<p>7. Is the HOME subsidy to the project at least \$1000 per unit? [24 CFR 92.205(c)]</p> <p> <i>Copy of the 221(d)(3) limits for the year the project was funded.</i></p> <p> <i>Evidence in the file that the amount provided was less than the applicable 221(d)(3) limit (form, written agreements and other documentation).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>8. Is the HOME per-unit subsidy to the project less than or equal to the maximum per unit subsidy? [24 CFR 92.250(a)]</p> <p> <i>Agreement or grant/loan document or other documentation in the file showing amount of assistance provided.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>9. Is the Recipient program within the maximum and minimum program limits set by ADFA?</p> <p> Review application form to ADFA.</p> <p> Review agreement or grant/loan document for amount of assistance provided.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
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Monitors confirm that the Recipient complied with the subsidy levels approved by ADFA. If there are any discrepancies between the subsidy levels approved by ADFA and those used by the Recipient, monitors verify that the Recipient communicated the changes to ADFA and that the subsidies provided are in line with the following subsidy limits:

Maximum Per Unit Subsidy (221(d)(3) Limits
 The maximum per unit subsidy limits can be obtained from the local HUD Field Office or online at the HOME Program website at <http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/subsidylimits.cfm>.

Minimum Subsidy Limit: HOME funds may only be used for projects that require a minimum HOME investment of \$1,000 per unit. In reviewing project files, monitors must check the project's written agreement and other file documentation to confirm that the amount of HOME funds invested exceeds this minimum amount. If a project's work write-up or cost estimate

reveals that ineligible costs were included, monitors must determine whether the project's eligible costs still satisfy this requirement.

Maximum Subsidy Limit: Furthermore, for each area, HUD establishes the maximum amount of HOME funds that can be invested per unit in a rental project. Monitors must ensure that the amount of HOME assistance provided does not exceed this maximum amount. This figure, referred to as the Section 221(d)(3) limits, is subject to change annually. These amounts are based on the Recipient's Section 221(d)(3) program limits for the metropolitan area.

- The maximum per unit subsidy limits can be obtained from the local HUD Field Office or online.
- The limits are 100 percent of the dollar limits for a Section 221(d)(3) nonprofit sponsor, elevator-type development, indexed for base city high cost areas, and adjusted for the number of bedrooms.
- For some Recipients, the 221(d)(3) limit has already been increased to 210 percent of the base limit. For these Recipients, HUD will allow, upon request, an increase in the per-unit subsidy amount on a program-wide basis. However, the absolute maximum subsidy limit that HUD will allow is 240 percent of the base 221(d)(3) limits.

Additional costs for a project must be covered from other sources. In reviewing project files, monitors must confirm that the amount of HOME funds invested in the project does not exceed the HOME maximum per-unit limit. There should be documentation in the file such as a form comparing the current HUD maximum subsidy limit to the amount of HOME assistance in the project which indicates that the former does not exceed the latter.



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Additional ADFA Investment Limits: Furthermore, ADFA imposes cost and assistance limits on ADFA funded rental activities. For example, costs on all ADFA rental activities are limited to \$132,000 per unit on general rental projects and \$158,400 per unit on assisted living projects. However, ADFA does not intend to use HOME funds to cover the entire cost of the development; HOME is intended to provide gap financing. As such, ADFA limits HOME assistance by imposing a limit of \$90,000 per unit maximum.

ADFA also limits the amount of HOME funds that can be requested to \$900,000 per application maximum. This limit is related to ensuring diversity in participating Recipients and programs/projects. Finally, to ensure that Recipients are cost-effective and take advantage of scale-of-efficiencies, ADFA imposes the following minimum limits:

- \$1,000 per unit minimum; and
- \$100,000 minimum per application.

Subsidy Layering [24 CFR 92.250(b)] and Cost Allocation (Methodology and Calculation) 92.205 and 92.208

Monitoring staff confirm that the following key documents are available in ADFA project files.

Checklist Questions & Key Documents		
Subsidy Layering		
<p>10. If HOME was combined with other public funds, a subsidy layering review is documented in the files? [24 CFR 92.250(b)]</p> <ul style="list-style-type: none"> <i>Review of the development budget.</i> <i>Review of the operating budget.</i> <i>Review of the sources and uses statement.</i> <i>Notes or narrative in the file that a subsidy layering evaluation was conducted and a determination made that the project was not over subsidized. (A narrative answering the questions listed in Exhibit 6-1 below would be sufficient documentation.)</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
Cost Allocation		
<p>11. If a proration method of cost allocation was used, comparability of units (in terms of bedroom size, square footage and level of amenities) is documented in the files? [24 CFR 92.205(d)]</p> <ul style="list-style-type: none"> <i>Project budget and cost analysis.</i> <i>Project information to document types of units such as plans, blueprints, bid documents, etc.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>12. If a proration method of cost allocation was used, documentation confirms that HOME-ineligible costs were subtracted from the total development cost to determine the total HOME-eligible development costs? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>13. If units are not comparable, is a unit-by-unit cost allocation system documented in the files? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>14. Are cost allocation calculations documented in the files? [24 CFR 92.508(a)(3)(ii)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>Overall</p>		
<p>15. Does the documentation confirm that changes in project size/scope, cost or financing sources during the development of the project were communicated to ADFA by the Recipient?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Actual assistance to programs/projects will depend upon the amount of the subsidy determined by cost allocation and subsidy layering analysis. Cost allocation and subsidy layering reviews are completed by ADFA staff prior to award of ADFA HOME funds. Cost allocation and subsidy layering are impacted by any changes in the proportion of HOME-assisted unit to total units in the project, development cost or financing sources. As such, all ADFA Recipients are obligated to contact ADFA **as soon as there are any changes** in project size/scope, cost or financing sources at any point during the development of the project.

Subsidy Layering

ADFA and Recipient project files should include documentation of the layering analysis or underwriting review that was done for the project, prior to commitment of funds, analyzing the need for HOME funds. (CPD Notice 98-01 provides layering review guidance.)

- The file should include documentation of how the development project gap was determined.
- Monitors must review the file to ensure that the underwriting did not result in an excessive return of funds to the developer.

ADFA and Recipient project files are in compliance with this subsidy layering review requirement if it includes the following types of subsidy layering evaluations:

- Those produced by HUD when the other source of funding is provided by HUD and HUD conducts a subsidy layering review;
- Those produced by ADFA when the Low Income Housing Tax Credit is used, and ADFA conducts an evaluation to determine whether there are excess tax subsidies;



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- Those produced by the ADFA in accordance with the guidelines presented in HUD Notice CPD 98-01.

Cost Allocation

Monitors confirm the various steps in the cost allocation process. For example, before costs can be allocated across units, luxury amenities, off-site infrastructure and other costs that would not be eligible for HOME funding are subtracted from the total development costs to arrive at the HOME eligible development costs. Also, the process of allocating costs for mixed projects with HOME-assisted and non-HOME-assisted units will depend on comparability of units:

- If both the assisted and non-assisted units were comparable in size, features, and number of bedrooms, the HOME-eligible costs should be pro-rated across units. (Since floating units, by definition, must be comparable, costs should always be pro-rated.)
- If the assisted and non-assisted units were not comparable, the actual costs must be determined and allocated unit-by-unit. The specific units identified to “receive” HOME funds must be fixed—that is, designated as HOME-assisted.

For additional guidance on understanding allocating costs in projects with HOME funds, please refer to HUD Notice CPD 98-02

Exhibit 6-1

Subsidy Layering and Cost Reasonableness Questions and Criteria

Note 1: *The subsidy layering analysis must be based on formal statements submitted by the developer in the form of financial spreadsheets, ideally in both electronic and hard copy form. These documents, once finalized during the review process, should then be made part of the written development agreement.*

Note 2: *Cost reasonableness determinations must be supported by market information determined or verified independently by the ADFA staff..*

Sources and Uses Statement

- Are all sources of funding identified? What is their funding status—committed, requested, “we can get it”?
- How many HOME units are designated as HOME units? At a minimum, is the number of HOME units proportional to the share of costs covered by HOME?
- Is the level of per unit subsidy per unit within the program limit (based on the FHA 221(d)(3) and ADFA limits)? Are there any costs that are ineligible under the HOME program? If so, are there other sources of funds (non-HOME) to cover these costs?

Development Budget

- Are development costs reasonable? Are all line items clearly explained? Are there development items that have been neglected?
- What are the per unit costs? Are these within the program limits? How do these costs compare to what it would cost to build/rehab/acquire a comparable unit on the market?
- Have construction staff/cost estimators reviewed plans, specifications and cost estimates?
- Does the development cash flow budget show that funds will be available when they are needed?
- Is the developer fee reasonable?



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Operating Budget

- Do income and expense line items appear reasonable? Are there any items that appear to be missing?
- What is the rent structure? Will the population that this project is designed for be able to/be willing to pay these rents? Do rents comply with the HOME rent limits?
- Is income sufficient to cover expenses and debt service? Is the DCR less than 1.15 or greater than 1.3?
- Are project expenses inflated at a higher level than project income over the life of the project?
- Does the pro forma show project operations for at least 15 years or the term of the loan?
- What is the annual amount (per unit) being deposited into replacement reserves?
- How will the property be managed (in-house, property management firm)?

Form of Assistance [24 CFR 92.205(b)]

Monitoring staff confirm that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
<p>16. Was the subsidy provided in an eligible form of investment? [24 CFR 92.205(b)]</p> <p> <i>Procedures identifying the type of assistance provided to rental projects.</i></p> <p> <i>Written agreement outlining type of assistance provided.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>17. If the subsidy was provided in a different form, was that form approved by ADFA? [24 CFR 92.205(b)(1)]</p> <p> <i>If "other form of assistance" not outlined in the HOME regulations is being used, documentation of this form of assistance in the Recipient's Consolidated Plan or Action Plan.</i></p> <p> <i>Evidence of approval of "other form of assistance" by ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>18. Do the loan terms reflect ADFA's requirements for Forgivable and Repayable loans?</p> <p> <i>Loan Agreement (check dates, conditions and terms); and</i></p> <p> <i>Promissory Note (check dates, conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>19. Are loan repayments directed to ADFA's Accounting Department?</p> <p> <i>Loan Agreement (check conditions and terms); and</i></p> <p> <i>Promissory Note (check conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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Monitors should ensure that the assistance is provided to rental projects in one of the eligible forms listed below by checking written agreements and other file documentation, as well as any other legal instruments. Note that while HOME allows virtually any form of financial assistance or subsidy to be provided for eligible projects, ADFA restricts the forms of assistance that can be used (see description of ADFA assistance types below). In particular, refinancing and loan guarantees, both allowed by the HOME final rule, are not forms of assistance provided by ADFA.

ADFA provides two types of HOME assistance:

- **Construction loans:** A short-term or interim loan to cover the cost of constructing or rehabilitating a project, with one or more long-term, permanent loans taking out (paying off) the construction loan at project completion.
- **Permanent loans:** Proceeds used to repay the construction, bridge and predevelopment loans. If the permanent financing replaces other loans, original loans must be used for HOME-eligible costs. Note that HOME assistance is gap financing and as such will not finance all of the total development costs.

ADFA has the following standard loan terms and conditions for repayment of Rental Housing Program, including:

- All loans must be evidenced by full executed promissory notes at ADFA's current HOME Program interest rate.
- Applications must have a minimum debt coverage ratio of 1.10 including the debt service on the HOME loan.
- Monthly payments that are due and payable may be deferred up to 3 years from the placed in service date, as evidenced by a permanent certificate of occupancy for all of the units comprising the property.
- Any amounts not paid, both principal and interest, shall accrue and be payable on the Maturity Date of the loan.

For projects utilizing HOME Program funds and U.S. Department of Agriculture (USDA) Rural Development (RD) funds, the HOME loan may match the terms of the USDA RD loan.

D. Written Agreement and Deed Restrictions [24 CFR 92.252(e)]

Monitors verify that the following key documents are available in ADFA project files.

Checklist Questions & Key Documents		
20. Are ADFA template program agreements, loan agreements, promissory note and lien documents used? <i>Review program agreements with beneficiaries and lien documents.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>21. Was ADFA’s standard deed restriction on the property recorded to ensure its continued use as affordable rental housing and adherence to all applicable requirements? [24 CFR 92.252(e)]</p> <p> <i>Recorded deed restriction (or covenant running with the land).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>22. Are the program agreements, loan agreements, promissory note and lien documents recorded?</p> <p> <i>Review copies of recorded documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>23. Is the ADFA lien position appropriate?</p> <p> <i>Lien position related documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The monitor ensures that the Recipient has recorded the deed restrictions (or covenants) on each property assisted with HOME funds, thus enforcing the HOME income and occupancy requirements for the loan term. Each project file must have a copy of the recorded restrictions, which are independent of the written agreement and other loan documents, including evidence that the restrictions were properly recorded by the local jurisdiction.

Loan Term Restrictions in Written Agreements and Other Legal Instruments

HOME-assisted rental units carry rent and occupancy restrictions for varying lengths of time, depending upon the average amount of HOME funds invested per unit:

ACTIVITY	AVERAGE PER-UNIT HOME \$	MINIMUM LOAN TERM
Rehabilitation or Acquisition of Existing Housing	<\$15,000/unit \$15,000- \$40,000/unit >\$40,000	5 years 10 years 15 years
New Construction or Acquisition of New Housing	Any \$ amount	20 years

Loan term restrictions remain in force regardless of transfer of ownership. At ADFA’s discretion, they may be terminated only upon foreclosure or transfer in lieu of foreclosure. However, affordability requirements will continue if, before the foreclosure, the owner of record, or anyone with business or family ties to the owner, obtains an ownership interest in the property or project.



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E. Eligible / Reasonable Costs [24 CFR 92.206]

Monitoring staff confirm that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
<p>24. Does the “Sources and Uses Statement” or other documentation indicate that there were sufficient HOME-eligible costs associated with the project to support the amount of HOME funds provided? [24 CFR 92.205(d)]</p> <p> Sources and uses statement and project budget with eligible costs reviewed.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>25. Does project file document compliance with: Eligible Costs? [24 CFR 92.206 and 24 CFR 92.508(a)(3)(ii)]</p> <p> Sources and uses statement and project budget with eligible costs reviewed.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

HOME Program funds may be used for certain administrative and development costs as dictated by 24 CFR 92.206 including hard costs, soft costs, relocation costs, bridge loans, project delivery costs, and initial operating deficit reserve. See Exhibit 6-2 below.

**Exhibit 6-2
HOME-eligible Rental Housing Costs**

Hard Costs	Soft Costs
<ul style="list-style-type: none"> • Site preparations or improvement, including utility connection costs but excludes the costs to provide utilities to a site • Demolition in conjunction with a specific affordable housing project • Securing of buildings • Construction materials and labor 	<ul style="list-style-type: none"> • Financing fees • Credit reports • Title binders, updates and insurance • Surety fees • Recordation fees, transaction taxes • Legal and accounting fees, including cost certification • Appraisals • Architectural/engineering fees, including specifications and job progress inspections • Environmental reviews • Builders’ or developers’ fees • Affirmative marketing, initial leasing and marketing costs • Operating deficit reserves (up to 18 months)
Relocation Costs	Loan Guarantee Accounts
<ul style="list-style-type: none"> • Payment for replacement housing, moving costs and out-of-pocket expenses • Advisory services 	<ul style="list-style-type: none"> • Amount based upon 20 percent of total outstanding principal balance of guaranteed loans • A loan in default can be repaid in full



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<ul style="list-style-type: none"> • Staff and overhead related to relocation assistance and services 	
Program and Project Administrative Costs	Bridge Loans
<ul style="list-style-type: none"> • Staff and overhead costs, such as preparing work specifications, loan processing, inspections, and other services related to assisting potential owners, tenants, and homebuyer • cost of processing applications for HOME assistance • appraisals required by program regulations • project underwriting • construction inspections and oversight • project document preparation • costs associated with a project-specific environmental review • costs associated with informing tenants or homeowners about relocations rights or benefits • costs to provide information services such as affirmative marketing and fair housing information to prospective tenants 	<ul style="list-style-type: none"> • Interim construction loan costs

ADFA imposes additional restrictions to the list of HOME eligible costs including:

- **Developer fee:** ADFA HOME funds may be used to pay a pro rata share of the developer fee based upon percent of HOME funds to development costs. The following additional constraints apply to this line item:
 - ADFA restricts total developer fee to 15 percent.
 - Additionally, while soft costs include developer fees, **developers cannot hire themselves as consultants on their HOME-Funded project** and thus earn additional profit and/or fee.
- **Relocation costs:** While relocation costs are eligible, ADFA discourages involving displacement or relocation.
 - Prior to application, applicants must contact ADFA if they are planning any development that may involve displacement or relocation.
 - In the event relocation is unavoidable, applicants must adhere to the Uniform Relocation Act. HOME Funds may be used for the cost of permanent or temporary relocation of tenants.



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- **Bridge loans.** ADFA HOME assistance can be used to pay the cost of interim construction loans used to finance the HOME assisted development under the following conditions:
 - Costs incurred are HOME eligible costs
 - ADFA receives prior notification and approves the use.
- **Program and project administrative costs.** Program and project administrative costs are limited to 10% of the final allocation amount for the proposed owner-occupied rehabilitation/reconstruction program. Changes in project costs that result in an increase to the project budget do not increase either the administrative or project delivery soft cost amount. On the other hand, a reduction in the project budget will result in a decrease of administrative or project delivery soft costs. Also, ADFA expects that the majority of the 10% allotted to administration and project-related soft costs will be incurred as project-related soft costs. Note that a certification of costs needs to be submitted with all requests for program administration and project-related soft costs.

There are several important financial components/sections of a rental project application that a monitor reviews to confirm that costs were attributed correctly and appropriately to HOME. These components are:

- **Sources/Uses of Funds:** The statement and supporting documentation should reflect the project development budget and list:
 - All proposed sources of funds (both private and public) and the dollar amounts for each respective source, and
 - All uses of funds (including acquisition costs, rehabilitation/or construction costs, financing costs and professional fees) associated with the project.
- **Certification of Governmental Assistance.** A formal certification from the applicant that notes whether or not additional governmental assistance will be provided to the project and, if so, what kind of assistance.
- **Project Development Budget.** Project development budget is used to determine whether the development costs are necessary and reasonable. The budget should include all costs associated with the development of the project, regardless of the funding sources.
 - “Reasonableness” of costs is based on all of the following factors: (1) costs of comparable projects in the same geographical area, (2) the qualifications of the cost estimators for the various budget line items, and (3) comparable costs published by recognized industry cost index services.
- **Pro forma.** The project pro forma (project income and expense statement) should reflect a reasonable rate of return on equity investment. The pro forma should include achievable rent levels, market vacancies and operating expenses. It should also specify the consequences of tax benefits, if any, and any other assumptions used in calculating the project cash flow. The pro forma should represent, at a minimum, the term of the HOME affordability requirements, or longer if other funding sources require longer affordability terms.



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Operating Deficit Reserve

Monitoring staff verify that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
26. Did ADFA allow an operating deficit reserve be set up for this project? <i>📎 Sources and uses statement.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
27. If yes, is there documentation supporting that the reserve was used for project operating expenses, scheduled payments to replacement reserves and debt service? <i>📎 Sources and uses statement.</i> <i>📎 Written agreement (outlining use of the funds).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
28. If yes, were reserves remaining at the end of the 18-month period (and retained by the owner/developer) used in accordance of the written agreement between the developer/owner and ADFA? <i>📎 Written agreement (outlining use of the funds).</i> <i>📎 Project financial statements for the period covering the end of the 18-month period.</i> <i>📎 Financial records indicating how funds used.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

HOME funds may be used to cover the cost of funding an initial operating deficit reserve for new construction and rehabilitation projects. This reserve is meant to meet any shortfall in project income during the project rent-up period and cannot exceed 18 months.

The reserve can be used only for project operating expenses, scheduled payments to replacement reserves and debt service. At ADFA's discretion, reserves remaining at the end of the 18-month period may be retained by the owner/developer for reserves. The disposition of any remaining funds at the end of the 18-month period should be determined in the agreement between the developer/owner and ADFA.



The monitor reviews the written agreement to see if an operating deficit reserve fund was allowed and compare it to the project financial statements for the period covering the end of the 18 month period. Financial records are also reviewed to ensure the funds were spent as outlined in the agreement. If funds were returned to ADFA, monitors confirm that the funds were receipted and treated as program income.



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Cost Reasonableness [24 CFR 92.505(a); 24 CFR 85.22 and OMB Circular A-87, Attachment A, Section C.2]



Monitors confirm that the following key documents are maintained in ADFA and Recipient project files.

Checklist Questions & Key Documents		
29. Were costs reasonable (e.g., acquisition costs supported by appraisal, developer’s fees, rehabilitation or construction costs within local norms, etc.)? [24 CFR 92.505(a); 24 CFR 85.22 and OMB Circular A-87, Attachment A, Section C.2]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
 <i>Project budget.</i>  <i>Determination of reasonableness and corresponding file documentation.</i>		

The monitor confirms that a cost reasonableness review is maintained in ADFA and Recipient project files. Reasonableness of costs should be based on all of the following factors: (1) costs of comparable projects in the same geographical area, (2) the qualifications of the cost estimators for the various budget line items, and (3) comparable costs published by recognized industry cost index services. This review is most often conducted by looking at the project development budget.

Eligibility of Site Improvements [24 CFR 92.206(a)(3)(iii)]

Monitors verify that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
30. If HOME funds paid for site improvements were they eligible improvements located on the project site? [24 CFR 92.206(a)(3)(iii)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
 <i>Map showing location of site improvements.</i>  <i>List of site improvements and notes indicating a determination of eligibility.</i>		

Monitors confirm that documentation related to any site improvements, such as on-site roads and sewer and water lines necessary to the development of the project, are maintained. The documentation (including project site maps and budgets) should confirm that these costs were eligible and located on the project site. The project site is the property, owned by the project owner, where the project is located.








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F. Property Standards [24 CFR 92.251(a)]

Monitors confirm that key documents are available in ADFA and Recipient project files to demonstrate compliance with property standards such as rehabilitation and construction standards, accessibility requirements, and other property issues such as lead-based paint. Monitors also inspect properties to ensure ongoing property maintenance.

Rehabilitation and Construction Standards

Monitors confirm that the following documents are in ADFA and Recipient project files.

Checklist Questions & Key Documents		
<p>31. Was work performed in accordance with ADFA's standards, including written rehabilitation standards for all activities involving rehabilitation? [24 CFR 92.251(a)]</p> <p> <i>Copy of written rehabilitation standards.</i></p> <p> <i>Specifications/work write-ups and inspections reports (for comparison to the standards).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>32. If the project is new construction, does it meet the IECC? [24 CFR 92.251(a)]</p> <p> <i>Review of plans and specifications.</i></p> <p> <i>Final inspection reports.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>33. Do work-write-ups and final inspection reports indicate that the project met all applicable property standards at completion? [24 CFR 92.251(a)]</p> <p> <i>Copy of final inspection report to ensure property met all applicable codes and standards at completion.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

As with all HOME-assisted properties, rental properties must meet certain written standards. The applicable codes and standards will vary depending upon the type of project (acquisition only, rehabilitation or new construction). Monitors must familiarize themselves with which codes and standards were applicable at the time of project development/completion to ensure that the correct codes and standards are applied to the property through the affordability period.

- **Acquisition.** If no rehabilitation or construction is planned, the housing acquired must meet state and local housing quality standards and code requirements. If no such standards or codes exist, the property must meet Section 8 HQS.
- **Rehabilitation.** Housing that is being rehabilitated with HOME funds must meet all applicable ADFA rehabilitation standards, state and local codes and ordinances.
 - **Written rehabilitation standards.** All HOME-assisted rehabilitation projects must meet ADFA's written rehabilitation standards. ADFA's written rehabilitation standards describe the methods and materials to be used when performing rehabilitation. Inspectors also use rehabilitation standards when inspecting completed work.



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- **New Construction.** Housing that is being constructed with ADFA HOME funds must meet all applicable state and local codes, rehabilitation standards and ordinances. For new construction rental projects, the project must meet the IECC as outlined in 24 CFR 92.251(a). Documentation is often in the form of notes from an upfront review of plans and specifications and a final inspection by a staff person or agent of the agency familiar with IECC. Finally, ADFA also requires that newly constructed projects meet Energy Star Qualifications.

Monitors verify that the project file contains documentation of property inspection by a qualified inspector, such as a copy of a final Certificate of Occupancy. At a minimum, documentation must include a certification that the property meets all applicable property standards. If that certification is missing, the owner/developer must supply one. If additional work is required for a certificate, a work list and a specific timeframe must be established to ensure the property is in compliance and up to code during the period of affordability. If more than one year has passed since project completion, no additional HOME funds can be invested in the property, and other resources will have to be obtained for the additional work.

Accessibility Requirements [24 CFR 92.251(a)(3)] and Additional ADFA Design Standards

Monitors confirm that the following key documents are available in ADFA project files. Monitors verify the accessibility of designated units and parking spaces during onsite inspections.

Checklist Questions & Key Documents		
34. Does the project meet the applicable Section 504 accessibility requirements? [24 CFR 92.251(a)(3)] <i>Review of plans and specifications.</i> <i>Final inspection.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
35. Does the project meet the applicable Universal and Multifamily Minimum Design Standards?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
36. Are there an adequate number of handicap-accessible parking spaces in close proximity to accessible units and ramps?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
37. Does the design of handicap-accessible units meet accessibility standards?	<input type="checkbox"/> Yes	<input type="checkbox"/> No
38. Are accessible units distributed throughout the sites as required by ADFA?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Section 504 of the Rehabilitation Act of 1973 prohibits discrimination in Federally-assisted programs on the basis of disability. Section 504 imposes requirements to ensure that “qualified individuals with disabilities” have access to programs and activities that receive Federal funds. See Exhibit 6-3 for a summary of the requirements (refer to CPD Notice 00-08 for additional guidance.). Monitors must confirm that rental projects meet the Section 504 requirements for new construction and rehabilitation. A review of the plans and specifications and onsite inspection would be appropriate documentation.



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ADFA has additional design standards for assisted rental properties.

- **Universal Design Standards.** All HOME–assisted rental projects must include the following design criteria in accordance with Arkansas Usability Standards in Housing: Guidance Manual for Constructing Inclusive, Functional Dwellings (AUSH). (The AUSH is available on the internet at the following website address: www.studioaid.org. Under the “Design” link, click on “standards”).
- **Multi-Family Housing Minimum Design Standards.** Construction of the development must be in accordance with ADFA’s “Multi-Family Housing Minimum Design Standards”, as well as, all applicable local State and national building codes. Files should include an executed “Multi-Family Housing Minimum Design Standards Checklist” found on ADFA’s website www.arkansas.gov/adfa. A certification from the design architect or licensed engineer should confirm that the proposed development will be constructed in:
 - Compliance with ADFA’s “Multi-Family Housing Minimum Design Standards”;
 - Compliance with all Federal and State accessibility laws; and
 - Compliance with all applicable local, State and national building codes.
- **Applicability of minimum design standards to rehabilitation developments:** When structural constraints prohibit adherence to ADFA’s “Multi-Family Housing Minimum Design Standards,” approved waiver request should include the following:
 - Certification by the design architect or licensed engineer that the standard concerned cannot be met due to structural constraints;
 - Certification by the design architect or licensed engineer that no alternative design can be undertaken to achieve the benefit of the required standard due to structural constraints; and
 - Statement by applicant that it will implement any alternative identified by the design architect or licensed engineer.

To confirm compliance with these additional ADFA requirements related to design, monitors review the following:

- Number of handicap-accessible parking spaces and their proximity to accessible units and ramps;
- Design of handicap-accessible units and placement of units. Accessible units must be distributed throughout the sites;

Additionally, 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:

- There is at least one building entrance on an accessible route;
- Public and common areas are accessible to persons with disabilities;
- Doors and hallways are wide enough to accommodate wheelchairs;



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- Light switches, electrical outlets, thermostats, and other environmental controls are in accessible locations;
- Reinforced walls are built in bathrooms for later installation of grab bars; and
- Kitchens and bathrooms are usable by persons in wheelchairs.

Exhibit 6-3 Section 504 Requirements

Removal of Physical Barriers

- For **new construction** of multifamily projects, a minimum of 5 percent of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional two percent of the units (but not less than one unit) must be accessible to individuals with sensory (hearing or vision) impairments.
- The Section 504 definition of **substantial rehabilitation** multi-family projects includes construction in a project with 15 or more units for which the rehabilitation costs will be 75 percent or more of the replacement cost. In such development, five percent of the units in the project (but not less than one unit) must be accessible to individuals with mobility impairments, and an additional two percent (but not less than one unit) must be accessible to individuals with sensory impairments.
- When **rehabilitation less extensive than substantial rehabilitation** is undertaken, alterations must, to the maximum extent feasible, make the unit accessible to and usable by individuals with handicaps, until five percent of the units are accessible to people with mobility impairments. Alterations to common spaces must, to the maximum extent feasible, make the project accessible.
- Accessible units must be, to the maximum extent feasible, distributed throughout projects and sites and must be available in a sufficient range of sizes and amenities so as to not limit choice.
- Owners and managers of projects with accessible units must adopt suitable means to assure that information regarding the availability of accessible units reaches eligible individuals with handicaps. They also must take reasonable nondiscriminatory steps to maximize use of such units by eligible individuals.
- When an accessible unit becomes vacant, before offering the unit to a non-handicapped individual, the owner/manager should offer the unit: first, to a current occupant of the project requiring the accessibility feature; and second, to an eligible qualified applicant on the waiting list; requiring the accessibility features.
- The usual standards for ensuring compliance with Section 504 are the Uniform Federal Accessibility Standards (UFAS), although deviations are permitted in specific circumstances.

Inspections [24 CFR 92.251(c)]

Monitors inspect properties to confirm compliance with ongoing property standards.



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Checklist Questions & Key Documents		
<p>39. Is the owner maintaining the housing in compliance with Housing Voucher Housing Quality Standards as set out in 24 CFR 982.401, local codes or other applicable standards? [24 CFR 92.251(c)]</p> <p> <i>Inspection report(s).</i></p> <p> <i>Letter to property manager/owner with inspection results.</i></p> <p> <i>Documentation in project files that deficiencies were resolved in a timely fashion and to the applicable standards.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

During the affordability period, projects are inspected regularly to ensure that they continue to meet or exceed applicable property standards. These inspections are carried out as shown below.

- One (1) to four total units = every three years;
- Five (5) to 25 total units = every two years; and
- Twenty-six (26) or more total units = annually.

A sufficient sample of HOME-assisted units in a multifamily development must be inspected. For projects of up to 5 units, ADFA staff review all units. For projects of more than 5 units, ADFA staff randomly select a minimum of five or 20% of tenant files and units for monitoring. The ADFA monitoring project file must contain documentation of all prior inspections, including any violations of the minimum property standards. Monitors should be alert to prior violations of property standards any time they go on site.

ADFA staff use the HUD Inspection Checklist when conducting inspections of the units. During Compliance Monitoring visits, ADFA staff inspect the following:

- Condition of grounds, parking lot, ramps, office, laundry and maintenance areas, and exterior buildings;
- Breezeways or walkways;
- Condition of interior and exterior stairs, rails, and common halls;
- Exterior door locks, window locks, and door frames;
- Condition of carpets, flooring, windows, blinds, and screens, caulking, walls, and ceilings in all rooms;
- Light fixtures, ceiling fans, switch plates, etc.
- Conditions that may pose electrical hazards;
- Condition of kitchen sinks, faucets, areas under sinks, stoves, exhaust fans, refrigerators, etc.;
- Smoke detectors (must be operational);
- Bathroom sinks, toilets, tubs or showers;



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- Adequacy and safety of heating and cooling units;
- Peeling, chipping or deteriorating paint in structures built before 1978;
- Overall condition of the unit; and
- General health and safety issues.

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

Owners or managers are required to make immediate corrective measures for items that endanger general health and safety. All corrective actions and replacement materials must equal or exceed minimum property standards. Generally, owners or managers are allowed up to sixty (60) days to correct other deficiencies. ADFA may permit additional time for corrective measures when circumstances warrant the additional time (e.g. weather conditions or circumstances beyond owner's control). ADFA, in its sole discretion, may schedule additional follow-up visits.



Lead Based Paint [24 CFR 92.355]

Monitors confirm that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
<p>40. If the project involved rehabilitation, does it comply with the lead hazard reduction requirements of Part 35, if applicable? [24 CFR 92.355]</p> <ul style="list-style-type: none"> <i>Documentation that Lead-Based Paint Pamphlet was provided to tenants.</i> <i>Documentation that the Disclosure Notice was provided to tenants. Signed statement by tenant indicating receipt of the "Protect Your Family From Lead in Your Home" brochure, signed LBP Disclosure Form and signed LBP Hazard Evaluation Form (if applicable)</i> <i>Documentation that Notice of Lead Hazard Evaluation or Notice of Presumption being provided.</i> <i>Risk Assessment (if applicable).</i> <i>Evidence that qualified contractors being used.</i> <i>Clearance Test (if applicable).</i> <i>Documentation that Notice of Lead Hazard Reduction Activities being provided (if applicable).</i> <i>Abatement Report (if applicable).</i> <i>Copy of request from owner to tenant to inform them regarding deteriorating painted surfaces.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>41. Does the file documentation for each unit contain the following: Lead-Based Paint notification? [24 CFR 92.508(a)(3)(iv) and 92.508(a)(7)(vi)]</p> <p> See documents listed under question 40 above.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>42. Does project file document compliance with: Lead safety requirements? [24 CFR 92.355 and 24 CFR 92.508(a)(3)(iv) and (a)(7)(vi)]</p> <p> See documents listed under question 40 above.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors confirm that the Lead Safe Housing Rule was applied correctly and appropriately to each particular project/case file. Below is a summary of the lead requirements and documentation required. (See 24 CFR Part 35 for more details.)

Lead-based paint regulations require that all occupants in units constructed before 1978 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 the unit is occupied.

The "level of assistance" dictates the required type of lead hazard evaluation and reduction. This number is determined by calculating the lesser of the Federal funds per unit or the rehabilitation hard costs per unit (exclusive of the lead hazard evaluation and reduction costs). Depending on the level of assistance, the monitor needs to ensure the correct level of lead hazard evaluation and reduction was conducted. The file should contain a cost allocation work sheet substantiating that determination.

Lead-based paint requirements depend on whether the assistance involves rehabilitation or not. For an owner acquiring a standard property or acquiring a property that requires less than \$5,000 per unit of rehabilitation work, 24 CFR Subpart K applies and a visual assessment must be performed. If deteriorated paint is observed, then:

- The area must be stabilized using qualified workers and safe work practices;
- The property must pass a clearance examination before tenants may occupy the units; and
- The file should contain a copy of the visual assessment report, disclosure notice, clearance report, and lead hazard reduction notice.

If paint conditions appear satisfactory, no additional work is required. The file should contain a copy of the visual assessment report and disclosure notice.

For an owner acquiring a property that requires more than \$5,000 per unit of rehabilitation work, 24 CFR Subpart J applies and a risk assessment must be performed. If lead hazard conditions are found in the property, lead hazard reduction work must be completed by certified workers as indicated in the risk assessment plan. Furthermore, if the cost of rehabilitation is between \$5,000 and \$25,000 per unit, interim controls of lead hazards must be completed. If the rehabilitation is more than \$25,000 per unit, abatement of lead hazards must be completed. In all cases:

- The property must pass a clearance examination before tenants may occupy the units; and



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- The file should contain a copy of the risk assessment report, disclosure notice, clearance report, and lead hazard reduction notice.

If the property is free of lead hazardous conditions, no additional lead hazard reduction work or safe practices are required, but the file should contain a copy of the risk assessment report and disclosure notice.

The property owner must incorporate ongoing lead-based paint maintenance activities into regular building operations. For HOME rental properties, these include:

- Regular maintenance and evaluation of the lead hazard reduction work must be performed. The owner is responsible for:
 - A visual inspection of lead-based paint annually and at unit turnover;
 - Repair of all unstable paint; and
 - Repair of encapsulated or enclosed areas that are damaged.
- Owners should request, in writing, that the occupants of rental units monitor lead-based paint surfaces and inform the owner of potential lead hazards. A copy of this request should be documented in the tenant's file.

G. Construction Management [24 CFR 92.350(a) and 24 CFR 85.35]

To ensure that HOME funds are used for eligible activities, it is important to monitor and document the construction process. The following types of documentation should be located in each project file:

- Approved qualified contractors;
- Pre-construction conference report;
- Change orders;
- Contractor payment requests and inspection documentation;
- Contract close-out.

In reviewing project files, monitors confirm that this documentation is consistent. If the review reveals that total payments to a contractor exceed the amount of the original contract, the file must contain approved change orders documenting the additional cost. Similarly, if a review of a progress or final inspection report reveals items not included in the original write-up, or if specified work was not performed, the file should contain relevant change orders. When expenditures are unaccounted for in project files, the monitor must determine the nature of the costs above the amount of the construction contract. If HOME funds were used to pay for these costs, they must be supported as eligible and reasonable costs or be repaid to the HOME account. Additional costs must also be included in the per unit subsidy amount and, thus, there should be evidence that the limit was not exceeded with any change orders.

Qualified Contractors [24 CFR 92.350(a) and 24 CFR 85.35]

Monitoring staff must confirm that the following key documents are available in ADFA and Recipient project files.



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Checklist Questions & Key Documents		
<p>43. Does the project file include verification of contractor eligibility, e.g. that awards were not made to any party excluded, disqualified or otherwise ineligible (i.e., suspension, debarment or limited denial of participation) for Federal procurement or non-procurement programs? [24 CFR 92.350(a)]</p> <p> <i>Contractor file for each active contractor with page printed from Excluded Parties List.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>44. Did the Recipient select the contractor through a competitive bid process? [24 CFR 92.505(a) and 85.36(c) and (d)]</p> <p> <i>Bidding procedures and documentation procedures followed.</i></p> <p> <i>Worksheet or notes of bid review and cost are determined reasonable and eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>45. Did the Recipient solicit, accept and review bids according to the ADFA bid solicitation requirements?</p> <p> <i>Documentation (e.g., worksheet or copies) of bids collected and reviewed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>46. Does the Recipient have documentation of both good and strong past performance and references for the contractor?</p> <p> <i>Names and notes from references</i></p> <p> <i>Pictures or project descriptions of past work.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>47. Was the rationale for the selection of the contractor documented? [24 CFR 92.505(a) and 24 CFR 85.36(c)(9)]</p> <p> <i>Bidding procedures.</i></p> <p> <i>Documentation of selection such as worksheet or notes of bid review.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors confirm the qualifications of contractors used for HOME funded projects. Qualifications include, at a minimum:

- Eligible to work on Federally-funded projects, which means not being listed on the excluded parties list (<http://www.epls.gov/index.html>) before issuing a Federally funded contract. Monitors should check to ensure this verification is occurring. Monitors should see documentation or a page printed out from

Excluded Parties Website:
<http://www.epls.gov/index.html>

the website at <http://www.epls.gov/index.html> stating the contractor is not on the excluded parties list at the time of the search.



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- Have a record of good performance and strong references.
- Show proof of having met bonding and insurance requirements required by ADFA.

When reviewing project files, monitors verify that all bids were solicited, accepted and reviewed in line with ADFA's requirements. A copy of the winning bid should be found in the project file. Local review should be performed to ensure that all firms used in the rehabilitation program perform quality work, are licensed and maintain proper insurance coverage. It is recommended that Recipients have central files on its contractors. ADFA requires documentation of the following items:

- Copies of advertisements for bids,
- Proof of publication,
- Bid tabulation worksheets,
- Contractors Arkansas State License,
- General Liability Insurance,
- Builders Risk Insurance, and
- Contractor's ability to obtain a Payment and Performance Bond or Irrevocable Letter of Credit (reconstruction only).

Pre-construction Conference [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]

Monitoring staff must confirm that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
48. Was a pre-construction conference conducted and documented in the file? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
 <i>Preconstruction notes or minutes.</i>		



The pre-construction conference is required by ADFA to enhance program performance by helping to avoid confusion between the owner and the contractor. Monitors should confirm that these conferences are conducted on-site with the owner and the contractor before the execution of any construction contract. The conference documentation should show that the Recipient reviewed the work to be performed and the terms of the contract with both parties. A pre-construction conference reports signed by all parties should be placed in the project file.



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Construction Contract [24 CFR 92.505(a), 24 CFR 85.20(b)(6), 24 CFR 92.508.(a)(3)(ii)]



Monitoring staff confirm that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
49. Does the documentation in the file include a construction contract executed between the Recipient and contractor? [24 CFR 92.508.(a)(3)(ii)]  <i>Construction contract.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
50. Does the file contain a notice to proceed?  <i>Notice to proceed.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Prior to the start of construction, the owner and contractor must execute a construction contract. The work write-up and the contractor's accepted proposal should become a part of the rehabilitation contract. ADFA subsequently issues a Notice to Proceed. If so, the Notice to Proceed is an indicator that all pre-construction tasks have been completed and the project is officially ready to proceed. The notice can be issued at a pre-construction conference or at a later time. Monitor reviews the contract to verify that it was properly executed.

Progress Inspections [24 CFR 92.505(a) and 24 CFR 85.36(b)(2), 24 CFR 92.251(a) and 24 CFR 85.36(b)(2)]

Monitoring staff confirm that the following key documents are available in ADFA project and Recipient project files.

Checklist Questions & Key Documents		
51. Were progress inspections of the project performed prior to approving the developer or contractor's request for payment? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]  <i>Inspection notes.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
52. Was a final property standards inspection performed? [24 CFR 92.251(a) and 24 CFR 85.36(b)(2)]  <i>Inspection notes.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Inspections of rehabilitation or construction work are one of the most critical elements of construction management. There are three types of inspections that monitors confirm —initial inspection/site review, payment/progress inspections and final inspection.

- **Initial Inspection/site review.** Monitors verify that staff performed and documented an initial inspection to identify the extent of necessary rehabilitation or construction. Inspection reports should identify conditions within the unit that do not meet applicable



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property standards or codes. In reviewing the files, monitors confirm that inspections were thorough and that the inspectors have adequate training and experience.

- **Payment/Progress Inspections.** Contractors may make as many payment requests as allowed by ADFA’s program procedures, but cannot be paid until a qualified person inspects the property to verify that work requested for payment is in place and done according to the rehabilitation standards and other applicable codes/standards. A small amount (typically 10 percent) should be retained with each progress payment until all work is completed and all contract close-out documentation has been received. Monitors review project files for documentation of each contractor payment request, the subsequent property inspection, and contractor payment documentation.
- **Final Inspection.** Final inspection documents should show that all work specified in the write-up and construction contract is performed properly and that the appropriate property standards and codes are met. If an inspection reveals that additional work is required, a detailed list of the remaining work (a “punch list”) must be prepared. Monitors verify that final payment to the contractor was not made until all punch list items were completed, re-inspected and a Certificate of Final Inspection is issued. Where building code inspections are required, the building code inspectors’ reports or other documentation from the jurisdiction indicating that the work meets codes/standards should be included in the project file.

Inspections should be conducted prior to payment to the contractor to document that the work in place adheres to the construction contract and all applicable codes and standards. Monitors should find records of inspections in the project file.

Change Orders [24 CFR 92.505(a) and 24 CFR 85.36(b)(2) and (f)]

Monitoring staff confirm that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
<p>53. Did ADFA review and approve change orders for any changes in the scope of work? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2) and (f)]</p> <p> <i>Change order signed by appropriate person.</i></p> <p> <i>Documentation that the change was necessary, eligible and allowable under the contract and project budget.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Any change in the scope of work or budget for a project must be documented and approved as a change order before the work is initiated. A change order then becomes a binding part of the construction contract and helps ADFA ensure the quality of the work. Recipients should have procedures for handling change orders.

When reviewing change orders, monitors confirm that the revised scope of work was necessary to meet applicable standards and that the new costs were eligible and did not exceed funding



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limits. Monitors verify that change orders were signed by the Recipient, the contractor and ADFA.

- If a review of the final inspection report (or an on-site inspection) reveals items not included in the original write-up or, if specified work was not performed, the file should contain change order(s).
- In reviewing project files, monitors confirm that this documentation is consistent. For example, change order documentation should appear any time a change is made regardless if whether or not the dollar amount of the project changed.
- If the monitoring reveals that total payments to a contractor exceeded the amount of the original contract, the file should contain approved change orders documenting the additional cost.
- When expenditures are unaccounted for in project files, monitors determine the nature of the costs above the amount of the construction contract. If HOME funds were used to pay for these costs, ADFA may determine that the Recipient must repay those funds.

Lien Releases and Warranty Information [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]

Monitoring staff confirm that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
54. Does the project file contain: Final Lien Release? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] <i>Lien release form signed by the Recipient and/or homeowner.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
55. Does the project file contain: Contractor Warranty or Equipment Warranties? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)] <i>Warranty information and documentation it was provided to the homeowner (e.g., signature on form indicating receipt).</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Files should contain release of liens signed by all parties. In addition, the contractor must provide all warranties or affidavits to the Recipient at the completion of the project. Original warranty documents should be provided to the Recipient; however, ADFA should also maintain a copy or other documentation in the project file.

H. Rent and Occupancy Requirements: Initial and On-Going

Monitoring staff review at least 20 percent, but no less than 5 HOME tenant files and units for all HOME-assisted projects. In addition to on-site reviews, monitoring staff review the occupancy related reports generated from online entries. Owners or managers **MUST** utilize ADFA's computer system and update tenant files no later than the 15th day of the month following any tenant related changes such as move-ins, re-certifications, transfers, or move-outs.



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Checklist Questions & Key Documents		
<p>56. Is the project owner using the correct income limits to determine eligibility of tenants? [24 CFR 92.2, "Low-income family," and 24 CFR 92.252]</p> <p> <i>Procedures or written agreement detailing the definition of income used for the project.</i></p> <p> <i>Documentation in project files that limits were correctly applied to household income calculations.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>57. Is income being determined in accordance with the Technical Guide to Determining Income and Allowances for the HOME Program?</p> <p> <i>Review of income worksheet or other documentation supporting income calculation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>58. Is the project owner using the same definition of income to qualify all applicants?</p> <p> <i>Review of income worksheet or other documentation supporting income calculation for consistency.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>59. Are tenants income-eligible at the time of initial occupancy? [24 CFR 92.252]</p> <p> <i>Review of income worksheets or other documentation supporting income calculation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>60. Are initial tenant incomes determined based upon source documentation? [24 CFR 92.203(a)(1)]</p> <p> <i>Review of income documentation for source documentation (pay stubs, bank statements, etc.)</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>61. Does the file documentation for each unit contain the following: Supporting income documentation (for initial eligibility determinations and periodic redeterminations as required in 24 CFR 92.252(h)? [24 CFR 92.508(a)(3)(v)]</p> <p> <i>Review of income documentation for source documentation (pay stubs, bank statements, etc.).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>62. Does the file documentation for each unit contain the following: Tenant income certifications (as permitted in 24 CFR 92.252(h))? [24 CFR 92.508(a)(3)(v)]</p> <p> <i>Signed certifications of income by the family for recertification (if allowed by the Recipient).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>63. Are signed authorizations for release of income, employment and asset information documented in tenant files?</p> <p><i>Review of authorization paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>64. Are third party employment and income verifications completed, signed and dated by all parties?</p> <p><i>Review of employment and income verification related paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>65. When applicable, are Zero Income statements executed?</p> <p><i>Review of income statement paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>66. Are assets verified?</p> <p><i>Review of asset verification paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>67. Does project file document compliance with: Income targeting? [24 CFR 92.252 and 24 CFR 92.508(a)(3)(vii)]</p> <p><i>Review of income calculation forms or other documentation.</i></p> <p><i>Evidence that income calculation compared to applicable household income limits.</i></p> <p><i>Review of income documentation for source documentation (pay stubs, bank statements, etc.).</i></p> <p><i>Signed certifications of income by the family for recertification (if allowed by the Recipient).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>68. Is the ADFA Recipient reviewing the income verification process and expectations with the property management staff every 2 to 3 years?</p> <p><i>Signed certification or worksheet.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Income Eligibility [24 CFR 92.252]

At initial occupancy, property owners must determine whether prospective tenants of HOME-assisted units qualify as low-income households. ADFA requires that Low HOME rents units are restricted to individuals and families with incomes at or below 50% of the Area Median Income (AMI). High HOME rent units are restricted to individuals and families with incomes at or below 60% of AMI (Note that this is more restrictive than the HOME rule which allows for incomes up to 80% AMI). This means that 100% of the households assisted through the ADFA HOME rental program will have incomes at or below 60% of the area median income.

Monitors confirm that income is calculated and documented properly and appropriately during the affordability period. ADFA requires the use of a Tenant Income Certification (TIC). The



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effective date of the TIC is the date the tenant takes possession of the unit. Income eligibility is based on anticipated income. When collecting income verification documentation, property owners (or managers) must consider any likely changes in income. While there is no definitive way to guarantee a tenant's future income, wage statements that reflect overtime earnings and tax returns should be reviewed carefully to identify trends over time.

Although ADFA delegates the task of initial income determination to the property owner/manager, the Recipient is responsible for monitoring the property owner/manager to ensure that initial income verifications are performed correctly. Additionally, property managers often have high staff turnover rates so it is important for the Recipient to review the income verification process and expectations with property management staff every 2 to 3 years. Tenant eligibility must be determined according to the Part 5 (Section 8) definition of income and owners are required to use the most current income limits issued by HUD by MSA.

Owners must keep a separate file that contains the tenant's application, income verification documents (including the TIC, wage statements, interest statements, and unemployment compensation statements), a copy of the HOME income limits, and any other materials necessary to establish the household's eligibility. During on-site reviews, monitoring staff examine a sample of tenant files to determine whether the files contain the necessary income documentation and confirm that eligibility is being properly calculated.

ADFA staff 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. The documentation must be sufficient to support the information in the certification and compliance report.

Source documents or verifications used for income determinations must be in the file and available for review. ADFA staff look for income certifications signed by the tenants and management representative. ADFA will not accept strikethrough lines or the use of white-out on the TIC. If errors are discovered before all parties sign, owner or designee must prepare a new TIC. If errors are discovered after all parties have signed, ADFA will accept a properly executed addendum with corrections or a new TIC.

Both the HOME and tax credit programs require project owners to certify tenants' incomes in order to ensure that they are income-eligible and that the project is in compliance with initial occupancy requirements.

- To demonstrate eligibility under both programs, property managers must have tenants certify their income and obtain supporting documentation. This documentation must be kept in project unit files for review by the monitoring agencies.
- HOME requires verification of all asset income, whereas the tax credit rules require verification of asset income only if the household's assets are greater than \$5,000. For total assets of less than \$5,000, the tax credit program allows tenants to provide a signed statement of asset income. A tenant in a unit subsidized by both sources of funds would have to comply with the stricter HOME requirements.


See Attachment 6-5 on Using Low Income Housing Tax Credits with HOME on the details of combining HOME and LIHTC.



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Project Targeting Requirements [24 CFR 92.252(a) and (b)]


Monitoring staff review at least 20 percent, but no less than 5 HOME tenant files and units for the following checklist questions.

Checklist Questions & Key Documents		
<p>69. Were project targeting requirements met at initial occupancy (i.e., all HOME units occupied by low-income tenants and, if 5 or more HOME-assisted units, 20 percent of HOME units occupied by tenants below 50 percent of area median income)? [24 CFR 92.252(a) and (b)]</p> <p> <i>Rent rolls or rent/income summary completed by owner or property manager and submitted to the Recipient.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

In projects with five or more HOME-assisted units, monitors will check that 20 percent of the units are occupied by tenants at or below 50 percent of the area median income. The remaining balance of the HOME-assisted units may be occupied by tenants at or below 60 percent of the area median income (Note that the restriction to 60% AMI is more stringent than the HOME rule which allows for incomes up to 80% AMI).

Fixed and Floating Units [24 CFR 92.252 (j)]

Monitoring staff confirm that the following key documents are available in ADFA project and Recipient project files.

Checklist Questions & Key Documents		
<p>70. Does the project case file document whether the units are fixed or floating?</p> <p> <i>Written agreement designating units as fixed or floating.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

For properties with both assisted and non-assisted units, monitors confirm that units were designated as “fixed” or “floating” units in the written agreement at the time of project commitment.

- **Fixed.** When HOME-assisted units are “fixed,” the specific units that are HOME-assisted (and, therefore, subject to HOME rent and occupancy requirements) are designated and never change.
- **Floating.** When HOME-assisted units are “floating,” the units that are designated as HOME-assisted may change over time as long as the total number of HOME-assisted units in the project remains constant.
 - The floating designation gives the owner some flexibility in assigning units. If the floating designation is used, the owner must ensure that the HOME-assisted units remain comparable to the non-assisted units over the affordability period in terms of size, features and number of bedrooms.



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The following applies to vacated HOME-assisted units in fixed projects:

- Low HOME Rent units must be re-occupied by households with incomes at or below 50 percent of AMI; and
- High HOME Rent units must be re-occupied by households with incomes at or below 60 percent of AMI.




The following applies to vacated HOME-assisted units in floating projects:

- The vacated unit must be re-occupied 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) may be substituted for the vacant HOME-assisted unit but the household must be certified as eligible.
- Vacated HOME-assisted units that have been properly replaced by new units can then be leased to households at any income.

In addition to the written agreement, monitors check the entries to ADFA's online reporting system to determine the proper number of Low and High HOME units were made available to the proper income tenant in the project.

Rent Structure [24 CFR 92.252(a) and (b)]

Monitoring staff review at least 20 percent, but no less than 5 HOME tenant files and units for the following checklist questions.

Checklist Questions & Key Documents		
71. Did the initial project rent structure meet HOME requirements (i.e., rents no greater than the high HOME rents and, in projects with 5 or more HOME-assisted units, at least 20 percent of HOME units charging rents not higher than the low HOME rent)? [24 CFR 92.252(a) and (b)]  <i>Copy of rent rolls or rental compliance worksheet.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
72. Does project file document compliance with: Rent requirements? [24 CFR 92.252 and 24 CFR 92.508(a)(3)(vii)]  <i>Copy of rent rolls or rental compliance worksheet.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
73. If project is an assisted living development, does the HOME rent include prohibited costs like food and/or services?  <i>Copy of rent rolls or rental compliance worksheet.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

In projects with five or more HOME-assisted units, monitors check that 20 percent of the units are occupied by tenants at or below 50 percent of the area median income and occupants are charged the Low HOME rents while the remaining balance of the HOME-assisted units may be occupied by tenants at or below 60 percent of the area median income and be charged the High



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HOME Rent. Note that ADFA restrictions for High HOME units are more stringent than HOME rules which allow for tenants up to 80 percent AMI.

The rents for HOME-assisted units cannot exceed HUD-prescribed maximum HOME rents. However, to ensure financial soundness of the project, HUD does not require a project owner to reduce rents below the HOME rents in effect at the time of project commitment. With the exception of one- to four-unit rental projects, every rental project has two HOME rent levels: "High HOME Rents" and "Low HOME Rents," so that rents for very low-income households meet the project rule previously discussed. HUD publishes these rents annually for each locality. These rents are available on the HOME Program Web site at: www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/rent/index.cfm.

Both the High and Low HOME Rents represent the maximum that tenants can pay for rent and utilities combined. Note that only tenant paid utilities are included in HOME rent limits. Assisted living developments may not add food or services to the HOME rent nor require the food services or supportive services as a condition of a tenant's occupancy. Additionally, the HOME High and Low rents are also the maximum amount from all sources that the owner may receive for HOME-assisted units, including both tenant contributions 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:

- The Section 8 Fair Market Rents (FMRs) for existing housing; or
- Thirty percent of the adjusted income of a household 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 or more HOME-assisted units, at least 20 percent of HOME-assisted units must have rents which are no greater than:

- Thirty percent of the tenant's monthly adjusted income; or
- Thirty percent of the annual income of a household whose income equals 50 percent of median income, as published by HUD; or
- 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.

When leasing projects with both assisted and non-assisted units, 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.

During a review, monitors check for compliance with rent requirements. Specifically, monitors examine the applicable HUD-provided High and Low HOME Rents and utility allowances and compare them to the actual rents charged for the HOME-assisted units. If rents at initial occupancy are different than those outlined in the initial HOME agreement or other legal documents, documentation must be provided to justify the difference. While on site, the monitor verifies the accuracy of the rents by examining a sample of tenant leases.



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Instructions for Calculating High HOME Rents



- 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.
- 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.
- Determine which of the two rents (the FMR or 65% rent limit) is lower. This is the High HOME rent.
- 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.

Instruction Calculating Low HOME Rents

- 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.
- If a project receives Federal or stat 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.
- 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.

ADFA Approval of Rents [24 CFR 92.252(c)]

Monitoring staff verify that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
<p>74. Did ADFA review and approve the project rents? [24 CFR 92.252(c)]</p> <p> <i>Written agreement.</i></p> <p> <i>Evidence of approval/authorization (letter or document) from ADFA to the property owner allowing rent increases at lease renewal.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No





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The monitor ensures that all rents are reviewed and approved. Specifically, initial rents for HOME–assisted units must be approved and included in the HOME written agreement and other documentation or correspondence with the property owner/manager. Additionally, HUD annually publishes FMRs and calculations of rents affordable to families earning 65 percent and 50 percent of median income so that program administrators can establish new HOME rents for projects. These rent increases are not automatically to be implemented by the property owners. Rent increases must be approved or authorized by ADFA. Monitors confirm approval to increase rents for each project on a yearly basis. Rent increases that do not conform to the HOME rent limits and/or any additional restrictions outlined in the ADFA HOME written agreements will not be approved.

Annual Income Recertification [24 CFR 92.252(h)]

Monitoring staff randomly select and review at least 20 percent, but no less than 5 HOME tenant files and units for the following checklist questions.

Checklist Questions & Key Documents		
75. Is the property manager recertifying tenant income annually? [24 CFR 92.252(h)]  <i>Signed certification or worksheet.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
76. Are tenant incomes being reexamined using source documentation every year? [24 CFR 92.252(h)]  <i>Worksheet and copies of source documents used for income calculation.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Because the HOME Program imposes occupancy restrictions over the length of the affordability period, owners or managers must establish systems to recertify tenant income on an annual basis.

- Each tenant’s income will be examined on the anniversary of the original income evaluation.
- When ADFA monitoring staff perform on-site inspections of the project, they verify that tenant income recertification documentation is in the tenant files.

ADFA requires annual recertification with source documents. ADFA requires use of a Tenant Income Certification. Signed income certifications, and source documentation or verifications used for income determinations, must be in the file and available for review by ADFA staff. While performing on-site visits, HOME monitoring staff review that the documentation is adequate and that it supports the information in the certification and the compliance report.



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Voucher and Project Based Assistance [24 CFR 92.252(a) or (b), 24 CFR 92.252(b)(2)]

Checklist Questions & Key Documents		
<p>77. If the tenants receive Housing Voucher Choice Program (HVC) assistance, is the total rent charged by the owner (to both the HVC and the tenant) not greater than the maximum allowable HOME rent? [24 CFR 92.252(a) or (b)]</p> <p> Lease.</p> <p> Rental compliance form.</p> <p> HUD rents.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>78. Does the owner refrain from discriminating against tenants with rental assistance subsidies? [24 CFR 92.252(d)]</p> <p> Evidence of nondiscrimination clauses in marketing and application materials.</p> <p> Interviews with tenant households and applicants.</p> <p> Review of discrimination complaint information at local, state or HUD fair housing offices.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>79. If the project received Federal or state Project Based Assistance (PBA), is the allowable PBA rent charged only in units occupied by very low income tenants (i.e., income is below 50 percent of area median income)? [24 CFR 92.252(b)(2)]</p> <p> Lease.</p> <p> Rental compliance form.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

For projects where the tenants receive additional rental assistance, or project based assistance, there are other factors the monitor needs to be aware of:

- Tenants receiving Housing Voucher Choice Program (HVC) assistance cannot have their total rent charged by the owner be greater than the maximum allowable HOME rent.
- If the project receives Federal or state Project Based Assistance (PBA), the PBA rent may only be charged in units occupied by very low-income tenants (at or below 50 percent AMI).

Monitors review the lease and the occupancy related reports generated from online entries and compare this amount to the applicable HOME rents to confirm they are in compliance.



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Utility Allowances [24 CFR 92.252(c)]

Checklist Questions & Key Documents		
<p>80. Did the project use the established utility allowances to calculate maximum rent levels? [24 CFR 92.252(c)]</p> <p> Utility allowance.</p> <p> Rental compliance form.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The FMRs and HOME High and Low Rents include all utilities. This means that if the tenant pays utilities, the maximum allowable HOME rents must be reduced accordingly. Utility allowances provide a mechanism for reducing the maximum allowable HOME rents when the tenant pays some or all utilities. ADFA staff verify that the utility allowances used are current and reasonable. Utility allowances prepared by the local public housing agency (PHA) may be used when adjusting rents. Utility adjustments proposed by owners or developers that differ from the PHA utility allowance must be approved by ADFA and must be supported by documentation.

The monitor reviews tenant files to confirm that the rents for HOME-assisted units are consistent with HOME rent restrictions and verify the accuracy of rents listed on the occupancy related reports generated from online entries. .

Over Income Tenants [24 CFR 92.252(i)]

Checklist Questions & Key Documents		
<p>81. If any current tenant has an income at recertification above 80 percent of the area median income, is the correct rent being charged to the over-income tenant? [24 CFR 92.252(i)]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>82. As tenants vacate low HOME rent units, are they replaced by other tenants with incomes at or below 50 percent of Area Median Income? [24 CFR 92.252(i)]</p> <p> Written tenant selection plan.</p> <p> Rental compliance form.</p> <p> Interview notes with property manager.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>83. If the income of a tenant in a low HOME rent unit rises above 50 percent of area median income, is the unit designated as a high HOME rent unit and the next available, comparable unit designated as low HOME rent unit? [24 CFR 92.252(b)(1)]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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84. In projects where the HOME-assisted units float, when an in-place tenant's income increases above 80 percent of median income, is the next available, comparable unit made available to a HOME-eligible tenant? [24 CFR 92.252(j)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
--	------------------------------	-----------------------------

The monitor needs to ensure that the owner has taken the following steps to maintain the correct numbers of High and Low HOME rent units. These situations occur when tenant's income rises or a HOME unit is vacated.

- If, as determined at recertification, the income of a tenant occupying a Low HOME rent unit increases, but **does not exceed 80 percent** of area median income, that unit becomes a High HOME rent unit only when the next available unit (for "floating" unit projects) or HOME-assisted unit (for "fixed" unit projects) becomes available and is occupied by a HOME certified very low income tenant (at or below 50 percent AMI).
- Subject to the terms of the lease, the rent of the initial tenant whose income has increased may be increased to the High HOME rent for the unit only after a replacement Low HOME unit has been occupied. This process should not increase the number of assisted units.
- If a tenant's income **increases above 80 percent** of the area median income, the unit this tenant occupies is still considered to be a HOME unit, but the tenant's rent must be 30 percent of his adjusted income for rent and utilities (the amount may not exceed the market rent for comparable, unassisted units in the neighborhood for floating units).
 - In projects where the HOME units float, the next available unit in the project of comparable size or larger must be rented to a HOME-eligible household. The unit occupied by the over-income tenant is no longer considered HOME-assisted, and the rent of that unit can be adjusted as appropriate.
 - For fixed units, the tenant's rent must be 30 percent of his adjusted income for rent and utilities but there is no cap. (Where state or local law imposes rent controls, the rent control applies.)

Note: In units that are financed with both HOME and Low Income Housing Tax Credits (LIHTCs), the LIHTC rules apply. Under the LIHTC program, the tenant's rent is not adjusted, and the unit does not need to be replaced by another comparable unit until the tenant's income rises above 140 percent of the LIHTC program eligibility threshold. Please refer to Attachment 5: Using the Low Income Housing Tax Credit with HOME for further guidance on projects that combine LIHTC and HOME funds.

- If a **HOME-assisted unit in a fixed project is vacated** the appropriate steps depend on the type of HOME-assisted unit. Low HOME Rent units must be re-occupied by households with incomes at or below 50 percent of AMI. High HOME Rent units must be re-occupied by households with incomes at or below 60 percent of AMI.
- If a **HOME-assisted unit in a floating project is vacated**, the vacated unit must be re-occupied 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-



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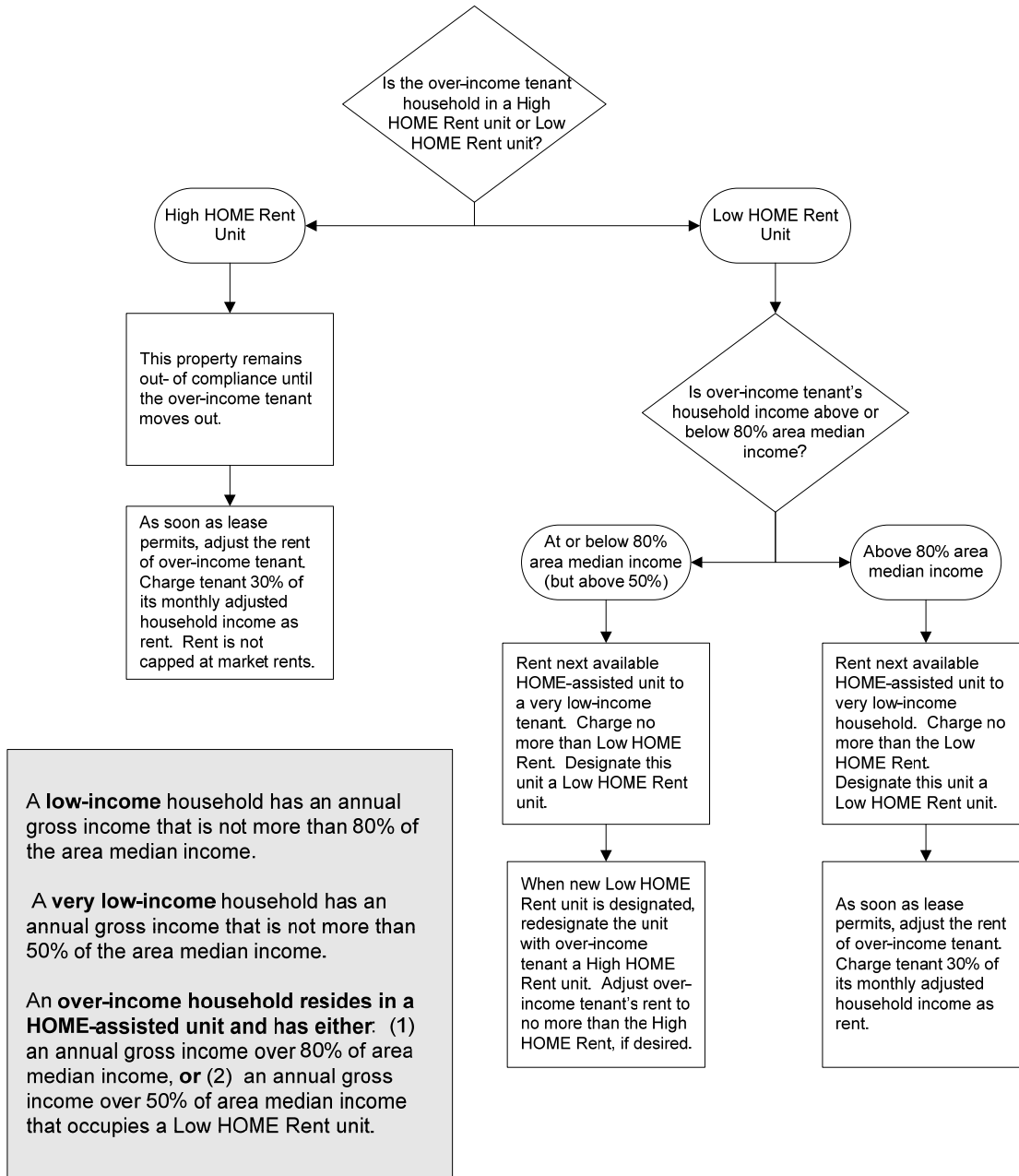
assisted) must be occupied by an eligible household of appropriate income **and substituted for the vacant HOME-assisted unit.**

- Vacated HOME-assisted units that have been properly replaced by new units can then be leased to households at any income.



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Exhibit 6.4: Increases in Tenant Income (Fixed Unit Projects)

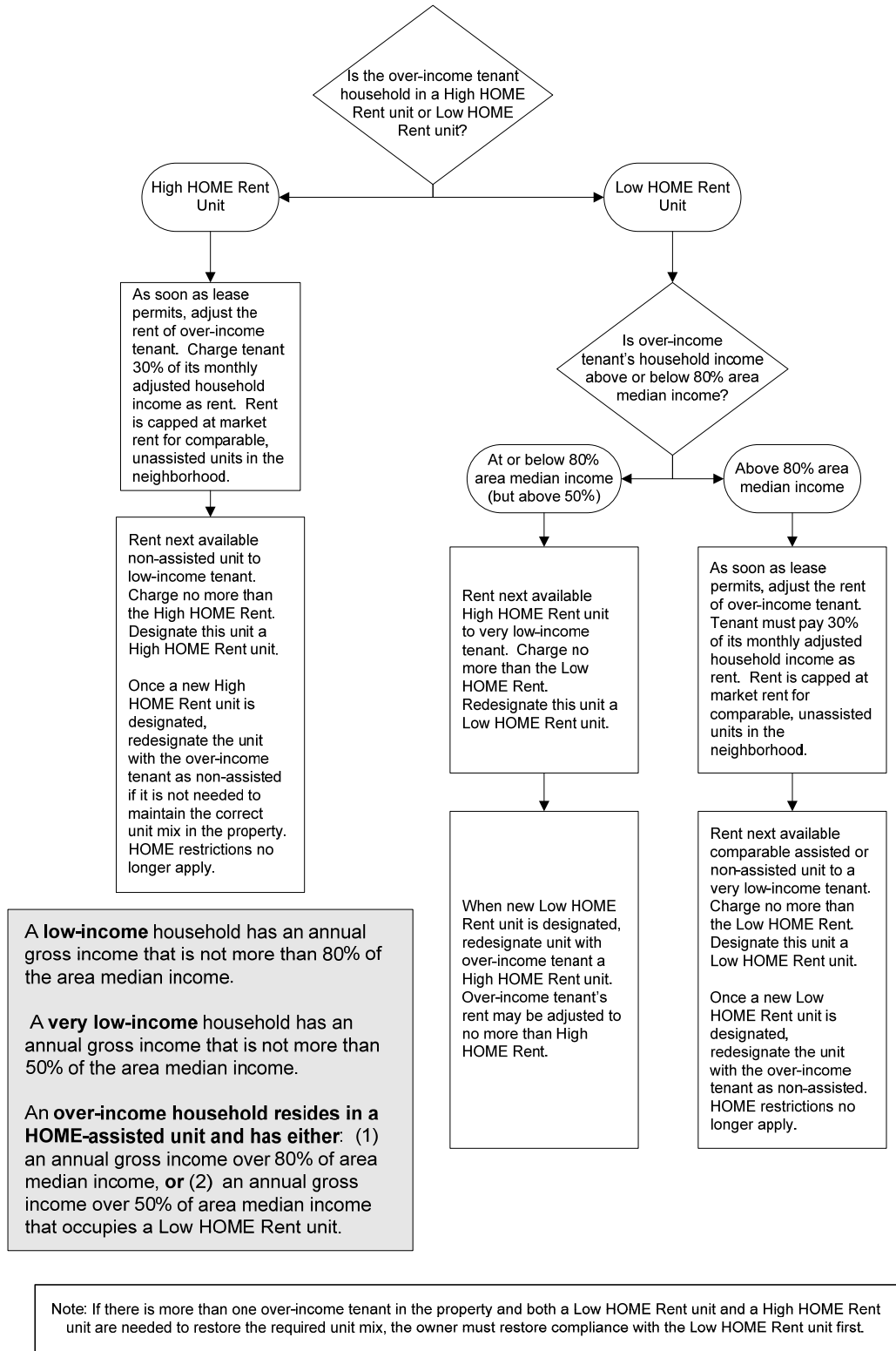


Note: If there is more than one over-income tenant in the property and both a Low HOME Rent unit and a High HOME Rent unit are needed to restore the required unit mix, the owner must restore compliance with the Low HOME Rent unit first.



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Exhibit 6.5: Increases in Tenant Income (Floating Unit Projects)






Note: If there is more than one over-income tenant in the property and both a Low HOME Rent unit and a High HOME Rent unit are needed to restore the required unit mix, the owner must restore compliance with the Low HOME Rent unit first.



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Leases [24 CFR 92.253]

Checklist Questions & Key Documents		
85. Are leases free of all prohibited provisions? [24 CFR 92.253(b)]  <i>Review of a sample of leases.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
86. Are the leases for a minimum of one year (unless otherwise agreed upon by tenant and owner)? [24 CFR 92.253(a)]  <i>Review of a sample of leases.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
87. Does the file documentation for each unit contain the following: Lease and lease addendum? [24 CFR 92.508(a)(3)(ix)]  <i>Review of a sample of leases.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors review a sufficient sample of leases for each project. The standard lease document used by each property owner/manager of HOME assisted rental units should be available in ADFA project files. Additionally, the property owner/manager's files should contain all leases.

The HOME regulations contain the following requirements for leases:

- Leases must be for allowable HOME rent and take into account an approved utility allowance.
- Leases must have terms of at least one year unless otherwise mutually agreed upon by the tenant and owner.
- Leases may not contain any of the prohibited provisions outlined in Exhibit 6-6.



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Exhibit 6-6

Prohibited Lease Clauses for HOME-assisted Rental Properties

The lease between the owner and tenant in a HOME-assisted property *can not* contain any of the following provisions:

- **Agreement to be sued:** Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.
- **Treatment of property:** Agreement by the tenant that the owner may seize or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This provision does not apply to disposition of personal property left by a tenant who has vacated a property.
- **Excusing owner from responsibility:** Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent.
- **Waiver of notice:** Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant.
- **Waiver of legal proceedings:** Agreement of 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 a court decision on the rights of the parties.
- **Waiver of a jury trial:** Agreement by the tenant to waive any right to a trial by jury.
- **Waiver of right to appeal court decision:** Agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a court decision in connection with the lease.
- **Tenant chargeable with cost of legal actions regardless of outcome:** Agreement by the tenant to pay attorney's fees or other legal costs, even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.



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Tenant Selection Policy [24 CFR 92.252]

Checklist Questions & Key Documents		
<p>88. Does the owner have written tenant selection criteria? [24 CFR 92.253(d)]</p> <p> <i>Written tenant selection plan.</i></p> <p> <i>Interview notes with property manager.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>89. Does the owner follow his/her tenant selection policy? [24 CFR 92.253(d)]</p> <p> <i>Interview notes with property manager.</i></p> <p> <i>Written tenant selection plan.</i></p> <p> <i>Rental compliance form.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

HOME rental properties must continue to adhere to written tenant selection procedures that adhere to the following requirements:


- The tenant selection procedures should state the procedures for taking applications, screening applications including determining household income and eligibility determinations, maintenance of waiting lists (if applicable) and the process for notifying applicants of eligibility or rejection.
- The selection policy should also address maintaining the appropriate HOME unit mix. Monitors should look for procedures or guidelines that address prioritizing the occupancy of a very low income tenant (at or below 50 percent) if a Low HOME unit is available or needs to be put into operation.
- Owners may not discriminate against tenants with rental assistance subsidies. This should be found in the written agreement.

The monitor should look for such procedures and review sufficient information to determine that the tenant selection procedures are being followed by the property owner/manager. This would involve a review of applications, the waiting lists and sign-in sheets, correspondence with applicants, etc.



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I. Changes in Management

Checklist Questions & Key Documents		
90. Did the owner notify ADFA of changes to the management entity and personnel?  Evidence of notification to ADFA.	<input type="checkbox"/> Yes	<input type="checkbox"/> No

ADFA staff must be informed on a current basis of the management entity and personnel responsible for ensuring compliance with all applicable laws, rules, policies, etc. To facilitate that notification requirement, the process for requesting ADFA approval of any change in management will include the submission of the following:

- Proposed Management Plan,
- Management Certification,
- Previous Participation form and,
- Written approval from the lender.

In order to obtain Board approval, project owner must submit request 45 days before the anticipated effective date of the new management contract. Owner should NOT enter into a formal contract without ADFA's approval.


Any Owner who engages a management company without first obtaining ADFA approval will be considered noncompliant. In order to remedy the noncompliance, property owner must:

- Notify the management company of the noncompliance created by their engagement.
- Immediately submit the required documentation requesting ADFA's approval of the new management company as outlined above.
- Provide a written explanation of the cause for the owner failing to obtain ADFA approval of a change in management and delineate actions to prevent the noncompliance from recurring.

The owner's adherence or failure to adhere to these policies will be considered as ADFA reviews and evaluates any future requests with which the owner is associated.

J. Site and Neighborhood Standards

Monitoring confirm that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
91. If the project was new construction, did the Recipient perform a site and neighborhood standards review in accordance with 24 CFR 983.6(b)? [24 CFR 92.202(b)]  Evidence a site and neighborhood standards review.	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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Site and neighborhood standards only apply to new construction of rental projects. If applicable, monitors confirm that a site and neighborhood standards review was conducted for each rental project prior to approval of funding. Site and neighborhood related documentations include:

- Adequacy of site;
- Project and location furthers compliance with fair housing laws;
- Site is not in an area of minority concentration or racially mixed area, but if it is in a minority concentration area--the project will not increase significantly the property of minorities; or there is sufficient comparable opportunities exist outside area for minorities based on analysis of HUD-assisted housing, or it is necessary to meet overriding housing need that cannot otherwise be met integral to preservation strategy or integral to revitalization area strategy.
- Promote greater choice of housing opportunities and avoids undue concentration of assisted persons.
- Neighborhood is not seriously detrimental to family life.
Neighborhood is comparably accessible to broad range of services and facilities.
- Travel and access to jobs is not excessive.

K. Affirmative Marketing

Checklist Questions & Key Documents		
92. If the project has five or more HOME-assisted units, is it complying with the ADFA's affirmative marketing requirements? [24 CFR 92.351]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<div style="display: flex; align-items: flex-start;"> <div style="margin-right: 10px;"> </div> <div> <i>Review of affirmative marketing efforts (marketing materials, documentation of outreach efforts, copies of advertisements and materials, etc.).</i> </div> </div>		

All HOME funded rental projects with five or more HOME-assisted units must have an affirmative marketing plan to ensure the project is marketed to those persons least likely to apply. Monitoring must ensure that affirmative marketing requirements and procedures include the following elements:

- Methods for informing the public, and potential tenants about fair housing laws and ADFA's policies;
- A description of what owners will do to affirmatively market housing assisted with HOME funds, and maintenance of records that document the actions taken in this marketing effort;
- A description of what owners will do to inform persons not likely to apply for housing without special outreach, and maintenance of records that document the actions taken in this marketing effort; and



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- A description of how efforts will be assessed and what corrective actions will be taken where requirements are not met, and maintenance of records that document an assessment of the effectiveness of the marketing effort.

To determine compliance with the above listed elements, ADFA monitoring staff review the following:

- 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;
- 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;
- 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 benefited from, any program or activity funded in whole or in part with HOME funds;
- Affirmative Fair Housing Marketing Plan (HUD form 935.2); and
- 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).

L. Environmental Review 24 CFR Part 58 [24 CFR 92.352]

Monitoring staff confirm that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
<p>93. Was an environmental review completed for the project and does the project file document compliance with: Environmental requirements? [24 CFR 92.352 and 24 CFR 92.508(a)(7)(iii)]</p> <p> <i>Environmental Review Record (ERR) or other supporting documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>94. Has the Recipient complied with flood insurance protection when assistance was used for acquisition or construction (including rehabilitation) of real property located within the Special Flood Hazard Area (SFHA)? Is compliance documented in the project file? [24 CFR 92.352 and 24 CFR 92.508(a)(7)(iii)]</p> <p> <i>Evidence of flood insurance if applicable.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

HOME Program funded activities are subject to the environmental review requirements at 24 CFR Part 58. Monitors look for an Environmental Review Record (ERR) for the rental project and



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confirm that it contains all required environmental documentation. Further guidance is available through both HUD Notice CPD 01-11 (www.hud.gov/offices/cpd/lawsregs/notices/2001/01-11.pdf), and HOMEfires Vol. 4, No. 2 (www.hud.gov/offices/cpd/affordablehousing/library/homefires/volumes/vol4no2.cfm).

M. Labor and Related Acts [24 CFR 92.354]

Monitoring staff confirm that the following key documents are available in ADFA and Recipient project files.

Checklist Questions & Key Documents		
<p>95. If the project has 12 or more HOME-assisted units, does the file documentation indicate that the Recipient applied the Davis Bacon labor standards requirements to the project? [24 CFR 92.354]</p> <p> <i>Completed interview forms from interviews conducted with workers.</i></p> <p> <i>Receipt and review of payroll.</i></p> <p> <i>Wage determinations from HUD.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>96. Does project file document compliance with: Labor standards? [24 CFR 92.354 and 24 CFR 92.508(a)(7)(v)]</p> <p> <i>Completed interview forms from interviews conducted with workers.</i></p> <p> <i>Receipt and review of payroll.</i></p> <p> <i>Wage determinations from HUD.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

HOME monitors confirm documentation of compliance with Davis-Bacon and the Contract Work Hours and Safety Standards Acts for every construction contract that contains 12 or more units assisted with HOME funds triggers the requirements. Documentation related materials that should be in ADFA and Recipient project files include Davis-Bacon wage determination, contract language, site interviews and payroll monitoring. Note that when applicable, requirements apply to the whole project, not just the HOME-assisted units.

On a program-level basis, monitors confirm that the Recipient has adopted labor policies and applies them to the hiring and employment practices.

The most important project-specific questions that monitoring staff investigate include:

- Was the correct determination made concerning the applicability of Davis-Bacon to the project?
- Does documentation in the project file indicate that:



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- There are 12 or more HOME-assisted units in the construction contract, thereby “triggering” Davis-Bacon?
 - HOME funds were used only to assist homebuyers in acquiring single-family housing, in which case Davis-Bacon does not apply? (This applies only if there was not an advance agreement with the owner or developer of the housing that HOME funds would be used to assist the homebuyers.)
- Were all pre-construction requirements met?
 - Were conferences with contractors & subcontractors inexperienced with labor requirements documented?
 - Were proper and current wage decisions from the HUD Labor Relations Field Office staff, or other approved source, documented in the project file?
 - Was the standard, required language and wage decision included in all bid documents, contracts, and subcontracts?
 - Were there sufficient documentation of periodic on-site visits including interviews of a variety of workers and confirmation that required posters were located on site?
 - Were payroll forms submitted and reviewed, were problems noted and resolved, and were documents kept in the project file?



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Section 3. Resources

- ADFA Checklist for Rental Monitoring (Attachment 6-1)
- Summary Table of Required Documentation (Attachment 6-2)
- Summary of Key Rental Rules (Attachment 6-3)
- Summary of Key Other Federal Requirements for Rental (Attachment 6-4)
- Using the Low Income Housing Tax Credit with HOME Funds (Attachment 6-5)



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Attachment 6-1

ADFA Checklist for Rental Monitoring

Checklist Questions & Key Documents		
<p>1. Project Information:</p> <p>1. Project Owner: _____</p> <p>2. Project commitment date: _____</p> <p>3. Completion date: _____</p> <p>4. Total number of units: _____</p> <p>5. Number of HOME-assisted units: _____</p> <p>6. HOME assisted units are: Fixed _____ Floating _____</p>		
<p>2. Financial Information:</p> <p>1. Unit costs were determined by: Proration _____ Actual cost _____</p> <p>2. List sources and amounts of funding in project: _____</p> <p>3. Terms of HOME assistance (e.g. loan/grant; interest rate; maturity): _____</p> <p>4. Per Unit Cost: _____</p> <p>5. Period of Affordability: _____</p>		
<p>3. At the time of monitoring, does the project appear to be financially viable for the affordability period?</p> <p> Review of current operating budget</p> <p> Review of full project rent roll.</p> <p> Evidence of contributions to replacement and other reserve accounts.</p> <p> Notes from discussions concerning efforts to address high vacancy rates or other issues such as complaints or crime, which could affect future marketability of the units.</p> <p> Review of Audit if one conducted.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>4. Was a project audit obtained and reviewed?</p> <p> Copy of recent financial audit.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>5. Was the capacity of the management team reviewed?</p> <p> Resumes of staff.</p> <p> Notes from interviews of key staff.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>6. Are properties and activities eligible for HOME assistance?</p> <p> Program procedures and/or application materials that outline the eligible property types specified for the program.</p> <p> Funded project as described in written agreement.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>7. Is the HOME subsidy to the project at least \$1000 per unit? [24 CFR 92.205(c)]</p> <p> Copy of the 221(d)(3) limits for the year the project was funded.</p> <p> Evidence in the file that the amount provided was less than the applicable 221(d)(3) limit (form, written agreements and other documentation).</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>8. Is the HOME per-unit subsidy to the project less than or equal to the maximum per unit subsidy? [24 CFR 92.250(a)]</p> <p> Agreement or grant/loan document or other documentation in the file showing amount of assistance provided.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>9. Is the Recipient program within the maximum and minimum program limits set by ADFA?</p> <p> Review application form to ADFA.</p> <p> Review agreement or grant/loan document for amount of assistance provided.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>10. If HOME was combined with other public funds, a subsidy layering review is documented in the files? [24 CFR 92.250(b)]</p> <p> Review of the development budget.</p> <p> Review of the operating budget.</p> <p> Review of the sources and uses statement.</p> <p> Notes or narrative in the file that a subsidy layering evaluation was conducted and a determination made that the project was not over subsidized. (A narrative answering the questions listed in Exhibit 6-1 below would be sufficient documentation.)</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>11. If a proration method of cost allocation was used, comparability of units (in terms of bedroom size, square footage and level of amenities) is documented in the files? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p> <p> <i>Project information to document types of units such as plans, blueprints, bid documents, etc.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>12. If a proration method of cost allocation was used, documentation confirms that HOME-ineligible costs were subtracted from the total development cost to determine the total HOME-eligible development costs? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>13. If units are not comparable, is a unit-by-unit cost allocation system documented in the files? [24 CFR 92.205(d)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>14. Are cost allocation calculations documented in the files? [24 CFR 92.508(a)(3)(ii)]</p> <p> <i>Project budget and cost analysis.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>15. Does the documentation confirm that changes in project size/scope, cost or financing sources during the development of the project were communicated to ADFA by the Recipient?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>16. Was the subsidy provided in an eligible form of investment? [24 CFR 92.205(b)]</p> <p> <i>Procedures identifying the type of assistance provided to rental projects.</i></p> <p> <i>Written agreement outlining type of assistance provided.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>17. If the subsidy was provided in a different form, was that form approved by ADFA? [24 CFR 92.205(b)(1)]</p> <p> <i>If “other form of assistance” not outlined in the HOME regulations is being used, documentation of this form of assistance in the Recipient’s Consolidated Plan or Action Plan.</i></p> <p> <i>Evidence of approval of “other form of assistance” by ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>18. Do the loan terms reflect ADFA's requirements for Forgivable and Repayable loans?</p> <p> <i>Loan Agreement (check dates, conditions and terms); and</i></p> <p> <i>Promissory Note (check dates, conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>19. Are loan repayments directed to ADFA's Accounting Department?</p> <p> <i>Loan Agreement (check conditions and terms); and</i></p> <p> <i>Promissory Note (check conditions and terms).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>20. Are ADFA template program agreements, loan agreements, promissory note and lien documents used?</p> <p> <i>Review program agreements with beneficiaries and lien documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>21. Was ADFA's standard deed restriction on the property recorded to ensure its continued use as affordable rental housing and adherence to all applicable requirements? [24 CFR 92.252(e)]</p> <p> <i>Recorded deed restriction (or covenant running with the land).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>22. Are the program agreements, loan agreements, promissory note and lien documents recorded?</p> <p> <i>Review copies of recorded documents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>23. Is the ADFA lien position appropriate?</p> <p> <i>Lien position related documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>24. Does the "Sources and Uses Statement" or other documentation indicate that there were sufficient HOME-eligible costs associated with the project to support the amount of HOME funds provided? [24 CFR 92.205(d)]</p> <p> <i>Sources and uses statement and project budget with eligible costs reviewed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>25. Does project file document compliance with: Eligible Costs? [24 CFR 92.206 and 24 CFR 92.508(a)(3)(ii)]</p> <p> <i>Sources and uses statement and project budget with eligible costs reviewed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>26. Did ADFA allow an operating deficit reserve be set up for this project?</p> <p> <i>Sources and uses statement.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>27. If yes, is there documentation supporting that the reserve was used for project operating expenses, scheduled payments to replacement reserves and debt service?</p> <p> Sources and uses statement.</p> <p> Written agreement (outlining use of the funds).</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>28. If yes, were reserves remaining at the end of the 18-month period (and retained by the owner/developer) used in accordance of the written agreement between the developer/owner and ADFA?</p> <p> Written agreement (outlining use of the funds).</p> <p> Project financial statements for the period covering the end of the 18-month period.</p> <p> Financial records indicating how funds used.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>29. Were costs reasonable (e.g., acquisition costs supported by appraisal, developer's fees, rehabilitation or construction costs within local norms, etc.)? [24 CFR 92.505(a); 24 CFR 85.22 and OMB Circular A-87, Attachment A, Section C.2]</p> <p> Project budget.</p> <p> Determination of reasonableness and corresponding file documentation.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>30. If HOME funds paid for site improvements were they eligible improvements located on the project site? [24 CFR 92.206(a)(3)(iii)]</p> <p> Map showing location of site improvements.</p> <p> List of site improvements and notes indicating a determination of eligibility.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>31. Was work performed in accordance with ADFA's standards, including written rehabilitation standards for all activities involving rehabilitation? [24 CFR 92.251(a)]</p> <p> Copy of written rehabilitation standards.</p> <p> Specifications/work write-ups and inspections reports (for comparison to the standards).</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>32. If the project is new construction, does it meet the IECC? [24 CFR 92.251(a)]</p> <p> Review of plans and specifications.</p> <p> Final inspection reports.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>33. Do work-write-ups and final inspection reports indicate that the project met all applicable property standards at completion? [24 CFR 92.251(a)]</p> <p> <i>Copy of final inspection report to ensure property met all applicable codes and standards at completion.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>34. Does the project meet the applicable Section 504 accessibility requirements? [24 CFR 92.251(a)(3)]</p> <p> <i>Review of plans and specifications.</i></p> <p> <i>Final inspection.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>35. Does the project meet the applicable Universal and Multifamily Minimum Design Standards?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>36. Are there an adequate number of handicap-accessible parking spaces in close proximity to accessible units and ramps?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>37. Does the design of handicap-accessible units meet accessibility standards?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>38. Are accessible units distributed throughout the sites as required by ADFA?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>39. Is the owner maintaining the housing in compliance with Housing Voucher Housing Quality Standards as set out in 24 CFR 982.401, local codes or other applicable standards? [24 CFR 92.251(c)]</p> <p> <i>Inspection report(s).</i></p> <p> <i>Letter to property manager/owner with inspection results.</i></p> <p> <i>Documentation in project files that deficiencies were resolved in a timely fashion and to the applicable standards.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>40. If the project involved rehabilitation, does it comply with the lead hazard reduction requirements of Part 35, if applicable? [24 CFR 92.355]</p> <p><i>Documentation that Lead-Based Paint Pamphlet was provided to tenants.</i></p> <p><i>Documentation that the Disclosure Notice was provided to tenants. Signed statement by tenant indicating receipt of the "Protect Your Family From Lead in Your Home" brochure, signed LBP Disclosure Form and signed LBP Hazard Evaluation Form (if applicable)</i></p> <p><i>Documentation that Notice of Lead Hazard Evaluation or Notice of Presumption being provided.</i></p> <p><i>Risk Assessment (if applicable).</i></p> <p><i>Evidence that qualified contractors being used.</i></p> <p><i>Clearance Test (if applicable).</i></p> <p><i>Documentation that Notice of Lead Hazard Reduction Activities being provided (if applicable).</i></p> <p><i>Abatement Report (if applicable).</i></p> <p><i>Copy of request from owner to tenant to inform them regarding deteriorating painted surfaces.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>41. Does the file documentation for each unit contain the following: Lead-Based Paint notification? [24 CFR 92.508(a)(3)(iv) and 92.508(a)(7)(vi)]</p> <p><i>See documents listed under question 40 above.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>42. Does project file document compliance with: Lead safety requirements? [24 CFR 92.355 and 24 CFR 92.508(a)(3)(iv) and (a)(7)(vi)]</p> <p><i>See documents listed under question 40 above.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>43. Does the project file include verification of contractor eligibility, e.g. that awards were not made to any party excluded, disqualified or otherwise ineligible (i.e., suspension, debarment or limited denial of participation) for Federal procurement or non-procurement programs? [24 CFR 92.350(a)]</p> <p><i>Contractor file for each active contractor with page printed from Excluded Parties List.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>44. Did the Recipient select the contractor through a competitive bid process? [24 CFR 92.505(a) and 85.36(c) and (d)]</p> <p> <i>Bidding procedures and documentation procedures followed.</i></p> <p> <i>Worksheet or notes of bid review and cost are determined reasonable and eligible.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>45. Did the Recipient solicit, accept and review bids according to the ADFA bid solicitation requirements?</p> <p> <i>Documentation (e.g., worksheet or copies) of bids collected and reviewed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>46. Does the Recipient have documentation of both good and strong past performance and references for the contractor?</p> <p> <i>Names and notes from references</i></p> <p> <i>Pictures or project descriptions of past work.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>47. Was the rationale for the selection of the contractor documented? [24 CFR 92.505(a) and 24 CFR 85.36(c)(9)]</p> <p> <i>Bidding procedures.</i></p> <p> <i>Documentation of selection such as worksheet or notes of bid review.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>48. Was a pre-construction conference conducted and documented in the file? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Preconstruction notes or minutes.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>49. Does the documentation in the file include a construction contract executed between the Recipient and contractor? [24 CFR 92.508.(a)(3)(ii)]</p> <p> <i>Construction contract.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>50. Does the file contain a notice to proceed?</p> <p> <i>Notice to proceed.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>51. Were progress inspections of the project performed prior to approving the developer or contractor's request for payment? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Inspection notes.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>52. Was a final property standards inspection performed? [24 CFR 92.251(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Inspection notes.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>53. Did ADFA review and approve change orders for any changes in the scope of work? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2) and (f)]</p> <p> <i>Change order signed by appropriate person.</i></p> <p> <i>Documentation that the change was necessary, eligible and allowable under the contract and project budget.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>54. Does the project file contain: Final Lien Release? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Lien release form signed by the Recipient and/or homeowner.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>55. Does the project file contain: Contractor Warranty or Equipment Warranties? [24 CFR 92.505(a) and 24 CFR 85.36(b)(2)]</p> <p> <i>Warranty information and documentation it was provided to the homeowner (e.g., signature on form indicating receipt).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>56. Is the project owner using the correct income limits to determine eligibility of tenants? [24 CFR 92.2, "Low-income family," and 24 CFR 92.252]</p> <p> <i>Procedures or written agreement detailing the definition of income used for the project.</i></p> <p> <i>Documentation in project files that limits were correctly applied to household income calculations.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>57. Is income being determined in accordance with the Technical Guide to Determining Income and Allowances for the HOME Program?</p> <p> <i>Review of income worksheet or other documentation supporting income calculation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>58. Is the project owner using the same definition of income to qualify all applicants?</p> <p> <i>Review of income worksheet or other documentation supporting income calculation for consistency.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>59. Are tenants income-eligible at the time of initial occupancy? [24 CFR 92.252]</p> <p> <i>Review of income worksheets or other documentation supporting income calculation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>60. Are initial tenant incomes determined based upon source documentation? [24 CFR 92.203(a)(1)]</p> <p> <i>Review of income documentation for source documentation (pay stubs, bank statements, etc.)</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>61. Does the file documentation for each unit contain the following: Supporting income documentation (for initial eligibility determinations and periodic redeterminations as required in 24 CFR 92.252(h)? [24 CFR 92.508(a)(3)(v)]</p> <p> <i>Review of income documentation for source documentation (pay stubs, bank statements, etc.).</i></p> <p></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>62. Does the file documentation for each unit contain the following: Tenant income certifications (as permitted in 24 CFR 92.252(h))? [24 CFR 92.508(a)(3)(v)]</p> <p> <i>Signed certifications of income by the family for recertification (if allowed by the Recipient).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>63. Are signed authorizations for release of income, employment and asset information documented in tenant files?</p> <p> <i>Review of authorization paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>64. Are third party employment and income verifications completed, signed and dated by all parties?</p> <p> <i>Review of employment and income verification related paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>65. When applicable, are Zero Income statements executed?</p> <p> <i>Review of income statement paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>66. Are assets verified?</p> <p> <i>Review of asset verification paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>67. Does project file document compliance with: Income targeting? [24 CFR 92.252 and 24 CFR 92.508(a)(3)(vii)]</p> <ul style="list-style-type: none"> <i>Review of income calculation forms or other documentation.</i> <i>Evidence that income calculation compared to applicable household income limits.</i> <i>Review of income documentation for source documentation (pay stubs, bank statements, etc.).</i> <i>Signed certifications of income by the family for recertification (if allowed by the Recipient).</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>68. Is the ADFA Recipient reviewing the income verification process and expectations with the property management staff every 2 to 3 years?</p> <ul style="list-style-type: none"> <i>Signed certification or worksheet.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>69. Were project targeting requirements met at initial occupancy (i.e., all HOME units occupied by low-income tenants and, if 5 or more HOME-assisted units, 20 percent of HOME units occupied by tenants below 50 percent of area median income)? [24 CFR 92.252(a) and (b)]</p> <ul style="list-style-type: none"> <i>Rent rolls or rent/income summary completed by owner or property manager and submitted to the Recipient.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>70. Does the project case file document whether the units are fixed or floating?</p> <ul style="list-style-type: none"> <i>Written agreement designating units as fixed or floating.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>71. Did the initial project rent structure meet HOME requirements (i.e., rents no greater than the high HOME rents and, in projects with 5 or more HOME-assisted units, at least 20 percent of HOME units charging rents not higher than the low HOME rent)? [24 CFR 92.252(a) and (b)]</p> <ul style="list-style-type: none"> <i>Copy of rent rolls or rental compliance worksheet.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>72. Does project file document compliance with: Rent requirements? [24 CFR 92.252 and 24 CFR 92.508(a)(3)(vii)]</p> <ul style="list-style-type: none"> <i>Copy of rent rolls or rental compliance worksheet.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>73. If project is an assisted living development, does the HOME rent include prohibited costs like food and/or services?</p> <ul style="list-style-type: none"> <i>Copy of rent rolls or rental compliance worksheet.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>74. Did ADFA review and approve the project rents? [24 CFR 92.252(c)]</p> <p> <i>Written agreement.</i></p> <p> <i>Evidence of approval/authorization (letter or document) from ADFA to the property owner allowing rent increases at lease renewal.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>75. Is the property manager recertifying tenant income annually? [24 CFR 92.252(h)]</p> <p> <i>Signed certification or worksheet.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>76. Are tenant incomes being reexamined using source documentation every year? [24 CFR 92.252(h)]</p> <p> <i>Worksheet and copies of source documents used for income calculation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>77. If the tenants receive Housing Voucher Choice Program (HVC) assistance, is the total rent charged by the owner (to both the HVC and the tenant) not greater than the maximum allowable HOME rent? [24 CFR 92.252(a) or (b)]</p> <p> <i>Lease.</i></p> <p> <i>Rental compliance form.</i></p> <p> <i>HUD rents.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>78. Does the owner refrain from discriminating against tenants with rental assistance subsidies? [24 CFR 92.252(d)]</p> <p> <i>Evidence of nondiscrimination clauses in marketing and application materials.</i></p> <p> <i>Interviews with tenant households and applicants.</i></p> <p> <i>Review of discrimination complaint information at local, state or HUD fair housing offices.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>79. If the project received Federal or state Project Based Assistance (PBA), is the allowable PBA rent charged only in units occupied by very low income tenants (i.e., income is below 50 percent of area median income)? [24 CFR 92.252(b)(2)]</p> <p> <i>Lease.</i></p> <p> <i>Rental compliance form.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>80. Did the project use the established utility allowances to calculate maximum rent levels? [24 CFR 92.252(c)]</p> <p> <i>Utility allowance.</i></p> <p> <i>Rental compliance form.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>81. If any current tenant has an income at recertification above 80 percent of the area median income, is the correct rent being charged to the over-income tenant? [24 CFR 92.252(i)]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>82. As tenants vacate low HOME rent units, are they replaced by other tenants with incomes at or below 50 percent of Area Median Income? [24 CFR 92.252(i)]</p> <p> <i>Written tenant selection plan.</i></p> <p> <i>Rental compliance form.</i></p> <p> <i>Interview notes with property manager.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>83. If the income of a tenant in a low HOME rent unit rises above 50 percent of area median income, is the unit designated as a high HOME rent unit and the next available, comparable unit designated as low HOME rent unit? [24 CFR 92.252(b)(1)]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>84. In projects where the HOME-assisted units float, when an in-place tenant's income increases above 80 percent of median income, is the next available, comparable unit made available to a HOME-eligible tenant? [24 CFR 92.252(j)]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>85. Are leases free of all prohibited provisions? [24 CFR 92.253(b)]</p> <p> <i>Review of a sample of leases.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>86. Are the leases for a minimum of one year (unless otherwise agreed upon by tenant and owner)? [24 CFR 92.253(a)]</p> <p> <i>Review of a sample of leases.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>87. Does the file documentation for each unit contain the following: Lease and lease addendum? [24 CFR 92.508(a)(3)(ix)]</p> <p> <i>Review of a sample of leases.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No









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<p>88. Does the owner have written tenant selection criteria? [24 CFR 92.253(d)]</p> <p> <i>Written tenant selection plan.</i></p> <p> <i>Interview notes with property manager.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>89. Does the owner follow his/her tenant selection policy? [24 CFR 92.253(d)]</p> <p> <i>Interview notes with property manager.</i></p> <p> <i>Written tenant selection plan.</i></p> <p> <i>Rental compliance form.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>90. Did the owner notify ADFA of changes to the management entity and personnel?</p> <p> <i>Evidence of notification to ADFA.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>91. If the project was new construction, did the Recipient perform a site and neighborhood standards review in accordance with 24 CFR 983.6(b)? [24 CFR 92.202(b)]</p> <p> <i>Evidence a site and neighborhood standards review.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>92. If the project has five or more HOME-assisted units, is it complying with the ADFA's affirmative marketing requirements? [24 CFR 92.351]</p> <p> <i>Review of affirmative marketing efforts (marketing materials, documentation of outreach efforts, copies of advertisements and materials, etc.).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>93. Was an environmental review completed for the project and does the project file document compliance with: Environmental requirements? [24 CFR 92.352 and 24 CFR 92.508(a)(7)(iii)]</p> <p> <i>Environmental Review Record (ERR) or other supporting documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>94. Has the Recipient complied with flood insurance protection when assistance was used for acquisition or construction (including rehabilitation) of real property located within the Special Flood Hazard Area (SFHA)? Is compliance documented in the project file? [24 CFR 92.352 and 24 CFR 92.508(a)(7)(iii)]</p> <p> <i>Evidence of flood insurance if applicable.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>95. If the project has 12 or more HOME-assisted units, does the file documentation indicate that the Recipient applied the Davis Bacon labor standards requirements to the project? [24 CFR 92.354]</p> <p> <i>Completed interview forms from interviews conducted with workers.</i></p> <p> <i>Receipt and review of payroll.</i></p> <p> <i>Wage determinations from HUD.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>96. Does project file document compliance with: Labor standards? [24 CFR 92.354 and 24 CFR 92.508(a)(7)(v)]</p> <p> <i>Completed interview forms from interviews conducted with workers.</i></p> <p> <i>Receipt and review of payroll.</i></p> <p> <i>Wage determinations from HUD.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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Attachment 6-2

Summary Table of Required Documentation

Topic Area	Required Documentation
Project Information	<p>The following should be maintained by HOME monitors:</p> <ul style="list-style-type: none"> • Program records (examples include the HOME Application for funding and the HOME agreements). • Project records that detail total number and location of HOME units, including fixed or floating designation as well as compliance with maximum per-unit subsidy limits, cost allocation and subsidy layering guidelines. A site plan to show the location of buildings and units. CHDO Approval Certification (if applicable) as well as change in ownership documentation. • Monitoring records related to compliance during the affordability. Monitoring reviews, audits, and correspondence. Evidence of paid real estate taxes and property insurance. Evidence of financial viability from review of bank statements demonstrating adequate reserve accounts, security deposit accounts and operating fund accounts.
Accessibility and Marketing Information	<p>In addition to physical inspections to establish compliance with accessibility requirements, monitors review:</p> <ul style="list-style-type: none"> • Current Affirmative Fair Housing Marketing Plan • Racial Data on head of household for statistical purposes only and to verify program beneficiaries • Evidence of compliance with Section 3 Policy • Tenant Selection Criteria
Tenant Income Eligibility	<p>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.</p>
Income Targeting Requirements	<p>ADFA will review occupancy records to determine percentage of units occupied by households at the targeted income limits (50% AMI, 60% AMI and 80% AMI).</p>
Rent Requirements	<p>ADFA will review actual rents charged to tenants against the HOME rent limits and the project's utility allowances to ensure compliance with HOME rent requirements. The tenant payment amount cannot exceed the HOME program rent limits minus the utility allowance for the appropriate unit size.</p>
Annual Income Recertification	<p>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</p>



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	documentation must be retained in the files.
Maintaining Income Targeting Requirements	Monitors conduct annual desk reviews of annual occupancy related reports, including updated tenant files, to determine whether the correct numbers of High and Low HOME rent units is maintained by the project. Reports are entered online by owners and managers.
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.
Property Inspections	Copies of all inspection reports should be maintained in the file. Monitors use HUD Inspection Checklist. Additionally, when relevant, any deficiencies in paint surfaces must be clearly detailed.
Notification of Defects (Lead-based Paint)	When applicable, 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 HOME rental units.



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Attachment 6-3

Summary of Key Rental Program Rules

	Key HOME Requirement	Documentation (See also the checklists)
Eligible Activities		
Eligible Activities	<ul style="list-style-type: none"> • Acquisition, new construction, rehabilitation • Reconstruction permitted if rehabilitation is not economically feasible or per unit cost of rehabilitation is \geq \$25,000. • Developer may be for-profit, nonprofit, CHDO, public 	<ul style="list-style-type: none"> • Document all expenditures. • Document work specifications and write-up. Include picture of unit.
Eligible Costs	<ul style="list-style-type: none"> • Wide variety of costs eligible • May finance initial operating deficit reserve • ADFA does not refinance or provide loan guarantees 	<ul style="list-style-type: none"> • Document all costs.
Eligible Participants		
Applicant Eligibility	<ul style="list-style-type: none"> • 100 percent of households at or below 60 percent MFI • Income determined using Section 8/Part 5 definition, verified by source documents at tenants' initial occupancy. 	<ul style="list-style-type: none"> • Completed application in the project file. • Source documentation (wage statements, interest statements) in the project file. • Completed calculation of income (done in accordance with Section 8/Part 5 income definition).
Applicant Occupancy	<ul style="list-style-type: none"> • Maintain rent and occupancy throughout affordability period 	<ul style="list-style-type: none"> • Document occupancy of units in each rental project (rental completion report).
Eligible Properties		
Property Type	<ul style="list-style-type: none"> • Common ownership, management, and financing • Permanent and transitional 	<ul style="list-style-type: none"> • Document the type of property through inspection, picture or other documentation • If more than one building on a site or multiple sites, document that it is considered one project.
Property Location	<ul style="list-style-type: none"> • Property must be located within geographic area of the Recipient. 	<ul style="list-style-type: none"> • Application must include address in Recipient's geographic area. A map may also be included.



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	Key HOME Requirement	Documentation (See also the checklists)
HOME Minimum and Maximum Subsidy	<ul style="list-style-type: none"> • A minimum of \$1,000 in HOME funds must be invested in each assisted unit. • Maximum may not exceed the 221(d)(3) limits but is also based on the portion of total project costs that are HOME eligible. 	<ul style="list-style-type: none"> • Maintain records on expenditures in project file demonstrating that the per-unit HOME investment exceeded \$1,000. • Documentation of how costs were determined and allocated.
ADFA's Program Limits	<ul style="list-style-type: none"> • Total development costs capped at <ul style="list-style-type: none"> – \$132,000 per unit in general – \$158,400 per unit on assisted living projects • Development loans capped at <ul style="list-style-type: none"> – \$90,000 pre unit – \$900,000 for program • Minimum Limits: <ul style="list-style-type: none"> – \$1000 per unit – \$100,000 per program 	<ul style="list-style-type: none"> •
HOME Units	<ul style="list-style-type: none"> • Designated as “fixed” or “floating” before commitment • Minimum # of units based on per-unit HOME investment 	<ul style="list-style-type: none"> • Document whether units are fixed or floating and that floating units are comparable. • Document how number of units determined.
Affordability Period	<ul style="list-style-type: none"> • Varies based on HOME investment • HOME rules apply throughout affordability period, regardless of ownership. 	<ul style="list-style-type: none"> • Document project file with legal documents enforcing requirements and demonstrating requirements are met through affordability period.
Rents	<ul style="list-style-type: none"> • Low HOME Rents: 30 percent of tenant income or 30 percent of income at 50 percent MFI or the rent allowable under project-based subsidy • If ≥ 5 units, 20 percent of units must be at Low HOME Rents • High HOME Rents: based on FMR or 30 percent of income at 65 percent MFI • Assisted living projects required to break out food and services. Cannot add food and services to HOME rent. 	<ul style="list-style-type: none"> • Maintain documentation of High- and Low-Rent units. • Maintain documentation of utility allowances.



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	Key HOME Requirement	Documentation (See also the checklists)
Property Standards	<ul style="list-style-type: none"> • Acquisition: state/local codes • Both rehabilitation and new construction: universal design standards and multi-family housing minimum design standards • Rehabilitation: state/local codes, rehab standards • New construction: state/local codes, rehab standards, IECC and Energy Star Qualifications 	<ul style="list-style-type: none"> • Document local code or model code used in program files. • Maintain written rehabilitation standards in program files. • Keep inspection checklists and work write-ups in project file. • Include inspection reports or certification by inspectors in project file.



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Attachment 6-4

Summary of Key Cross-Cutting Federal Requirements and How to Document

Other Federal Requirements	Applies to Rental Housing Programs?	Special Issues/ Considerations	Regulatory Citations and References
Non-Discrimination and Equal Access Rules			
Fair Housing and Equal Opportunity	Yes.	<ul style="list-style-type: none"> Recipients must affirmatively further fair housing. Pay particular attention to signs of discrimination in leasing practices. 	<ul style="list-style-type: none"> 92.202 and 92.250 Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.) Fair Housing Act (42 U.S.C. 3601-3620) Executive Order 11063 (amended by Executive Order 12259) Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) 24 CFR 5.105(a)
Affirmative Marketing	Yes; for projects containing five or more HOME-assisted units.	Recipient must adopt ADFA procedures and requirements.	<ul style="list-style-type: none"> 92.351
Handicapped Accessibility	Yes.		<ul style="list-style-type: none"> Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8) For multi-family buildings only, 24 CFR 100.205 (implements the Fair Housing Act)
Employment and Contracting Rules			
Equal Opportunity Employment	Yes.	Contracts and subcontracts over \$10,000 should include language prohibiting discrimination.	<ul style="list-style-type: none"> Executive Order 11246 (implemented at 41 CFR Part 60)
Section 3 Economic Opportunity	Yes, if amount of assistance exceeds \$200,000 <u>OR</u> contract or subcontract exceeds \$100,000.	Include Section 3 clause in contracts and subcontracts.	<ul style="list-style-type: none"> Section 3 of the Housing and Urban Development Act of 1968 (implemented at 24 CFR Part 135)
Minority/Women Employment	Yes.	Recipient must adopt ADFA prescribed procedures and include in contracts and subcontracts.	<ul style="list-style-type: none"> Executive Orders 11625, 12432 and 12138 24 CFR 85.36(e)



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Other Federal Requirements	Applies to Rental Housing Programs?	Special Issues/ Considerations	Regulatory Citations and References
Davis-Bacon	Yes, if construction contract includes 12 or more HOME-assisted units.	Include language in all contracts and subcontracts. Requirements apply to whole project not just the HOME-assisted units.	<ul style="list-style-type: none"> • 92.354 • Davis-Bacon Act (40 U.S.C. 276a - 276a-5) • 24 CFR Part 70 (volunteers) • Copeland Anti-Kickback Act (40 U.S.C. 276c)
Conflict of Interest	Yes.	Recipients should ensure compliance.	<ul style="list-style-type: none"> • 92.356 • 24 CFR 85.36 • 24 CFR 84.42
Other Federal Requirements	Applies to Rental Housing Programs?	Special Issues/ Considerations	<ul style="list-style-type: none"> • Regulatory Citations • and References
Debarred Contractors	Yes.	Recipients should check HUD list of debarred contractors.	<ul style="list-style-type: none"> • 24 CFR Part 5
Environmental Requirements			
Environmental Reviews	Yes.	<ul style="list-style-type: none"> • Level of review depends upon the activity. • For rehabilitation and new construction (4 or fewer units); categorically excluded subject to 58.5. • New Construction (more than 5 units) subject to environmental assessment. 	<ul style="list-style-type: none"> • 92.352 • 24 CFR Part 58 • National Environmental Policy Act (NEPA) of 1969
Flood Insurance	Yes for Recipients that are cities or counties. No for state programs.	<ul style="list-style-type: none"> • Must obtain flood insurance if located in a FEMA designated 100-year flood plain. • Community must be participating in FEMA's flood insurance program. 	<ul style="list-style-type: none"> • Section 202 of the Flood Disaster Protection Act of 1973 (42 U.S.C. 4106)
Site and Neighborhood Standards	Yes; for new construction only.		<ul style="list-style-type: none"> • 24 CFR 893.6(b)



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Other Federal Requirements	Applies to Rental Housing Programs?	Special Issues/ Considerations	Regulatory Citations and References
<i>Lead-Based Paint</i>	<ul style="list-style-type: none"> • Yes for rehabilitation of pre-1978 units. • Applies to HOME and non-HOME-assisted units. • Requirements differ depending on whether rehabilitation work is performed. 	<ul style="list-style-type: none"> • Rehabilitation • Notices to owners. • Paint testing of surfaces to be disturbed. • Risk assessment, if applicable, based on level of rehabilitation assistance. • Appropriate level-hazard reduction activity (based on level of rehabilitation assistance). • Safe work practices and clearance. • Provisions included in all contracts and subcontracts. 	<ul style="list-style-type: none"> • 92.355 • Lead Based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821 et. seq.) • 24 CFR Part 35 • 982.401(j) (except paragraph 982.401(j)(1)(i))
Other Federal Requirements	Applies to Rental Housing Programs?	Special Issues/ Considerations	<ul style="list-style-type: none"> • Regulatory Citations and References
<i>Lead-Based Paint (Continued)</i>		<ul style="list-style-type: none"> • Activities not involving rehabilitation • Notices to purchasers and tenants. • Visual assessment must be performed. • Paint stabilization must be completed (if applicable). • Safe work practices and clearance. • Provisions included in all contracts and subcontracts. 	



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Other Federal Requirements	Applies to Rental Housing Programs?	Special Issues/ Considerations	Regulatory Citations and References
<i>Relocation</i>	Yes.	<ul style="list-style-type: none"> • Displacement must be minimized; existing tenants must be provided a reasonable opportunity to lease a dwelling unit in the building upon completion of the project. • Reimbursement for temporary relocation, including moving costs and increase in monthly rent/utilities, must be provided, as well as advisory services. 	<ul style="list-style-type: none"> • 92.353 • Uniform Relocation Assistance and Real Property Acquisition Policies Act of 1970 (URA) (42 U.S.C. 4201-4655) • 49 CFR Part 24 • 24 CFR Part 42 (subpart B) • Section 104(d) "Barney Frank Amendments"



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ATTACHMENT 6-5

USING THE LOW INCOME HOUSING TAX CREDIT WITH HOME FUNDS

Projects using HOME funds with LIHTC have to consider a number of items in blending the two sets of program rules. Table below provides an overview of tax credit rules and the requirements for combining the two programs.

- ◆ **Occupancy requirements.** Tax credit projects must set aside at least 20 percent of their units for tenants with incomes at or below 50 percent of the area median (20/50 set-aside) or 40 percent of their units for tenants with incomes at or below 60 percent of the area median income (40/60 set-aside). When combining HOME and tax credits, occupancy requirements depend on the type of credit taken and the type of HOME funding provided:
 - Projects must ensure that they meet both sets of program rules.
 - Of course, projects may choose to exceed these standards. Owners/ developers of tax credit projects will generally try to maximize their credits by creating higher set-asides for qualified occupants.
- ◆ **Rents.** When combining the two types of funding, two sets of rent rules apply.
 - Qualified tax credit units must not exceed tax credit rent limits, while HOME-assisted units must meet HOME rent requirements. If a unit is being counted under both programs, the stricter rent limit applies.
 - ✓ Low HOME rent units are subject to the lower of the Low HOME rent and the tax credit rent (usually the Low HOME rent.)
 - ✓ High HOME rent units are subject to the lower of the High HOME rent and the tax credit rent (usually the tax credit rent.)
 - ✓ Caution: Under the tax credit program, the tenant portion of rent plus utility allowance cannot exceed the maximum allowable rent.
 - When tenants receive additional subsidy through rental assistance programs such as Section 8, additional requirements apply.
 - ✓ Under tax credit rules, if the rental assistance program rent limit exceeds the tax credit rent, the unit rent may be raised to the higher limit as long as tenants pay no more than 30 percent of their adjusted monthly income for housing costs.
 - ✓ 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. All units that receive project based rental assistance must be occupied by households with incomes at or below 50% of the AMI.
 - ✓ In a joint tax credit/HOME-assisted unit, the stricter HOME requirements would apply.



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- ◆ **Establishing tenant eligibility.** Both the HOME and tax credit programs require project owners to certify tenants' incomes, to ensure that they are income-eligible and that the project is in compliance with initial occupancy requirements.
 - To demonstrate eligibility under both programs, property managers must have tenants certify their income, and obtain supporting documentation. This documentation must be kept in project unit files for review by the monitoring agencies.
 - Under tax credit rules, only the Section 8 definition of annual (gross) income is used, whereas HOME allows a choice of three definitions. Projects using HOME funds and tax credits must use the Section 8 definition of income.
 - Another difference between HOME and tax credit rules is that HOME requires verification of all asset income, whereas the tax credit rules require verification of asset income if the household's assets are greater than \$5,000.
 - ✓ For total assets of less than \$5,000, the tax credit program allows tenants to provide a signed statement of asset income.
 - ✓ A tenant in a unit subsidized by both sources of funds would have to comply with the stricter HOME requirements.
- ◆ **Re-examinations of tenant eligibility.** HOME allows for alternative methods of tenant recertification but ADFA may be stricter and require annual recertification. **Over-income tenants.** The HOME and tax credit programs have slightly different approaches to over-income tenants.
 - The definition of an over-income tenant differs under **the two programs**. Tax credit rules define "over-income" as having income above 140 percent of the project income limit. Under HOME, the tenants are considered over-income if their income rises above 80 percent of area median income.
 - Further, unlike under HOME, the rent remains restricted under the tax credit program. An owner may increase an over-income tenants rent, but only **after** the unit is replaced with another low-income unit in the project, thereby keeping the portion of low-income units above the minimum amount required for the owner to be eligible for the credit. To resolve this conflict, HOME rules state that when funds from both programs are used on the same unit, the tax credit rules should be followed.
- ◆ **Monitoring.** Both programs require monitoring to ensure compliance with program rules over the length of a pre-established affordability period. Different agencies may monitor a project for compliance with the specific requirements of each program.
 - ✓ Under the tax credit program, the affordability period is generally 30 years, unless ADFA establishes a longer one.
 - ✓ Projects combining HOME funds and tax credits are subject to two sets of affordability periods. These periods may be set to be equal in length, or the project may be subject to one set of requirements for a shorter time period than the other.



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- ✓ The tax credit program requires on-site inspections for no less than 20% of the tax credit units. HOME program units are also subject to on-site inspections. The frequency of the HOME on-site inspections depend on the total number of units in a project. Consequently, the HOME units within a tax-credit project may be subject to more frequent inspections.



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TABLE OF RULES FOR COMBINING HOME FUNDS AND TAX CREDITS

	Tax Credit Program Rules	Combining Tax Credits with HOME
Occupancy Requirements	At least 20 percent of assisted units must be reserved for households with incomes at or below 50 percent of area median; or 40 percent of the units must be reserved for households with incomes at or below 60 percent of area median income.	Otherwise, at least 20 percent of the units must serve households with incomes 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 program. These limits are set by bedroom size and are based on the qualifying incomes of an imputed household size. They are published by HUD.	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 and High HOME rent units are subject to High HOME rents and tax credit limits.
Establishing Tenant Eligibility	<i>Documentation</i> -- Tenants must provide acceptable documentation of income from a third party source. All sources of income are verified. <i>Definitions</i> -- The tax credit program defines income using the Section 8 definition of annual (gross) income. <i>Asset Income</i> -- Assets \$5000 or less: tenants certify asset amount and income. Use actual income. Assets above \$5000: verify amount and income. Use larger of actual income from assets or imputed asset income.	<i>Documentation</i> -- Initial tenant eligibility documentation for both programs is the same. <i>Definitions</i> -- Use the Section 8 definition of income. <i>Asset Income</i> -- Follow more stringent HOME rules and verify all asset income.
Reexaminations of Income	Reexaminations are performed annually following the same procedures as at initial certification; however, an owner may request a waiver from reexamination requirements if all units in the project are tax credit units. State housing credit agency determines the frequency.	Tax credit/HOME projects may request waivers from the tax credit allocating agency to perform reexaminations similar to HOME. For years ending August 1, 2008 and later, some LIHTC properties will not have a LIHTC requirement to re-certify tenant incomes. The change does not affect Section 8 recertification requirements. Follow HOME rules for tenant income reexaminations
Over-Income Tenants	Rent for over-income tenants remains restricted. An owner <i>may</i> increase an over-income tenants rent, but <i>only after</i> the unit is replaced with another low-income unit in the project, thereby keeping the portion of low-income units above the minimum amount required for the owner to be eligible for the credit. "Over-income" is defined as above 140 percent of the project rent limit.	HOME rules defer to tax credit rules -- rent remains restricted. (In other words, in no case can the rent exceed limits set by the tax credit program).
Monitoring	Projects are monitored annually throughout the affordability period. Affordability period: 30 years (15-year compliance period, 15-year extended use period). Statement of compliance is submitted annually with documentation of occupancy. On-site inspections are required at least every three years for at least 20% of Sec. 42 units. Use UPCS (Public Housing inspection standards).	ADFA and the Recipient will each monitor according to their program requirements.

Chapter 7: TBRA Programs



This chapter describes how to monitor ADFA's HOME tenant based rental assistance (TBRA) programs. TBRA is one of the four types of housing activities eligible under HOME. There are several TBRA programs that Subrecipients may administer including security deposit only programs, security plus utility deposit programs, or rental assistance (with or without security or utility deposits). TBRA programs, like all HOME-funded programs, must be monitored to ensure compliance with HOME and other applicable rules and requirements.

This chapter is organized into two key stages of monitoring – pre-monitoring and project (or case file) monitoring. Section 1 on pre-monitoring reviews the actions necessary to become familiar with the projects and prepare for the on-site review. Section 2 provides detailed guidance on each of the requirements to be monitored during project reviews on-site. Section 2 is organized to reflect the questions included in the HUD Monitoring checklist as well as ADFA specific questions. The full checklist is an attachment to this chapter.

Section 1. Pre-Monitoring –Notification and Preparation

Preparation is key to conducting thorough and effective program monitoring. Staff members become familiar with a Subrecipient's program and projects in advance to arriving on site to review files and documents.

Under the program design implemented by ADFA for TBRA, the Subrecipient application holds a significant amount of information relating to the Subrecipient, including tenant selection procedures, occupancy standards, and standard program lease. The monitoring and compliance staff spend time reviewing a Subrecipient application, as well as, prior annual reports, outstanding monitoring issues and related correspondence. Informal discussions with program staff regarding a Subrecipient's ongoing performance provides additional insight in preparation for the monitoring visit. The monitoring staff will identify Subrecipients by geographical areas and tentatively schedule the on-site visit. Subrecipients are notified in advance. Staff members explain the purpose of the visit and agree upon a convenient date and time. Written notification is sent a minimum of two weeks before the scheduled visit. The notification letter confirms:

- The date and time of the review;
- Program type (Tenant Based Rental Assistance);
- Scope of the monitoring visit (file monitoring at Subrecipient office location and onsite physical inspection);
- Review of a random selection of files (at least 20 percent but no less than 5 HOME tenant files); and
- Project information that must be available for the review, such as income determination and documentation, contracts with tenants, and lead- based paint related notifications.

Staff members provide a copy of his or her notification letter to the Compliance Department Manager who maintains a calendar of scheduled visits.

Prior to the site visit, staff members familiarize themselves with the Subrecipient's program by reviewing the following:



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- **Monitoring records** including the monitoring spreadsheet used to identify the anticipated number of tenant participants. Previous monitoring reports and correspondences are also checked for possible problem areas.
- **Project files** maintained by the ADFA HOME Program Managers, including the ADFA HOME agreement with the Subrecipient, recent status and financial report. Any issues identified in the project files are noted.

Also, staff members assemble a packet of checklists, forms, and travel directions for each site to be visited.



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Section 2. Project (Case File) Monitoring (Reference: HUD Checklist 7-9)

In order to determine whether a TBRA program is in compliance with the HOME Program, a monitor must review a sufficient number of individual project files (sometimes referred to as case files). For TBRA programs, this means the files for each tenant/housing unit assisted with HOME Program funds.

This section of the chapter reviews key compliance areas including: participant eligibility, subsidy administration, unit compliance, and lease provisions. It follows HUD's Checklist, Guide for Review of Tenant Based Rental Assistance (TBRA) Projects (Exhibit 7-9). Segments of the checklist (i.e., key questions) are provided within each relevant area. A complete copy of the checklist may be found at the end of this chapter.

A. Marketing and Fair Housing

Monitoring staff review at least 20 percent but no less than 5 HOME tenant files and units for all HOME-assisted projects for the following checklist questions.

Checklist Questions & Key Documents		
<p>1. Are there written informational materials about the program available for potential applicants or unit owners? If "yes" obtain copies.</p> <p> <i>Marketing procedures/plan.</i></p> <p> <i>Marketing advertisements and flyers.</i></p> <p> <i>Evidence of fair housing logo on marketing materials.</i></p> <p> <i>Application form/package.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Monitors review the Subrecipient's marketing procedures/plan, copies of advertisements or flyers and other materials used in marketing the TBRA program. Policies must prohibit conflict of interest or bias in the selection process including discrimination or favoritism towards friends or relatives.

Marketing procedures/plans should also ensure that the program is marketed to the full range of potential applicants, including those least likely to apply. These procedures should address the following:

- Literature that is understandable to applicants, including key information available in other languages; and
- A schedule and advertising plan to ensure that outreach efforts reach potential applicants and reflect a wide marketing effort.

Additionally, as part of the Fair Housing element of monitoring marketing -related documents, ADFA staff members review the following:





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- Subrecipient's methods for informing the public or potential tenants about fair housing laws. Monitors look for the posting of the Equal Housing Opportunity symbol or language on all advertising;;
- 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;
- 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;
- 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 Subrecipients of government assistance for housing.
- Affirmative Fair Housing Marketing Plan (HUD form 935.2).
- Waiting lists and sign-in sheets. Tenant selection criteria identify how applicants are being accepted (first-come, first-served, lottery, etc.) and how applicants will be selected off the waiting list, including when it is acceptable to skip down the list for the next appropriate applicant. This is very important when preferences have been established for participation, which is fairly common in TBRA programs. Monitors review how applicants are selected, and if preferences are a part of the program, monitors confirm that the rules for tenant selection are followed by reviewing waiting lists.

Monitors verify that there is a system in place for written notification to ineligible applicants or those who could not be served due to lack of funds. Monitors review several files of denied applicants to confirm that procedures for determining eligibility were followed correctly.











B. Participant Eligibility[§92.203]

Income Eligibility [§92.203]

Checklist Questions & Key Documents		
2. Was the household's projected annual income calculated in accordance with the <i>Technical Guide for Determining Income and Allowances for the HOME Program?</i> [24 CFR 92.203(b)]  <i>Income calculation worksheet or form with source documentation.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
3. Was the Section 8/Part 5 definition of income used (e.g., the definition selected for the TBRA program)?  <i>Procedures detailing the definition of income for the activity.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p> <i>Documentation in the file that the definition was applied to each applicant household.</i></p>		
<p>4. Was household income supported with source documentation? [24 CFR 92.203(a)(2)]</p> <p> <i>Source documentation of income for all household members—pay stubs, bank statements& and documents from third parties (e.g., Social Security Administration, employer).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>5. Are signed authorizations for release of income, employment and asset information documented in tenant files?</p> <p> <i>Review of authorization paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>6. Are third party employment and income verifications completed, signed and dated by all parties?</p> <p> <i>Review of employment and income verification related paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>7. When applicable, are Zero Income statements executed?</p> <p> <i>Review of income statement paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>8. Are assets verified?</p> <p> <i>Review of asset verification paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>9. Is the Subrecipient using current HOME limits? [24 CFR 92.209(c)(1)]</p> <p> <i>Evidence that the applicable annual HUD income limits used to determine household eligibility by review of income documentation in case files.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>10. Is the Subrecipient projecting anticipated household income for a 12-month period? [24 CFR 92.203(d)]</p> <p> <i>Review of case/project files to determine if calculations are completed properly (calculations forms/worksheets).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>11. Was the household's annual income not more than 60 percent of the area median income? [24 CFR 92.209(c)(1)]</p> <p> <i>Copy of HUD's income limits associated with income verification date (on income calculation worksheet).</i></p> <p> <i>Documentation of comparison of the household's income to the HUD income limit for the applicable household size.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>12. Is the household's income re-determined annually? [24 CFR 92.209(c)]</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<i>Income calculation worksheet/form and verification date (on income calculation worksheet).</i>		
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Monitors confirm that all tenants under HOME-funded TBRA programs qualify at or below 60 percent AMI per ADFA targeting requirements, which is more restrictive than the HOME final rule. To do this, monitor reviews the following areas:

- Documentation. Verification of income/employment (e.g., verification of employment or wage statements, copies or source letters from providers of other income such as Social Security, Disability, etc.) must be obtained and reviewed to determine annual (gross) income. Income must be documented by source documents or through third party verification.
 - Eligibility is based on anticipated income during the next 12 months.
 - A completed application and documentation showing the calculation must also be in the files. Household size should be determined based upon information received from both a written application and a personal interview (if applicable). There should be documentation in the file showing the household size was compared to the HUD income limits (at the time of eligibility review) and that it was at or below the published limits to be eligible.
 - Monitors will check documentation to determine if the household's income exceeded the limit.
- Timing. Income determinations must be completed on an annual basis for TBRA assistance before HOME assistance is provided. Also, income determinations must be done at least six months prior to the provision of HOME assistance; however, this timing is seldom an issue with TBRA when assistance is generally provided within a short timeframe. Monitors review project files to ensure that income determinations were conducted on an annual basis. Monitors also verify that income determinations were conducted within the six-month timeframe.

Income Limits
 HUD Income Limits are revised annually and are available from the HUD Field Office or on the HUD website at:
<http://www.hud.gov/offices/cpd/affordablehousing/programs/home/limits/income/index.cfm>.

Participant Selection [§92.209(c)]

Checklist Questions & Key Documents		
13. Was the participant selected in accordance with the preferences adopted by the Recipient? [24 CFR 92.209(c)] <i>Program procedures indicating preferences and how applied.</i> <i>Waiting list and/or applicant selection information.</i> <i>Tenant selection worksheet/form and/or referral form.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
14. If the Subrecipient has a residency requirement for TBRA applicants, did the participant meet the requirement at the	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>time of application?</p> <ul style="list-style-type: none"> <i>Procedures detailing the residency requirement.</i> <i>File documentation of residency (if applicable), such as driver's license, utility bills, etc.</i> 		
<p>15. Does the file indicate whether or not the participant is on the Section 8 waiting list (so that the Subrecipient may ensure the household maintains its place on that list)? [24 CFR 92.209(1)]</p> <ul style="list-style-type: none"> <i>Indication of whether tenant on waiting list (form or checklist).</i> <i>Section 8 waiting list at time of tenant selection and at monitoring.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>16. Does the Subrecipient's TBRA program meet an unmet need identified in its Consolidated Plan, based upon the description of the program in the annual Action Plan or other written materials? [24 CFR 92.209(b)]</p> <ul style="list-style-type: none"> <i>Consolidated Plan and/or Action Plan.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>17. Has the Subrecipient submitted a signed TBRA certification with its Consolidated Plan? [24 CFR 91.255(d)(1), 24 CFR 91.325(d)(1), & 24 CFR 91.425(a)(2)(i)]</p> <ul style="list-style-type: none"> <i>TBRA certification form.</i> 	<input type="checkbox"/> Yes	<input type="checkbox"/> No

If preferences are used within a TBRA program, monitors will ensure that tenant selection files demonstrate that applicants are admitted to the program based upon the preferences within the program. If a waiting list is maintained, monitors should be able to determine, based upon a comparison of the waiting list and applicant files, that those who met preference criteria were chosen for assistance. Within individual case files, the monitor may also find a tenant selection worksheet and/or referral form from a service provider that demonstrated that the applicant was selected based upon preferences.

In particular, if the Subrecipient is providing TBRA exclusively to applicants with a particular type of special need population, this must be identified in the Subrecipient's Consolidated Plan as an unmet need. Monitors confirm that the Consolidated Plan states that TBRA is an unmet need within the Subrecipient's jurisdiction and if applicable, specific preferences toward those with special needs. Monitors also verify that a signed TBRA certification was in place for the Consolidated Plan year associated with the monitored TBRA program.

Otherwise, ADFA does not allow for the Portability of assistance outside the Subrecipient's jurisdiction except when tenant relocating to accept employment or accept training opportunity that leads to employment. Subrecipients are expected to document exceptions, inspections and re-certification of income.

Also, Subrecipients have two options: use the Section 8 waiting list or establish their own waiting list for their TBRA program. ADFA expects that Subrecipients will use their Section 8







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waiting list. If so, applicants should not lose their place on the waiting list when they receive TBRA rental assistance. Monitors verify that applicants maintained their Section 8 waiting list position, if applicable.

C. Subsidy Administration [§92.209]

Type of Assistance [§92.209]

Checklist Questions & Key Documents		
18. Are all costs paid in connection with the tenant eligible (rental assistance, security deposit, and utility deposits if provided in conjunction with rental or security deposit assistance)? [24 CFR 92.209(a) and 24 CFR 85.20(b)(5)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p> <i>Program procedures.</i></p> <p> <i>Subsidy calculation worksheet.</i></p>		
19. If security deposit assistance was provided, was the amount less than 2 months rent? [24 CFR 92.209(j)(2)]	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p> <i>Security deposit worksheet.</i></p> <p> <i>Copy of security deposit check.</i></p>		

While there are generally two different types of TBRA rental assistance programs, ADFa uses the Section 8 Voucher model for computing the rental subsidy for program participants.

- **Section 8 Voucher Program model.** Under a TBRA program modeled after the Section 8 Voucher Program, the Subrecipient calculates the difference between 30 percent of the tenant's monthly adjusted income and the payment standard for that size unit. This gap is the amount of the monthly TBRA assistance. The tenant is free to select an actual unit that costs more or less than the Subrecipient's payment standard.

Monitors confirm that the Subrecipient staff members are correctly computing the rent subsidy according to the Section 8 Voucher program model.

Security deposit assistance may be provided for up to two months worth of rent. Monitors verify that assistance was provided for no more than a two-month period and the amount was reasonable and customary for the market.

Utility deposit assistance may be used only in conjunction with rental assistance and/or security deposit assistance. Appropriate utility deposits must be for costs permitted under the Section 8 program, including electric, gas, water, and garbage removal, but not for telephone and cable television services. Monitors confirm that the assistance was reasonable for utilities.



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Rental Assistance Calculation [§92.209(e), (f), and (h)]

Checklist Questions & Key Documents		
<p>20. Has the Subrecipient established a rent standard? [24 CFR 92.209(h)(3)]</p> <p> <i>Program policies/procedures.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>21. Is the method of determining the rent standard documented?</p> <p> <i>Program procedures and/or calculation of payment standard documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>22. Does the rent standard fall between 80 percent of the FMR and 100 percent FMR? [24 CFR 92.209(h)(3)(ii)]</p> <p> <i>Program policies/procedures (rent standard) compared to HUD Fair Market Rent (FMR) or exception rent.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>23. Is the rent charged for the unit reasonable? [24 CFR 92.209(f)]</p> <p> <i>Documentation that actual rent compared to payment standard (worksheet or form or similar document).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>24. Does the Subrecipient disapprove leases (initial and renewal) for units that are not rent reasonable?</p> <p> <i>Program procedures, particularly rent reasonable requirements.</i></p> <p> <i>Review of case/project files for rent reasonableness documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>25. Is the monthly TBRA subsidy no more than the difference between the Subrecipient's rent standard for the unit size and 30 percent of the household's adjusted (gross) income? [24 CFR 92.209(h)(1)]</p> <p> <i>Subsidy calculation worksheet compared to Subrecipient's rent standard.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>26. Does the tenant pay a contribution toward rent at least equal to ADFA's established minimum rent contribution? [24 CFR 92.209(h)(2)]</p> <p> <i>Subsidy calculation worksheet compared to Subrecipient's minimum rent contribution.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>27. Was the total tenant payment calculation based upon</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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adjusted (gross) income? [24 CFR 92.209(e) and (h)] <i>Income calculation form/worksheet.</i> <i>Subsidy calculation worksheet.</i>		
28. Was the participant's adjusted (gross) income calculated using the exclusions established in 24 CFR 5.611 and explained in the <i>Technical Guide for Determining Income and Allowances for the HOME Program</i> ? [24 CFR 92.203(c)] <i>Income calculation form/worksheet and source documentation.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

To determine the amount of TBRA rental assistance, the Subrecipient has to have policies and procedures that cover the following:

- **Adjusted income.** To determine what the tenant will pay toward rent and utilities, adjusted income must be calculated using the Part 5 requirements. Adjustments are taken for type of household (e.g., elderly, disabled) and allowances are provided for child care, medical expenses, etc. Monitors verify that adjusted income was calculated appropriately.
- **Total tenant payment.** The total tenant payment will be 30 per cent of the household's adjusted monthly gross income, not to fall below \$50. Monitors should verify that the total tenant payment was calculated appropriately.
- **Minimum tenant contribution and maximum rent subsidy.** ADFA has set the tenant's minimum contribution toward rent at 30% of household adjusted monthly income, not to fall below \$50. In the voucher model, the maximum rent subsidy is the difference between 30 percent of the tenant's monthly adjusted gross income and the payment standard. Monitors confirm that the program procedures for minimum tenant contribution and maximum rent subsidy were followed within the case files reviewed.
- **Payment standard.** ADFA expects that Subrecipients will adopt the Section 8 FMRs for their TBRA activities. The payment standard can be based upon 80-100 percent of the Fair Market Rent (FMR). Monitors verify that the payment standard was used appropriately based upon the program model.

Monitors confirm that all calculations meet program procedures.

It is important that rents are reasonable. In the voucher model, the payment standard is used to determine the Subrecipient's rental assistance contribution. Monitors verify that rents are compared to the payment standard to determine rent reasonableness.

Subsidy Contracts [§92.209(e) and (k); §92.504(b)]

Checklist Questions & Key Documents		
29. Is the TBRA contract between the Subrecipient and the participant for a period of no more than 1 year (there may be a renewal clause)?	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<i>TBRA contract between Subrecipient and household.</i>		
30. Has the Subrecipient entered into a written agreement with the landlord enumerating his or her responsibilities with respect to the HOME TBRA? [24 CFR 92.209(k) and 24 CFR 92.504(b)] <i>Written agreement between Subrecipient and landlord.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
31. Has the Subrecipient made timely rental assistance payments to the landlord or tenant? <i>Financial records indicating payments to landlord compared to written agreement between Subrecipient and landlord.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
32. Have all contracts/leases been completed, signed, and dated by all appropriate parties? <i>Copies of executed contracts and leases.</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The Subrecipient has two options to provide rental assistance within its TBRA program. Either the rental assistance can be provided to the tenant or directly to the landlord. If provided to the tenant, assistance cannot exceed 12 months. If paid directly to the landlord, the assistance must match the length of time of the lease.

Monitors should verify that the program procedures for the TBRA rental assistance contract were followed, as applicable to the Subrecipient type. If contract provided directly to the tenant, the monitor should verify the assistance was no longer than 1 year. If contract provided to the landlord, the monitor should verify that the assistance was for the period of the lease.

Program Administration Funds











Checklist Questions & Key Documents		
33. Are administration funds requested appropriate and within the ADFA guidelines? <i>TBRA Administration Fees Request</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

With regard to administration funds, Subrecipients can request administration funds not to exceed \$120 for processing each tenant application and \$20 per tenant per month for on-going administration expenses. Subrecipients have to support their TBRA Administrative Fees Requests with TBRA Set-Up and Environmental Certification forms on a monthly basis. Monitors review and confirm that the requested amounts are appropriate.





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D. Unit Compliance [§92.209(i)]

Checklist Questions & Key Documents		
<p>34. Is the property standard in place at least HQS or a higher local standard? [24 CFR 92.251]</p> <p> <i>Procedures identifying the state or local code or HQS used for activity.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>35. Are units inspected and approved prior to household occupancy?</p> <p> <i>Unit inspection procedures, inspection form and approval documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>36. Is there evidence in the file of an initial Section 8 Housing Quality Standards (HQS) inspection at the time the original lease was signed? [24 CFR 92.209(i) and 24 CFR 982.401]</p> <p> <i>HQS inspection form compared to lease date.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>37. Did the unit meet the HQS requirements (including applicable lead hazard reduction requirements) before the tenant moved in? [24 CFR 92.209(i)]</p> <p> <i>HQS inspection form compared to lease date.</i></p> <p> <i>Evidence of visual inspection for lead based paint hazards.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>38. Is there a signed statement by tenant acknowledging receipt of the “Protect Your Family from Lead in Your Home” brochure, the LBP Disclosure Form and, if applicable, the LBP Hazard Evaluation Form?</p> <p> <i>Signed statements related to LBP.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>39. Are periodic Section 8 HQS inspections being carried out at least annually? [24 CFR 92.209(i)]</p> <p> <i>Annual HQS inspection forms.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>40. If a tenant complaint indicated that local codes and HQS were not being met, did the Subrecipient investigate and ensure that the problems were corrected timely?</p> <p> <i>Tenant complaint information.</i></p> <p> <i>HQS inspection form(s).</i></p> <p> <i>Correspondence with property owner regarding any violations and corrective actions.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>41. Is the unit in compliance with the jurisdiction’s occupancy standards with respect to household and unit size?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<ul style="list-style-type: none">  <i>Subrecipient occupancy standards.</i>  <i>HQS inspection form indicating unit size compared to household size information (in application or other documentation).</i> 		
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For TBRA activities (including security deposits and rental assistance), monitors confirm that the Subrecipient is meeting housing quality standards (HQS). The Subrecipient may opt to use a higher state/local code for occupancy than HQS; however, the property standard used should be clearly stated in policies and procedures.

To ensure compliance with property standard requirements, local monitors must verify that:

- The Subrecipient conducted and documented an initial inspection that demonstrated the TBRA unit meets HQS or a higher local code prior to the household occupying the unit.
- If a unit does not pass the inspection, the Subrecipient should have procedures in place documenting the next step. Two options exist—the items that did not pass inspection could be fixed and then re-inspected **or** the TBRA client could be instructed to choose another unit for occupancy.

For all TBRA case files that involve pre-1978 units and there is a child age six or under, the file must include documentation to demonstrate compliance with lead hazard reduction requirements, which are:

- Households must be provided with HUD/EPA/CPSC lead-based paint pamphlet that explains the dangers of lead-based paint hazards.
- A visual inspection for deteriorated paint must be conducted in conjunction with the property inspection and documented in the file.

Additionally, the approved unit must also meet the Subrecipient's occupancy standards to ensure units are the appropriate size for the applicant. HQS may be used and modified to take into consideration specific household composition and circumstances. Examples include:

- Permitting persons of the opposite sex, other than spouses, to have separate bedrooms;
- Permitting young children of the opposite sex to share a bedroom;
- Not requiring different generations of the same sex to share a bedroom; or
- Providing for less than two persons per living/sleeping area in the case of medical necessity.

Units must be inspected and approved prior to occupancy for compliance with local housing code and/or HQS. Monitors should find procedures related to unit inspections, inspection forms, and unit approval/non-approval documentation.








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E. Lease Provisions [§92.209(g) and 253]

Checklist Questions & Key Documents		
<p>42. Is the lease for at least one year, unless otherwise agreed upon by the owner and tenant? [24 CFR 92.209(g) and 92.253(a)]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>43. Is the lease free of the following prohibited lease provisions: <i>Agreement to be sued?</i> Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease. [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>44. Is the lease free of the following prohibited lease provisions: <i>Treatment of property?</i> 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 both parties. (This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with state law). [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>45. Is the lease free of the following prohibited lease provisions: <i>Excusing owner from responsibility?</i> Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent. [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>46. Is the lease free of the following prohibited lease provisions: <i>Waiver of notice?</i> Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant. [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>47. Is the lease free of the following prohibited lease provisions: <i>Waiver of legal proceedings?</i> 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 a court decision on the rights of the parties. [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>48. Is the lease free of the following prohibited lease provisions: <i>Waiver of jury trial?</i> Agreement by the tenant to waive any right to a trial by jury. [24 CFR 92.253]</p> <p> <i>Lease.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>49. Is the lease free of the following prohibited lease provisions: <i>Waiver of right to appeal court decision?</i> Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease. [24 CFR 92.253]</p> <p> <i>Lease.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>50. Is the lease free of the following prohibited lease provisions: <i>Tenant chargeable with cost of legal actions regardless of outcome?</i> Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses. [24 CFR 92.253]</p> <p> <i>Lease.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>51. Did the lease and the TBRA written agreement begin and, if applicable, end on the same date? [24 CFR 92.209(e)]</p> <p> <i>Lease compared with TBRA written agreement between the Subrecipient and landlord.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>52. Did the Subrecipient review and approve the lease? [24 CFR 92.209(k)]</p> <p> <i>Documentation of review and approval of lease such as a lease review checklist.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No

The project/case files should contain a copy of the lease used by each owner for each unit assisted with a TBRA Subrecipient. The HOME Program allows owners to use their own leases, but specifies particular types of language that may not be included, such as language that waives tenant's legal rights in advance. (The monitoring checklist lists each of the prohibited provisions.)




While examining tenant leases, the monitor must check the following:

- That the length of the lease is at least one year (unless otherwise agreed upon by the tenant and owner);
- It provides the agreed upon contract rent; and
- It does not contain any of the prohibited provisions outlined in the regulations.



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F. Termination/Non-Renewal Standards

Checklist Questions & Key Documents		
53. When applicable, does the file documentation detail termination information, with date and reason  <i>Tenant's termination notice</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
54. When applicable, is the termination consistent with the Subrecipient's Termination Policies  <i>Tenant's termination notice</i>  <i>Subrecipient's termination policy</i>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
55. When applicable, does the file contain documentation that assistance has been stopped upon termination?	<input type="checkbox"/> Yes	<input type="checkbox"/> No

Subrecipients must establish standards for when a landlord may elect to terminate or refuse to renew the lease of a TBRA household. These standards must be in writing. They must also be included within the lease and/or in the contract between the Subrecipient and the tenant.

Subrecipients must terminate the tenant's assistance if the owner evicts the tenant for cause.



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Section 3. Resources

The following tools are provided as additional resources to assist the monitor in reviewing Recipients for compliance for the TBRA program:

- ADFA Checklist for TBRA (Attachment 7-1).
- Summary Table of Required Documentation (7-2).
- Summary Lead-Based Paint Requirements and how to Document (Attachment 7-3).
- Summary of Key TBRA Rules (Attachment 7-4).
- Summary of Key Other Federal Requirements for TBRA Projects (Attachment 7-4)



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Attachment 7-1
ADFA Checklist for TBRA

Checklist Questions & Key Documents		
<p>1. Are there written informational materials about the program available for potential applicants or unit owners? If “yes” obtain copies.</p> <p> <i>Marketing procedures/plan.</i></p> <p> <i>Marketing advertisements and flyers.</i></p> <p> <i>Evidence of fair housing logo on marketing materials.</i></p> <p> <i>Application form/package.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>2. Was the household’s projected annual income calculated in accordance with the <i>Technical Guide for Determining Income and Allowances for the HOME Program?</i> [24 CFR 92.203(b)]</p> <p> <i>Income calculation worksheet or form with source documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>3. Was the Section 8/Part 5 definition of income used (e.g., the definition selected for the TBRA program)?</p> <p> <i>Procedures detailing the definition of income for the activity.</i></p> <p> <i>Documentation in the file that the definition was applied to each applicant household.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>4. Was household income supported with source documentation? [24 CFR 92.203(a)(2)]</p> <p> <i>Source documentation of income for all household members—pay stubs, bank statements& and documents from third parties (e.g., Social Security Administration, employer).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>5. Are signed authorizations for release of income, employment and asset information documented in tenant files?</p> <p> <i>Review of authorization paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>6. Are third party employment and income verifications completed, signed and dated by all parties?</p> <p> <i>Review of employment and income verification related paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>7. When applicable, are Zero Income statements executed?</p> <p> <i>Review of income statement paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>8. Are assets verified?</p> <p> <i>Review of asset verification paperwork.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>9. Is the Subrecipient using current HOME limits? [24 CFR 92.209(c)(1)]</p> <p> <i>Evidence that the applicable annual HUD income limits used to determine household eligibility by review of income documentation in case files.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>10. Is the Subrecipient projecting anticipated household income for a 12-month period? [24 CFR 92.203(d)]</p> <p> <i>Review of case/project files to determine if calculations are completed properly (calculations forms/worksheets).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>11. Was the household's annual income not more than 60 percent of the area median income? [24 CFR 92.209(c)(1)]</p> <p> <i>Copy of HUD's income limits associated with income verification date (on income calculation worksheet).</i></p> <p> <i>Documentation of comparison of the household's income to the HUD income limit for the applicable household size.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>12. Is the household's income re-determined annually? [24 CFR 92.209(c)]</p> <p> <i>Income calculation worksheet/form and verification date (on income calculation worksheet).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>13. Was the participant selected in accordance with the preferences adopted by the Recipient? [24 CFR 92.209(c)]</p> <p> <i>Program procedures indicating preferences and how applied.</i></p> <p> <i>Waiting list and/or applicant selection information.</i></p> <p> <i>Tenant selection worksheet/form and/or referral form.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>14. If the Subrecipient has a residency requirement for TBRA applicants, did the participant meet the requirement at the time of application?</p> <p> <i>Procedures detailing the residency requirement.</i></p> <p> <i>File documentation of residency (if applicable), such as driver's license, utility bills, etc.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>15. Does the file indicate whether or not the participant is on the Section 8 waiting list (so that the Subrecipient may ensure the household maintains its place on that list)? [24 CFR 92.209(1)]</p> <p> <i>Indication of whether tenant on waiting list (form or checklist).</i></p> <p> <i>Section 8 waiting list at time of tenant selection and at monitoring.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>16. Does the Subrecipient's TBRA program meet an unmet need identified in its Consolidated Plan, based upon the description of the program in the annual Action Plan or other written materials? [24 CFR 92.209(b)]</p> <p> <i>Consolidated Plan and/or Action Plan.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>17. Has the Subrecipient submitted a signed TBRA certification with its Consolidated Plan? [24 CFR 91.255(d)(1), 24 CFR 91.325(d)(1), & 24 CFR 91.425(a)(2)(i)]</p> <p> <i>TBRA certification form.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>18. Are all costs paid in connection with the tenant eligible (rental assistance, security deposit, and utility deposits if provided in conjunction with rental or security deposit assistance)? [24 CFR 92.209(a) and 24 CFR 85.20(b)(5)]</p> <p> <i>Program procedures.</i></p> <p> <i>Subsidy calculation worksheet.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>19. If security deposit assistance was provided, was the amount less than 2 months rent? [24 CFR 92.209(j)(2)]</p> <p> <i>Security deposit worksheet.</i></p> <p> <i>Copy of security deposit check.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>20. Has the Subrecipient established a rent standard? [24 CFR 92.209(h)(3)]</p> <p> <i>Program policies/procedures.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>21. Is the method of determining the rent standard documented?</p> <p> <i>Program procedures and/or calculation of payment standard documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>22. Does the rent standard fall between 80 percent of the FMR and 100 percent FMR? [24 CFR 92.209(h)(3)(ii)]</p> <p> <i>Program policies/procedures (rent standard) compared to HUD Fair Market Rent (FMR) or exception rent.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No












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<p>23. Is the rent charged for the unit reasonable? [24 CFR 92.209(f)]</p> <p> <i>Documentation that actual rent compared to payment standard (worksheet or form or similar document).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>24. Does the Subrecipient disapprove leases (initial and renewal) for units that are not rent reasonable?</p> <p> <i>Program procedures, particularly rent reasonable requirements.</i></p> <p> <i>Review of case/project files for rent reasonableness documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>25. Is the monthly TBRA subsidy no more than the difference between the Subrecipient's rent standard for the unit size and 30 percent of the household's adjusted (gross) income? [24 CFR 92.209(h)(1)]</p> <p> <i>Subsidy calculation worksheet compared to Subrecipient's rent standard.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>26. Does the tenant pay a contribution toward rent at least equal to ADFA's established minimum rent contribution? [24 CFR 92.209(h)(2)]</p> <p> <i>Subsidy calculation worksheet compared to Subrecipient's minimum rent contribution.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>27. Was the total tenant payment calculation based upon adjusted (gross) income? [24 CFR 92.209(e) and (h)]</p> <p> <i>Income calculation form/worksheet.</i></p> <p> <i>Subsidy calculation worksheet.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>28. Was the participant's adjusted (gross) income calculated using the exclusions established in 24 CFR 5.611 and explained in the <i>Technical Guide for Determining Income and Allowances for the HOME Program</i>? [24 CFR 92.203(c)]</p> <p> <i>Income calculation form/worksheet and source documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>29. Is the TBRA contract between the Subrecipient and the participant for a period of no more than 1 year (there may be a renewal clause)?</p> <p> <i>TBRA contract between Subrecipient and household.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>30. Has the Subrecipient entered into a written agreement with the landlord enumerating his or her responsibilities with respect to the HOME TBRA? [24 CFR 92.209(k) and 24 CFR 92.504(b)]</p> <p> <i>Written agreement between Subrecipient and landlord.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>31. Has the Subrecipient made timely rental assistance payments to the landlord or tenant?</p> <p> <i>Financial records indicating payments to landlord compared to written agreement between Subrecipient and landlord.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>32. Have all contracts/leases been completed, signed, and dated by all appropriate parties?</p> <p> <i>Copies of executed contracts and leases.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>33. Are administration funds requested appropriate and within the ADFA guidelines?</p> <p> <i>TBRA Administration Fees Request</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>34. Is the property standard in place at least HQS or a higher local standard? [24 CFR 92.251]</p> <p> <i>Procedures identifying the state or local code or HQS used for activity.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>35. Are units inspected and approved prior to household occupancy?</p> <p> <i>Unit inspection procedures, inspection form and approval documentation.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>36. Is there evidence in the file of an initial Section 8 Housing Quality Standards (HQS) inspection at the time the original lease was signed? [24 CFR 92.209(i) and 24 CFR 982.401]</p> <p> <i>HQS inspection form compared to lease date.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>37. Did the unit meet the HQS requirements (including applicable lead hazard reduction requirements) before the tenant moved in? [24 CFR 92.209(i)]</p> <p> <i>HQS inspection form compared to lease date.</i></p> <p> <i>Evidence of visual inspection for lead based paint hazards.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No









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<p>38. Is there a signed statement by tenant acknowledging receipt of the “Protect Your Family from Lead in Your Home” brochure, the LBP Disclosure Form and, if applicable, the LBP Hazard Evaluation Form?</p> <p> <i>Signed statements related to LBP.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>39. Are periodic Section 8 HQS inspections being carried out at least annually? [24 CFR 92.209(i)]</p> <p> <i>Annual HQS inspection forms.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>40. If a tenant complaint indicated that local codes and HQS were not being met, did the Subrecipient investigate and ensure that the problems were corrected timely?</p> <p> <i>Tenant complaint information.</i></p> <p> <i>HQS inspection form(s).</i></p> <p> <i>Correspondence with property owner regarding any violations and corrective actions.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>41. Is the unit in compliance with the jurisdiction’s occupancy standards with respect to household and unit size?</p> <p> <i>Subrecipient occupancy standards.</i></p> <p> <i>HQS inspection form indicating unit size compared to household size information (in application or other documentation).</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>42. Is the lease for at least one year, unless otherwise agreed upon by the owner and tenant? [24 CFR 92.209(g) and 92.253(a)]</p> <p> <i>Lease.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>43. Is the lease free of the following prohibited lease provisions: <i>Agreement to be sued?</i> Agreement by the tenant to be sued, to admit guilt, or to a judgment in favor of the owner in a lawsuit brought in connection with the lease. [24 CFR 92.253]</p> <p> <i>Lease.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No









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<p>44. Is the lease free of the following prohibited lease provisions: <i>Treatment of property?</i> 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 both parties. (This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with state law). [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>45. Is the lease free of the following prohibited lease provisions: <i>Excusing owner from responsibility?</i> Agreement by the tenant not to hold the owner or the owner's agents legally responsible for any action or failure to act, whether intentional or negligent. [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>46. Is the lease free of the following prohibited lease provisions: <i>Waiver of notice?</i> Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant. [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>47. Is the lease free of the following prohibited lease provisions: <i>Waiver of legal proceedings?</i> 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 a court decision on the rights of the parties. [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>48. Is the lease free of the following prohibited lease provisions: <i>Waiver of jury trial?</i> Agreement by the tenant to waive any right to a trial by jury. [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>49. Is the lease free of the following prohibited lease provisions: <i>Waiver of right to appeal court decision?</i> Agreement by the tenant to waive the tenant's right to appeal, or to otherwise challenge in court, a court decision in connection with the lease. [24 CFR 92.253]</p> <p> Lease.</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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<p>50. Is the lease free of the following prohibited lease provisions: <i>Tenant chargeable with cost of legal actions regardless of outcome?</i> Agreement by the tenant to pay attorney's fees or other legal costs even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses. [24 CFR 92.253]</p> <p> <i>Lease.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>51. Did the lease and the TBRA written agreement begin and, if applicable, end on the same date? [24 CFR 92.209(e)]</p> <p> <i>Lease compared with TBRA written agreement between the Subrecipient and landlord.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>52. Did the Subrecipient review and approve the lease? [24 CFR 92.209(k)]</p> <p> <i>Documentation of review and approval of lease such as a lease review checklist.</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>53. When applicable, does the file documentation detail termination information, with date and reason</p> <p> <i>Tenant's termination notice</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>54. When applicable, is the termination consistent with the Subrecipient's Termination Policies</p> <p> <i>Tenant's termination notice</i></p> <p> <i>Subrecipient's termination policy</i></p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<p>55. When applicable, does the file contain documentation that assistance has been stopped upon termination?</p>	<input type="checkbox"/> Yes	<input type="checkbox"/> No



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Attachment 7-2 Summary Table of Required Documentation

Topic Area	Required Documentation
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 Subrecipients.
Request for Unit Approval	A copy of all Requests for Unit Approval, including those that were rejected, should be maintained.
Subrecipient/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.



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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.



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Attachment 7-3 Summary of Lead-Based Paint Requirements and How to Document

Requirements	TBRA (24 CFR Part 35, Subpart M)
Approach to Lead Hazard Evaluation and Reduction	Identify and stabilize deteriorated paint
Notification	Notice of Lead Hazard Reduction and Lead Disclosure form should be in the tenant file.
Lead Hazard Evaluation Visual assessment for deteriorated paint is required.	The unit inspection form should show that the unit was inspected for deteriorated paint.
Lead Hazard Reduction Deteriorated paint must be stabilized, using lead safe work practices. Clearance is required to demonstrate that the unit is safe after work is complete.	If the inspection shows deteriorated paint, the project file should include documentation that the paint was stabilized, using lead safe work practices and that the work area passed clearance.
Ongoing Maintenance	Project files should show that the unit is inspected annual for deteriorated paint and that deteriorated paint is properly stabilized.
EIBLL Requirements	If a child with an EIBLL is identified in the unit, project files must show compliance with 24 CFR Part 35.1225.



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**Attachment 7-4
Summary of Key TBRA Rules**

	Key Home Requirement	Documentation
Eligible Participants		
Tenant Income	<ul style="list-style-type: none"> Gross income \leq60 percent of median income based on the upcoming 12 months. Income is defined by Section 8 annual income 	<ul style="list-style-type: none"> Completed application in project file. Source documentation (wage statements, interest statements) in project file.
Subsidy Administration		
Eligible Activities	<ul style="list-style-type: none"> Rental assistance Security deposits Utility deposits, if in conjunction with rental assistance or security deposits 	<ul style="list-style-type: none"> Document all costs and calculations associated with the type of eligible activity.
Property Location	<ul style="list-style-type: none"> Property must be located within geographic area of the Subrecipient. 	<ul style="list-style-type: none"> Application should show address.
HOME Minimum and Maximum Rent Payments	<ul style="list-style-type: none"> Minimum tenant rent payment 	<ul style="list-style-type: none"> Minimum tenant rent must be equal to or greater than ADFA established minimum.
Unit Compliance		
Property Standards	<ul style="list-style-type: none"> Property must meet either local codes/standards or Section 8 Housing Quality Standards (HQS). 	<ul style="list-style-type: none"> Document local code or model code used in program files. Inspection report is documented in the files.



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Attachment 7-5
Summary of Key Other Federal Requirements for TBRA Projects

Other Federal Requirements	Applies to TBRA Programs?	Special Issues/ Considerations	Regulatory Citations and References
Non-Discrimination and Equal Access Rules			
Fair Housing and Equal Opportunity	Yes.	<ul style="list-style-type: none"> • Subrecipients must affirmatively further fair housing. • Pay particular attention to signs of discrimination in leasing practices. 	<ul style="list-style-type: none"> • 92.202 and 92.250 • Title VI of Civil Rights Act of 1964 (42 U.S.C. 2000d et. seq.) • Fair Housing Act (42 U.S.C. 3601-3620) • Executive Order 11063 (amended by Executive Order 12259) • Age Discrimination Act of 1975, as amended (42 U.S.C. 6101) • 24 CFR 5.105(a)
Handicapped Accessibility	Yes.		<ul style="list-style-type: none"> • Section 504 of the Rehabilitation Act of 1973 (implemented at 24 CFR Part 8)
Conflict of Interest	Yes.	Subrecipients should ensure compliance both in-house.	<ul style="list-style-type: none"> • 92.356 • 24 CFR 85.36 • 24 CFR 84.42
Environmental Requirements			
Environmental Reviews	Yes.	Exempt activity. Document as such and proceed.	<ul style="list-style-type: none"> • 92.352 • 24 CFR Part 58 • National Environmental Policy Act (NEPA) of 1969
Lead-Based Paint	Yes, pre-1978 units with at least one child age 6 and under.	<ul style="list-style-type: none"> • Notices to tenants • Visual assessment for lead based paint hazards. • Paint stabilization, if applicable or test deteriorated paint (optional). • Safe work practices and clearance. 	<ul style="list-style-type: none"> • 92.355 • Lead Based Paint Poisoning Prevention Act of 1971 (42 U.S.C. 4821 et. seq.) • 24 CFR Part 35 • 982.401(j) (except paragraph 982.401(j)(1)(i))

Chapter 8: Monitoring Follow Up



Chapter 1 of this manual discussed how to plan and carry out monitoring in broad terms. The other chapters provided detailed guidance on how to monitor the various program and projects that may be undertaken under ADFA's HOME program. This chapter details how ADFA Compliance staff will analyze the outcomes of the monitoring process and use the results in funding decisions.

Section 1. Conveying Monitoring Results

Once monitoring is complete, ADFA Compliance staff will analyze the results of the monitoring and determine the overall performance and compliance of the Recipient, program or project.

The following terminology is commonly used to categorize the results of monitoring reviews:

- **Findings** are areas of regulatory noncompliance that must be addressed. (For example, if a subsidy limit was exceeded.) Findings always require corrective actions.
- **Concerns** are issues that are not instances of regulatory noncompliance but may result in noncompliance if they are not addressed. (For example, a Recipient doesn't have procedures to direct its down payment assistance program. Thus, the program's files are in disarray and the monitor is unsure of the steps to undertake.) ADFA requires all concerns to be addressed.
- **Observations** are comments about areas where the Recipient can improve program performance. (For example, a monitor might observe high staff turnover, which is not a violation in terms of compliance, but it has the potential to affect program performance.)

A. Monitoring Report and Letter

ADFA Compliance staff must share the results of all on-site reviews in both an internal monitoring report as well as a monitoring letter sent to the Recipient

Monitoring Report

ADFA Compliance staff members must prepare a monitoring report for internal/ADFA use. This written review will include copies of all applicable completed checklists and other necessary documentation to support conclusions. This report is recorded online and staff must notify the Compliance Manager when the report is complete. The report must be completed within 30 calendar days of the on-site visit. The Compliance Manager may review and finalize the report if a monitoring visit uncovered an unusual number of noncompliance items or if the Recipient fails to respond to previous correspondence from ADFA staff.

Monitoring Letter

Compliance staff must also draft a monitoring letter to the Recipient providing results of the monitoring visit using the appropriate ADFA template. The letter lists areas for improvement. Effective monitoring letters are written in a clear manner and contain certain common elements. Each monitoring letter will:

- Provide Recipient or project name and address.
- Include names of ADFA staff and Recipient staff who participated in the on-site visit.
- Explain what program or project elements the monitor examined (e.g., by program year, HOME regulations, or other federal requirements).



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- Describe all conclusions about areas of good performance, noncompliance, or poor performance.
- Include the reasons underlying all conclusions, particularly for concerns and findings. The regulatory or statutory basis for any findings must be cited. A well written finding can help the Recipient learn how to bring the project into compliance.
- Present observations, concerns and findings in a constructive tone and format. Deficiencies should be placed in the context of the Recipient's overall performance, recognizing areas of improvement and good performance.
- For all conclusions, specify if a concern or finding requires the Recipient to take corrective actions such as making modifications to a specific unit or creating policies and procedures to ensure compliance for future projects.
- Establish deadlines for response or completion of corrective action. An appropriate time frame is 30 to 90 days depending on the scope of the problem. Some findings, particularly safety hazards (such as an inoperative smoke alarm or nonworking toilets) must be corrected immediately. The report should clearly state the consequences if findings are not corrected. The description of required corrective actions should identify specific steps that the Recipient must take to correct identified deficiencies. Opportunities and resources for technical assistance should be provided when appropriate.
- Identify the documentation required to demonstrate that corrective actions have been completed. This might include photos of completed work, inspection forms signed by the inspector indicating work items have been completed, or signatures of a property owner verifying the receipt of additional services. The monitoring letter may also state that corrective actions will be reviewed during future monitoring visits.

The monitoring report letter will be sent to the Recipient with a copy sent to the Compliance Manager. The monitoring letter must be issued by the monitor within 30 calendar days of completing the on-site review.

B. Conveying Good Performance

Obviously with good performance, there is little, if any, immediate action that needs to be taken. ADFA has systems in place to ensure that good performance and consistent compliance are recognized and can be shared with other organizations or projects.

When Recipients exhibit good performance, ADFA gives positive feedback during the exit conference. Many Recipients are mission driven organizations, so it is important to recognize their good work.

Any comments on good performance are also included in the monitoring letter sent after a monitoring visit. Specific references to what the Recipient is doing well should be mentioned. The following are examples of typical areas of good performance that can be noted in monitoring letters:

- Customer service skills of staff are excellent;
- Marketing is broad in breadth and scope;



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- Application and outreach materials are clearly written and available in multiple languages; and
- Clients served appear to match program targeting.

Recognition of good performance may be shared with political bodies, ADFA HOME program staff, and other Recipients. This could be achieved through letters, certificates of recognition, award ceremonies, newsletters, email listservs and training sessions.

Finally, ADFA will look for ways to improve its own performance, as well as the performance of Recipients. ADFA may consider the following efforts:

- Share best practices: Share good administrative practices or project management that could be shared with other Recipients so they can replicate them.
- Recognize with awards. By incorporating awards of recognition, Recipients can demonstrate their own best practices through information dissemination done in conjunction with the award.
- Develop and implement effective training and technical assistance: Perform routine training and/or technical assistance engagements to help build skills in the organizations. For example, income eligibility training might need to be offered to Recipients on a monthly or quarterly basis.
- Spotlight the Recipient: Feature the program or project through press coverage in newspaper articles or newsletters. For example, an ADFA newsletter could include a section about strong performers.
- Provide additional funding to good performers: Additional resources for good performers can help them increase capacity and improve professional development opportunities. This, in turn, should increase retention rates of Recipient staff and build their skills.
- Support the Recipient's mission: Introduce the organization to another financial partner or help the organization to write a grant application for additional funds.

ADFA currently uses good monitoring results (including past performance, timeliness, and compliance) in making future funding decisions. See section below on funding decisions.

C. Handling Noncompliance and Poor Performance

Sometimes, monitoring findings reveal that Recipients are not meeting HOME and/or ADFA requirements. When this occurs, intervention to ensure corrective actions occur may be necessary. Intervention ranges widely from administering technical assistance to terminating a Recipient's status for the current year. Generally, the least severe form of intervention is used first with more severe forms reserved for unresponsive or uncooperative Recipients.

When Recipients exhibit noncompliance or poor performance, ADFA provides constructive feedback during the exit conference, as discussed in Chapter 1 of this manual. Noncompliance or poor performance should be addressed immediately so the Recipient can make appropriate staff and/or procedural changes and get back into compliance as soon as possible.

Any comments on poor performance are included in the monitoring letter sent after a monitoring visit. Specific areas of noncompliance and poor performance are referenced as either a



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concern or a finding. “Findings” are based upon violations of statute or regulations while “concerns” are not necessarily based on either, but could lead to a finding if not addressed.

Findings should clearly state the following:

- The **condition** describes what was wrong or what the problem was.
- The **criteria** cite the regulatory or statutory requirements that were not met.
- The **cause** explains why the condition occurred.
- The **effect** describes what happened because of the condition.
- The **corrective action** identifies the action(s) needed to resolve the problem and should include the time frame by which the participant is to respond to the finding.

Corrective Actions

ADFA is consistent in its use of corrective actions. Organizations and programs/projects with similar compliance issues receive similar treatment. This section provides a list of common corrective actions, ranging from the simplest to the more punitive. Remember that all corrective actions must be consistent with the Recipient’s HOME written agreement.

- **Change in Procedures/Forms/Written Agreements.** It is common to require the Recipient to change its program procedures and forms to address the area of noncompliance. Within the corrective action, the monitor will clearly explain what is incorrect about the Recipient’s procedures and/or forms, and offer or review new language. Alternatively, ADFA can offer new procedures and forms it has already developed and mandate their use. Finally, HOME written agreements may need to be amended by the Recipient if they contain incorrect regulatory information, the wrong period of affordability, or enforcement is unclear or does not meet the program requirements (e.g., recapture provision is incorrect).
- **Require Training and/or Technical Assistance.** ADFA can require additional HOME Program training (such as the State certification training) and/or technical assistance. While ADFA does provide some training opportunities, local HUD Field Offices also have technical assistance funds available through providers, including those who specialize in working with CHDOs. ADFA also has staff who periodically provide technical assistance based on information from monitoring visits as well as from staff members who see a need for one-on-one assistance.
- **Suggest Additional Staff or Change in Staff.** Sometimes Recipients provide the skilled staff appropriate to administer a HOME program or implement a HOME-assisted project; however, there might be cases where a skilled staff person is not available, the Recipient lacks funding to hire a skilled staff person, and/or staff is available but is doing different tasks for the organization. Regardless, ADFA can require Recipients to increase staff capacity and/or change staff.
- **Returning Funds.** In the most serious noncompliance situations, ADFA may need to take more severe approaches to get the project to perform or comply. These steps may include restricting the Recipient’s payment requests, disallowing Recipient expenses, requiring repayment for ineligible or improper expenses already incurred, or imposing probationary status.



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- **Funding Sanctions.** If, after going through the previous intervention steps, the organization or project is still not in compliance, ADFA may temporarily suspend the Recipient; deny renewal of the Recipient for the next program year; terminate the Recipient's activity for the current program year; and/or initiate legal action.



Section 2. Monitoring Follow Up

Feedback is critical to reinforcing good performance and resolving monitoring findings. ADFA provides feedback verbally as well as in a written monitoring letter or report. Follow up must occur to close out corrective actions.

A. Monitoring Findings Database

ADFA may choose to establish a tracking system, such as a Monitoring Findings Database, to collect information concerning the Compliance staff's monitoring efforts. The database might include:

- Data on all monitoring conducted. Monitoring data on both internal and external reviews might include responsible staff and the dates of reviews;
- Findings and concerns tracked by Recipient. This serves to establish a record of past performance. This data can be used in risk assessments and to target training and technical assistance;
- Language used for findings, concerns, and corrective actions. Sample language helps staff to draft consistent monitoring letters/reports;
- Data on findings and concerns by program type. This data will allow staff to evaluate the overall program operations and recognize common compliance issues. It may be useful in evaluating the effectiveness of funding applications, program guidance, and the overall program design.
- Tracking of monitoring actions. The database can track the issuance of monitoring reports, receipt of responses Recipients, and the current status of all findings. This will assist the Compliance Manager to monitor staff's completion of work assignments and will guide ADFA in taking additional steps for Recipients who fail to respond within prescribed timelines.

Tracking of monitoring results may be helpful to:

- Target the focus of future compliance monitoring;
- Prioritize the training needs for staff and Recipients;
- Evaluate the success of current procedures and policy guidance; and
- Establish a record of past performance to be utilized during funding decisions.

B. Follow-Up Steps

Based upon the severity of the noncompliance and/or poor performance and the type of corrective action, the monitor will determine if additional follow-up is needed. The following are the typical options for follow-up:

- Make a telephone call or hold a conference call with Recipient Staff;
- Send a second letter;
- Conduct a second on-site visit;
- Report unresolved issues to HOME program staff and recommend suspension of current application review (all unresolved issues must be satisfied before application will be considered); and
- Provide a close out letter.



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When a Recipient responds to a finding, ADFA Compliance staff must review the response and determine if the required corrective actions have been completed. These reviews will be completed within 15 days of receiving the response.

Once Compliance staff determines that an organization has successfully completed all required corrective actions, documentation that the monitoring findings have been corrected is placed in the HOME monitoring file for that entity. Compliance staff must also send a letter stating that the monitoring findings have been closed.

Telephone Call

If the due date for corrective action is not met, Compliance staff members first make telephone contact and document all such calls. Monitors should give Recipients the benefit of the doubt and assume that either the letter was lost or corrective actions are in progress. However, in some cases, it may be apparent that a Recipient is experiencing capacity and/or organizational issues that hinder the appropriate level of follow up. Compliance staff will discuss all continuing compliance issues with the Compliance Manager.

In serious situations where there is no response to telephone calls or letters, a conference call between ADFA and Recipient staff might achieve the best results. Typically in this conversation it is important to review the report as a group, answer any questions on how to respond to corrective actions, and remind them of their contractual responsibilities outlined in the HOME written agreement.

Follow-Up Letter

If Compliance staff determines that the response is not satisfactory or there was no response, ADFA will send a follow-up letter specifying the additional actions that are required, the date for completing these actions, and the consequences of continued unsatisfactory efforts to correct the problems.

Once the second letter has been sent to the organization, the following steps are followed:

- Step 1: If a Recipient fails to meet a due date for corrective action, Compliance staff first contacts the Recipient by telephone. All calls should be documented (see section above). ADFA Compliance staff members use a calendar as a “tickler system” to ensure appropriate follow up telephone calls are executed.

In the event the Recipient is making good-faith efforts to implement corrective actions, but is unable to complete the required actions by the original due date, an extension may be given to allow additional time to complete the necessary corrective actions. However, any extension will also involve its own due date to ensure appropriate follow up by Compliance staff.

- Step 2: If a Recipient has not responded within a specified period of time, Compliance staff members next send a written letter requesting the Recipient to advise ADFA of the steps that have been taken to implement required corrective actions. The letter also advises the Recipient of possible consequences of failure to take corrective action.
- Step 3: Once a Recipient's response has been received, Compliance staff members review the response and determine if the Recipient has successfully completed the required corrective actions. ADFA will ensure its procedures and the monitoring letter



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specify a targeted date for completion of these reviews (within 15 days of receiving the Recipient's response) and issue a close out letter.

- Step 4: If Compliance staff members determine that the Recipient's response is not satisfactory, a follow-up letter must be sent to the Recipient which specifies the additional actions that are required and the date for completing these actions. At this point an on-site visit (see section below) is more appropriate.

Follow-Up Monitoring Visit(s)

Based on the number of issues identified during the initial visit, ADFA Compliance staff may decide to conduct an additional on-site visit to verify the completion of corrective actions or the implementation of new procedures. ADFA might apply additional conditions to require the recipient to notify Compliance and/or Program staff at a particular milestone during their next project to allow ADFA to return to provide technical assistance.

The same process that was followed to set up the initial on-site monitoring visit is used for a follow-up monitoring visit, including the following steps:

- Provide date of on-site visit in monitoring letter or send a separate notification letter as appropriate.
- Develop an agenda for the on-site meeting and provide to Recipient staff.
- Send a close out letter or if corrective actions have not been handled, a second letter notifying the Recipient of its deadline for compliance.

Close Out Letter

Once Compliance staff determines that an organization has successfully completed all required corrective actions, a close out letter (using the appropriate template) must be issued to the Recipient that documents the monitoring findings have been corrected. A copy of the close out letter must be placed in the HOME monitoring file for that Recipient.



Section 3. Planning for the Future

Monitoring reviews will be used by ADFA to not only address compliance issues but also adjust future funding decisions. Part of the evaluation process for ADFA on an annual basis is to review common compliance issues and create a strategy to assist its Recipients to bring programs into compliance. When planning for the future, ADFA will ensure that their Recipients have all of the correct HOME Program knowledge and necessary skills related to housing development. Different ways to increase capacity and improve performance are discussed below.

To maintain a level of good performance and compliance, or to help poor performers improve, ADFA must share its expectations with Recipients (for example, by sharing the Compliance Monitoring Policies and Procedures Manual). As Recipients learn more about the monitoring process, they can become more knowledgeable about HOME requirements and expectations. Conveying information to Recipients about the monitoring process and HOME/ADFA requirements can be done either through staff training.

A. Offer HOME Tools and Issue Guidance

ADFA may assist Recipients by providing monitoring checklists, file documentation standards, and income calculation worksheets. ADFA ensures that Recipients have access to its HOME Program Operations Manual and its HOME Compliance Monitoring Policies and Procedures Manual by posting them on ADFA's website.

Many compliance issues are not from a lack of intent but from a lack of a systematic approach. If Recipients fail to develop their own systems, ADFA may be able to improve compliance by providing standardized systems. For example, for a Recipient with a history of problems with income documentation, ADFA can mandate the use of a standardized income calculation worksheet.

ADFA might also issue guidance memos or make alterations to program guidelines to provide additional support for compliance areas. Compliance issues may change over time as staff changes, technical issues change, or attention to the details of a particular compliance area declines over time. ADFA will continue to evaluate common compliance issues and work with staff and Recipients to determine the appropriate responses.

Training and Technical Assistance

Training and technical assistance can enhance a Recipient's knowledge of effective program administration. There are three approaches ADFA uses that focus on enhancing performance and reducing common problems among Recipients:

Orientation Sessions

- Held at the beginning of a funding cycle or prior to applications.
- Provides a forum for discussing basic requirements and procedures, and to discuss expectations about performance.

Training

- Aimed at larger audiences.



Chapter 8: Monitoring Follow Up

- Provides sufficient technical detail necessary for Recipients to understand and implement program requirements (such as the ADFA HOME certification training course currently offered).
- Will be scheduled throughout the year, and enhances performance and long-term capacity of Recipients.

Technical Assistance

- Typically provided in a one-on-one or small group setting on-site.
- Designed to correct a specific weakness, or to improve the quality or performance of a specific program or project already underway.
- Might be timed to allow ADFA Program or Compliance staff to work with Recipients during critical stages in a project implementation.

B. Use Monitoring Results to Influence Project Selection

ADFA may face difficult decisions when reviewing applications for future HOME funds. Monitoring results provide information on past performance and the Recipients' ongoing capacity to carry out an activity or project, which can be used to rank HOME applications.

- Poor performers will not continue to receive funding. Poor performing Recipients reapplying for funds will have their applications suspended until all noncompliance issues are resolved.
- Good performers should be rewarded. If Recipient proposals match ADFA goals and needs, Recipients with a good past monitoring performance should have their scores increased in comparison to poor performers.
- Recipients with past compliance issues may be provided funding on a conditional basis including on-going monitoring, the establishment and monitoring of project milestones to track performance, or the condition of bringing on additional staff to supply the needed capacity.

ADFA may also use monitoring outcomes to reflect program funding and creation of new programs. For example, if a CHDO is having problems spending its funds in a timely manner, yet has strong capacity and systems in place, there may be a deeper problem with matching the needs of the community and the services offered. If the community really needs affordable rental housing and all the housing providers are offering first-time homebuyer programs, then even the best run programs will fail. Therefore, it is important for ADFA to use monitoring outcomes to assess program success for consideration of design changes and creation and planning of new programs.

[Management Company Letterhead]

RENTAL APPLICATION

The information collected below will be used to determine if you qualify as a tenant. It will not be disclosed without your consent except to your employer(s) for verification of income and employment and to financial institutions for verification of assets, and as required and permitted by law. You do not have to provide the information, but if you do not, your application may be delayed or rejected.

Please Print Clearly

1. Applicant's Name		2. Social Security No.		3. Home phone ()	
4. Current Street Address		5. City	6. State	8. No. of Years at current address	
			7. Zip		
9. Do you currently own or rent?		10. Amt. of rent/mortgage pymt: \$			
11. Former Street Address (if at present address for less than 2 years)		12. City	13. State	14. Zip Code	15. No. of years at former address
16. Names of other persons in household					
17. Name and address of employer			18. Type of business		19. Self-employed? ___Yes ___No
20. Business phone number ()	21. Position/Title		22. Start Date with this Employer	23. Years in this line of work	
24. Name and address of previous employer (if employed at current position less than 2 years)			25. No. Yrs. With Previous Employer		26. Business Phone ()

1. Co-Applicant's Name		2. Social Security No.		3. Home Phone ()	
4. Current Street Address		5. City	6. State	8. No. years at current address	
			7. Zip Code		
9. Do you currently own or rent?		10. Current rent/mortgage pymt \$			
11. Former Street Address (If at current address For less than 2 years)		12. City	13. State	14. Zip Code	15. No. of years at Former Address
16. Name and address of employer			17. Type of Business		18. Self-employed? ___Yes ___ No
19. Business phone ()	20. Position/Title		21. Start Date with Employer	22. Years in this line of Work	
23. Name and address of previous employer (if employed at present position less than 2 yrs.)			24. No. Yrs with Previous Employer		25. Business phone ()

HOUSEHOLD COMPOSITION

List all persons who will reside in the apartment. List the head of household first and give the relationship of each family member to the head. Racial data collected for statistical purposes only.

	<u>Full Name</u>	<u>Relationship to Head</u>	<u>Race</u>	<u>Marital Status</u> Married Single Legal separation	<u>Birth Date</u>	<u>Age</u>	<u>Social Security No.</u>	<u>Student Status</u> Full-time Parttime None
<u>HEAD</u>								
2								
3								
4								
5								
6								
7								
8								

Race: **1**-African-American/Black **2**-American Indian/Alaskan Native **3**-Asian **4**-Native Hawaiian or Pacific Islander **5**-White **6**-Other **7**-Refused

Applicant or co-applicant hereby certifies he/she has legal custody of minor children at least 6 months of the year. () Yes () No If no, explain _____

Do you anticipate any additions to the household in the next twelve months? () Yes () No
If yes, explain: _____

Does anyone live with you who is not listed above? () Yes () No
If yes, explain _____

Will any of the persons in the household be full-time students during five calendar months of this year or plan to be in the next calendar year at an educational institution (other than a correspondence school) with regular faculty and students? () Yes () No

If Yes, answer the following questions:

Is any full-time student receiving AFDC or TANF assistance under Title IV of the Social Security Act? () Yes () No
Was at least one student previously under the care and placement responsibility of the state agency responsible for administering foster care? () Yes (provide documentation) () No
Is any full-time student enrolled in a job-training program receiving assistance under the Job Training Partnership Act (“JTPA”), Workforce Investment Act (“WIA”), the Arkansas welfare-to-work program known as Transitional Employment Assistance (“TEA”) or under other similar* federal, state, or local laws? () Yes (provide documentation) () No *A similar program receives federal, state, or local government funding and has a similar mission as the JTPA.

Is any full-time student a single parent living with his/her minor child (ren) and the parent is not a dependent of another individual and the child(ren) is/are not a dependent of someone other than a parent? Yes No

Is any full-time student married and entitled to file a joint tax return? Yes No

MONTHLY INCOME

List ALL sources of income. Do not leave any blanks. Write N/A if a section does not apply. List GROSS income before any deductions.

<u>Source</u>	<u>Applicant</u>	<u>Co-Applicant</u>	<u>Other Household Members 18 or Older</u>	<u>Total</u>
Salary				
Overtime				
Commissions				
Fees, tips				
Educational Financial Assist.				
Bonuses				
Interest and/or Dividends				
Net Income from Business/self-employment				
Trust				
Net Rental Income				
Social Security/SSI/SSDI				
Severance Pay				
Pension/ annuity Retirement Funds				
401K/IRA benefits				
Unemployment Benefits				
Workers Comp. Disability Compensation				
Alimony/Child support/Family Maintenance				
VA Benefits				
Military Pay				
Welfare or Public Assistance				
Recurring Gifts or Contributions				
Lottery Winnings paid periodically				
Other Income (e.g. inheritance):				

Total Gross Annual Income based on the monthly amounts listed above times 12

\$ _____

Do you anticipate any changes in this income in the next 12 months? () Yes () No

If yes, explain _____

ASSETS

Please request an additional form if your number of assets exceeds the spaces on this page. Do not leave any blank spaces. Write N/A if a section does not apply.

Cash on Hand

\$ _____	\$ _____
----------	----------

Lump Sum Receipts/Lottery Winnings

Bank _____	Balance\$ _____
------------	-----------------

Checking Accounts

No. _____	Bank _____	Balance \$ _____
No. _____	Bank _____	Balance \$ _____
No. _____	Bank _____	Balance \$ _____

Savings Accounts

No. _____	Bank _____	Balance \$ _____
No. _____	Bank _____	Balance \$ _____
No. _____	Bank _____	Balance \$ _____

Trust Accounts

No. _____	Bank _____	Balance \$ _____

Certificates of Deposit/Money Market Acct.

No. _____	Bank _____	Balance \$ _____
No. _____	Bank _____	Balance \$ _____
No. _____	Bank _____	Balance \$ _____

Name of Credit Union _____

Acct. No. _____	Balance \$ _____
Acct. No. _____	Balance \$ _____
Acct. No. _____	Balance \$ _____

Savings Bonds

No. _____	Maturity Date _____	Balance \$ _____
No. _____	Maturity Date _____	Balance \$ _____
No. _____	Maturity Date _____	Balance \$ _____

Life Insurance Policy

No. _____	Cash Value \$ _____
No. _____	Cash Value \$ _____

Mutual Funds

Name:	#Shares	Interest or Dividend \$	Value \$
Name:	#Shares	Interest or Dividend \$	Value \$
Name:	#Shares	Interest or Dividend \$	Value \$

Stocks

Name:	#Shares	Dividend Paid \$	Value \$
Name:	#Shares	Dividend Paid \$	Value \$
Name:	#Shares	Dividend Paid \$	Value \$

Bonds

Name:	#Shares	Interest or Dividend \$	Value \$
Name:	#Shares	Interest or Dividend \$	Value \$

IRA/Keogh/401K (please circle applicable acct)

Bank	Balance \$
Bank	Balance \$

Investment Property

	Appraised Value \$
--	--------------------

Do you own any real estate property? () Yes () No

If yes, list type of property _____
Location of property: _____
Appraised or Market Value \$ _____
Mortgage or outstanding loan value \$ _____
Amount of annual insurance premium \$ _____
Amount of most recent tax bill \$ _____

Have you disposed of any property in the last 2 years? () Yes () No

If Yes, type of property	
Market value when sold/disposed	\$
Amount sold/disposed for	\$
Date of transaction	
Have you disposed of any other assets in the last 2 years? (Example: given away money to relatives, set up Irrevocable Trust Accounts? () Yes () No	
If yes, describe the asset	
Date of disposition	
Amount disposed	\$

Do you have any other assets not listed above (excluding personal property)?

Yes No

If yes, please list:

1.
2.
3.
4.
5.

ADDITIONAL INFORMATION

Have you or any member of your household ever been convicted of a felony?

Yes No

If yes, describe _____

_____.

Have you or any member of your household ever been evicted from any housing?

Yes No

If yes, describe _____

_____.

Have you or any member of your household ever filed for bankruptcy? Yes No

If yes, describe _____
_____.

Will you take an apartment when one is available? Yes No

Briefly describe your reasons for applying:

_____.

REFERENCE INFORMATION

Current Landlord

Name:	
Address:	
Home Phone:	
Business Phone:	
How long?	

Previous Landlord

Name:	
Address:	
Home Phone:	
Business Phone:	
How long?	

Credit Reference #1

Name:	
Address:	
Account #	
Phone #	

Credit Reference #2

Name:	
Address:	
Account #	
Phone #	

Credit Reference #3

Name:	
Address:	
Account #	
Phone #	

Personal Reference #1

Name:	
Address:	
Relationship:	
Phone #	

Personal Reference #2

Name:	
Address:	
Relationship:	
Phone #	

Personal Reference #3

Name:	
Address:	
Relationship:	
Phone #	

In case of emergency notify:

Name:	
Address:	
Relationship:	
Phone #	

VEHICLE AND PET INFORMATION (if applicable)

List any cars, trucks, or other vehicles owned. Parking will be provided for one vehicle. Arrangements with Management will be necessary for more than one vehicle.

Type of Vehicle		License Plate #	
Year/Make		Color	
Type of Vehicle		License Plate #	
Year/Make		Color	
Type of Vehicle		License Plate #	
Year/Make		Color	

Do you own any pets? () Yes () No

If yes, describe _____

CERTIFICATION/CONSENT

I/We hereby certify that I/we do/will not maintain a separate subsidized rental unit in another location. I/we further certify that this will be my/our permanent residence. I/we understand I/we must pay a security deposit for this apartment prior to occupancy. I/we understand that my/our eligibility for housing will be based on applicable income limits and by management’s selection criteria. I/we certify that all information in this application is true to the best of my/our knowledge and I/we understand that false statements or information are punishable by law and will lead to cancellation of this application or termination of tenancy after occupancy. All adult applicants, 18 or older, must sign this application. I/we consent to the disclosure of income and financial information from my/our employer and financial references for purposes of income and asset verification related to my/our application for tenancy.

SIGNATURES:

(Signature of applicant)

(date)

(Signature of Co-applicant)

(date)

PART V. DETERMINATION OF INCOME ELIGIBILITY

RECERTIFICATION ONLY:

TOTAL ANNUAL HOUSEHOLD INCOME FROM ALL SOURCES: From item (L) on page 1 \$0.00

Household Meets Income Restriction at:
 60% 50%
 40% 30%
 _____%

Current Income Limit x 140%: \$0.00

 Household Income exceeds 140% at recertification:
 Yes No

Current Income Limit per Family Size: _____

Household Income at Move-in: _____

Household Size at Move-in: _____

PART VI. RENT

Tenant Paid Rent _____
 Utility Allowance _____
 Other non-optional charges _____

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

GROSS RENT FOR UNIT: (Tenant paid rent plus Utility Allowance & other non-optional charges) \$0.00

Maximum Rent Limit for this unit: _____

Rent Assistance: _____

PART VII. STUDENT STATUS

ARE ALL OCCUPANTS FULL TIME STUDENTS?
 Yes No

If YES, enter Student Status Exception by selecting any of the following that applies. (Also attach supporting documentation.)
 AFDC or TANF Assistance
 Foster Care
 Enrolled in a Job Training Program/WIA
 A Single Parent with Dependent Child
 Married Students filing a joint tax return

PART VIII. PROGRAM TYPE

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

a. Tax Credit <input type="checkbox"/> See Part V above.	b. HOME <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> ≤ 50% AMGI <input type="checkbox"/> ≤ 60% AMGI <input type="checkbox"/> ≤ 80% AMGI <input type="checkbox"/> OI**	c. Tax Exempt <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 60% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> OI**	d. AHDP <input type="checkbox"/> <i>Income Status</i> <input type="checkbox"/> 50% AMGI <input type="checkbox"/> 80% AMGI <input type="checkbox"/> OI**	e. _____ (Name of Program) <i>Income Status</i> _____ _____ <input type="checkbox"/> OI**
---	--	--	---	--

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

SIGNATURE OF OWNER/REPRESENTATIVE

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

 SIGNATURE OF OWNER/REPRESENTATIVE DATE

INSTRUCTIONS FOR COMPLETING TENANT INCOME CERTIFICATION

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

Part I - Development Data

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

Move-in Date	Enter the date the tenant has or will take occupancy of the unit.
Effective Date	Enter the effective date of the certification. For move-in, this should be the move-in date. For annual recertification, this effective date should be no later than one year from the effective date of the previous (re)certification.
Property Name	Enter the name of the development.
County	Enter the county (or equivalent) in which the building is located.
BIN #	Enter the Building Identification Number (BIN) assigned to the building (from IRS Form 8609).
Address	Enter the address of the building.
Unit Number	Enter the unit number.
# Bedrooms	Enter the number of bedrooms in the unit.

Part II - Household Composition

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

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

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

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

Part III - Annual Income

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

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

Column (A)	Enter the annual amount of wages, salaries, tips, commissions, bonuses, and other income from employment; distributed profits and/or net income from a business.
Column (B)	Enter the annual amount of Social Security, Supplemental Security Income, pensions, military retirement, etc.
Column (C)	Enter the annual amount of income received from public assistance (i.e., TANF, general assistance, disability, etc.).
Column (D)	Enter the annual amount of alimony, child support, unemployment benefits, or any other income regularly received by the household.
Row (E)	Add the totals from columns (A) through (D), above. Enter this amount.

Part IV - Income from Assets

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

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

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

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

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

HOUSEHOLD CERTIFICATION AND SIGNATURES

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

Part V Determination of Income Eligibility

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

Part VI - Rent

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

Part VII - Student Status

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

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

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

Part VIII Program Type

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

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

SIGNATURE OF OWNER/REPRESENTATIVE

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

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

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

Exhibit R

STUDENT STATUS VERIFICATION

Head of Household Name: _____

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

A. ___ Household contains at least one occupant who is not a student, has not been a student, and will not be a student for five or more months during the current and /or upcoming calendar year (months need not be consecutive). If this item is checked, no further information is needed.

B. ___ Household contains all students, but is qualified because the following occupant(s) _____ is/are a part-time student(s). Documentation of part-time student status is required for at least one member of the household.

C. ___ Household contains all full-time students for five or more months during the current and/or upcoming calendar year (months need not be consecutive). If this item is checked, questions 1-5 below **must** be completed (circle yes or no):

1. Is at least one student receiving assistance under Title IV of the Social Security Act? (AFDC/TANF) Yes No
2. Was at least one student previously under the care and placement responsibility of the state agency responsible for administering foster care? (provide documentation of participation) Yes No
3. Does at least one student participate in a program receiving assistance under the Job Training Partnership Act, Workforce Investment Act, or under other similar, federal, state, or local laws? (attach documentation of participation). Similar program means the program receives federal, state or local government funding and has a similar mission as the JTPA program. Yes No
4. Is at least one student a single parent with child(ren) and this parent is not a dependent of another individual and the child(ren) is/are not dependent(s) of someone other than a parent? Yes No
5. Are the students married and entitled to file a joint tax return? Yes No

Households composed entirely of full-time students that are income eligible and satisfy one or more of the above conditions are considered an eligible student household. If questions 1-5 are marked NO, or verification does not support the exception indicated, the household is considered an ineligible student household.

Verification completed by: _____ Date completed: _____