

THE COMPLIANCE REVIEW PROCESS



Strength, Dignity, Quality of Life

MISSOURI HOUSING

DEVELOPMENT COMMISSION

Presented by:

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Asset Manager

Appointment is set

APPOINTMENT LETTER AND ATTACHMENTS MAILED TO OWNER/MANAGEMENT AGENT

- Management Information
Questionnaire EXHIBIT C-5
- Management File Checklist – Sent with
boxes checked for required items

Management File Checklist

1. Current Utility Allowance – The maximum allowable rent calculation includes costs to be paid by the resident for utilities including: heat, electricity, water, sewer, oil, gas, or trash. Please Note: Range and Refrigerator are only included in the Utility Allowance amount if the resident supplies or leases the appliances. Utilities do not include telephone, cable, and/or internet (HR3221 Ruling)
 - **Must have back up documentation, i.e. PHA Utility Schedule, HUD Rent Schedule, RD, Local Utility; Energy Consumption Model**

**THE TOTAL UTILITY ALLOWANCE MUST MATCH
WHAT IS LISTED ON THE FORMS IN THE
OCCUPANCY FILES AND AMRS**

Management File Checklist

2. Affirmative Fair Housing Marketing Plan (on file and approved within 5 years)
3. Rent Schedule (Schedule II) MHDC Approved
4. Annual Owner's Certificate of Continuing Program Compliance
5. Management Plan
6. Management Agreement - A Management Certification is required for all properties with MHDC financing and LIHTC allocated credits from 2008

Management File Checklist

7. Authorized Representative Designation (Exhibit J)
8. Property Data Sheet (Exhibit L)
9. Training Certificates
10. Copy of 8609's w/part II completed and submitted to IRS with the Owner's 1st year tax return
11. Current Rent Roll (Vacant units must have move-out dates included)
12. Annual Occupancy Report (Exhibit H – COL report)
(unit size, unit rent, unit utility allowance, current residents, and move in date)

Management File Checklist

Copies of the following documents are required, **ONLY** if changes have been made in the past 12 months (or since the last review)

1. Resident Selection Criteria
2. Current Lease
3. HOME Lease Addendum
4. Rental Application
5. Pet Policy (required for Elderly/Section 8)
6. House Rules
7. Resident Damage Charge List (exclude market rate)
8. Applicant Rejection letter

Physical Inspection Preparation

- LIHTC – 20% units/files every 3 years (same units as files)
 - ❖ If single family homes 1/3 annually
- MHDC/LIHTC – 10% units/files annually
- HOME – 20% units/files annually (25+ units)

Physical Inspection Preparation

- The manager must provide 48 hours notice to all residents advising them that their unit might be chosen for the inspection
- MHDC utilizes the Uniform Physical Condition Standards (UPCS) as established by HUD for classifying inspection Findings for the majority of our programs. These items should be the focus of any pre-inspections performed by the owner/management

Physical Inspection Preparation

- The Physical Inspection will encompass a review of the buildings, grounds, community space, work and storage areas, mechanical rooms, laundry and trash areas as well as specified resident dwelling units
- Additionally- ALL VACANT UNITS will be inspected for Exigent Health and Safety (EH&S) items and occupancy standards

Physical Inspection Preparation

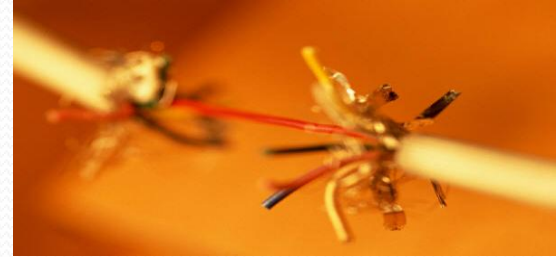
Exigent Health and Safety (EH&S) Citations

- EH&S items are life-threatening conditions and must be mitigated within 24 hours
- MHDC will notify management of the EH&S items observed during the exit interview and provide a written list of these deficiencies at the end of the inspection
- Management has 72 hours to submit certification that the life-threatening condition has been mitigated

(*See Exigent Health and Safety Certification Form)

Physical Inspection Preparation

72 hour EH&S items:



Exposed wires (missing electrical switch cover)

Inoperable smoke detector



Physical Inspection Preparation

UPCS Findings on the Inspection Report

- These items are noted under the primary headings and are **in bold type**
- Per Section 42 of the IRS code: UPCS Findings affect the property's final inspection rating and are reported to the IRS on Form 8823

Physical Inspection Preparation

Citations and Observations

These items are not reportable under the UPCS;

- Deficiencies that have been observed that either have not caused a condition deficient enough to require issuance of an 8823 OR
- Deficiencies that may affect the overall appearance or marketability of the property or dwelling unit.

Deficiencies are not reported to the IRS but still affect the property's final inspection rating

Physical Inspection Preparation

Missing anti-tip devices/brackets on all ranges



Inoperable vehicles that have been issued a citation by management/authority to be moved



File Review Preparation

- The Compliance Officers examine resident files to verify compliance with income and rent restrictions
- Information should be assembled in an orderly and consistent manner within the resident file, and available for inspection
- All move-out files for the past six months must be available for review

File Review Preparation

Areas of particular concern:

- Over income limit household at move-in
- No move-in application or inadequate information
- No income certification/income not verified
- No third party verification
- Student status: ineligible or not properly documented
- No initial lease

File Review Preparation

- At least 6 month initial lease (12 month initial lease - HOME program)
- Change in household composition within the initial lease term
- No (or inadequate) re-certifications or questionnaires
- Late re-certifications (not within 12 month period)
- Incomplete 3rd party verification without follow up documentation
- Income/Asset Calculation errors

FORMS REQUIRED FOR OCCUPANCY FILES

HOME Program

(HOME Rental Housing Program Compliance Manual Rev. No 3)

1. Lease – Minimum one year term (Must include requirements of annual recertification and student requirements)
2. Lease Addendum – HOME Addendum – Exhibit R
3. Tenant Income Certification – Exhibit B
4. Income and Asset verifications
5. Forms: Exhibit C – Employment Verification; Exhibit E – Certification of Zero Income; Exhibit Q – Non-Employment Affidavit
6. Application (Initial and Recertification)

FORMS REQUIRED FOR OCCUPANCY FILES

7. Disposal of Assets Declaration
8. Move-In Inspection form and annual inspections
8. Lead-Based Paint Cert. (Pre-1978)
9. HUD 27061-H Race Ethnicity Data
10. HUD Exhibit 3-4: The Family Summary Sheet
11. HUD Exhibit 3-5: Declaration Format Form
12. HUD Exhibit 3-6: Verification Consent Form
13. HUD Exhibit 3-7: Owner's Summary of Family Annual Re-certifications
14. HUD 9834 Addendum B Part A

FORMS REQUIRED FOR OCCUPANCY FILES

LIHTC PROGRAM

1. Lease – Minimum of 6 months term (Must include requirements of annual recertification and student requirements)
2. Lease Addendum – Exhibit O
3. Tenant Income Certification – Exhibit B
4. Income Verifications Forms: Exhibit C – Employment Verification; Exhibit E – Certification of Zero Income; Exhibit Q – Non- Employment Affidavit
5. Unit Certification – Exhibit I (initial certification only)
6. Under \$5,000 Asset Certification – Exhibit D
7. Application (Initial and Recertification)

FORMS REQUIRED FOR OCCUPANCY FILES

8. Student Eligibility – Exhibit M, Exhibit F (if applicable)
9. HUD 27061-H Race Ethnicity Data
10. HUD Exhibit 3-4: The Family Summary Sheet
11. HUD Exhibit 3-5: Declaration Format Form
12. HUD Exhibit 3-6: Verification Consent Form
13. HUD Exhibit 3-7: Owner's Summary of Family
14. Move-In Inspection form
15. Lead-Based Paint Cert. (Pre-1978) Exhibit N
16. Initial Annual Re-certification (Complete)
17. Annual Re-certifications beginning with year (3) Exhibit U

Exit Interview

- The Compliance Officer will discuss Findings observed and review the 8823 process with the owner/management
- The Compliance Officer will discuss Citations /Observations and review the Corrective Action Requirements for noted items
- The Compliance Officer explains that the final inspection report is prepared within 30-days of the review and a copy is provided to the management agent

Final Report

- MHDC will issue a final inspection report within 30 days of the exit interview
- The final report is mailed to the owner/mortgagor and a copy to management
- A written response to each of the Findings/Citations/Observation must be provided within thirty (30) days of the date of the final inspection report
- The response should include completed work orders indicating the corrective action taken to mitigate the deficient condition
- An extension may be approved by MHDC if the request is received within the allotted time frame
- All items noted for correction in the final inspection report must be addressed and responded to within the thirty (30) day timeframe regardless of appeal

Failure to correct will result in an uncorrected 8823 being issued as applicable

Extension Request

- Owner/Management may request an extension within ten (10) calendar days of the date of the report.
- The extension must be requested via a completed Exhibit T and also must contain a written detailed explanation of extenuating circumstances and back up documentation including names of contractors, bids, etc.
- An extension is not automatic, it must be granted by MHDC; approval is provided via a properly executed Exhibit T

Appeal Process

Owner/Management of properties receiving a “Below Average” or “Unsatisfactory” rating may appeal the rating in the following manner:

- Submit the appeal in writing to MHDC’s Director of Asset Management at 4625 Lindell, Suite 300 St. Louis, MO 63108, post marked within 30 days of the date of the review/rating letter
- The appeal must include all facts desired to be considered in the final review of the inspection rating
- The Director of Asset Management will review and issue a final determination in writing within 45 days of the date of the appeal submission.
- The Director’s determination is final.

Inspection Do's

- Complete the Management Information Questionnaire Exhibit C-5
- Fax or email the Rent roll and Exhibit H / COL report to the inspector at least 7 days prior to inspection. If there are HOME funds include a HOME split log listing all the HOME set-aside units.
- Collect copies of all information requested on the Management File Checklist and have ready to submit to inspector the day of the inspection including:
 1. Affirmative Fair Housing Marketing Plan (updated and approved within 5 years)
 2. Utility Allowance source documentation
 3. Rent Schedule
 4. Updated Exhibit L, J, and J-1
 5. Current Training Certificates (within the past 2 years)

Inspection Do's

- Send notices out to all residents notifying them of the MHDC inspection and any Management pre-inspection dates. Include items for the resident to do such as:
 1. Clean unit, remove trash from yard and porch areas
 2. Remove any cords, etc., creating a tripping hazard,
 3. Remove items blocking access to the windows, as well as, plastic or other type of covering which prevents inspection of the windows.

Inspection Do's

- Pre-inspection of the property
- Inspect all common areas including laundry rooms, emergency lights, elevator certificate, fire extinguisher tags, smoke detectors
- Walk all units paying special attention to the UPCS reportable items as well as any items noted for correction on the last inspection report
- Make sure keys (vacant and occupied) are available and working properly for all units.
- Make sure utilities are on and functioning in vacant units
- Make sure all ranges have anti-tip devices installed properly
- Remove all trash from vacant units
- Remove boards restricting access to any units

Inspection Do's

- Pre-file audit paying close attention to items noted for correction on the last inspection. Make sure all files are available and organized including calculation work sheet &/or calculator tapes showing income calculations.
- Check the MHDC website for any new “Revision Notices”, forms, or policy changes.
- Have sufficient maintenance staff available to walk units with the inspector.

Top 5 Tips for a Rave Review

- Notify residents at least 48 hours in advance
- Do review prior inspections and make the needed corrections, don't certify that corrections have been made from prior inspections when they have not
- Conduct a pre file and pre physical inspection – know for yourself what your weaknesses are
- Use current and updated forms (check website mhdc.com)
- Start repairs as soon as the inspection ends

Conclusion

The Compliance Officers and MHDC appreciate your assistance and cooperation during the compliance review process

Compliance reviews are performed by MHDC to assist owners/management in operating a successful property, to assure a quality environment for residents and to ensure the interest of all parties to the management agreement

