National Housing Trust Fund

Ongoing Compliance Monitoring Manual

NORTH DAKOTA housing FINANCE AGENCY

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TABLE OF CONTENTS

APPENDIX – INCOME CALCULATION EXAMPLES

SECTION 1 – HTF PROGRAM INFORMATION AND REGULATIONS

1.01 Introduction

The National Housing Trust Fund (HTF) is a permanent federal program, established as part of the Housing and Economic Recovery Act of 2008. The primary purpose of the HTF is to provide grants to state governments to increase and preserve the supply of affordable rental housing for extremely low income (ELI) households, defined as those earning less than 30 percent of the Area Median Income (AMI), including homeless families. The HTF is funded by an assessment on all business booked by Fannie Mae and Freddie Mac.

This manual is a training and reference guide for the administration of the HTF program. It is intended to answer questions regarding the procedures, rules and regulations that govern developments assisted by the HTF. The manual should be used in conjunction with and as a supplement to Part 93 of Title 24 of the Code of Federal Regulations ("24 CFR Part 93" or the "Code"). If a determination is made that any provision of this manual is in conflict with 24 CFR Part 93, the Code will govern. This manual has not been reviewed or approved by the United States Department of Housing and Urban Development (HUD) and should not be relied upon for interpretation of federal legislation or regulations.

Referenced in the manual are forms for your use. The use of some forms is mandatory while the use of other forms is optional. Please pay particular attention to language within the manual that states which are required forms. **If on-site management uses forms other than those provided, care should be taken to assure that the forms use sufficient information to meet HUD 4350.3 income determination guidelines.**

North Dakota Housing Finance Agency's (NDHFA) Planning and Housing Development Division is responsible for the performance of compliance monitoring which could include, but not be limited to, desk reviews, on-site reviews, tenant file reviews, health/safety/building code inspections, sending compliance notifications to owners/managers, monitoring follow up compliance, and updating this Compliance Manual and the associated forms. Questions regarding compliance monitoring should be directed to the Planning and Housing Development Division's compliance staff at hfainfo@nd.gov or by calling (701) 328-8080 or (800) 292-8621.

1.02 Definitions

Code: The authority for the HTF is found in the Code of Federal Regulation (CFR) at Title 24 CFR Part 93.

HTF-assisted project: Any multifamily rental development which has received a funding award from the HTF.

HTF-assisted unit: Those units within an HTF-assisted project which benefitted from HTF assistance and are subject to income and rent restrictions as published by HUD, generally at 30 percent AMI.

HTF loan documents: Those executed documents which detail the agreement between NDHFA and the recipient of HTF funds. HTF loan documents may include, but may not be limited to, the Application, Financial Award, Loan Agreement, Promissory Note, Mortgage, Land Use Restrictive Agreement, Operating Cost Assistance Reserve Agreement, and Post-Closing Requirements.

Owner: The owner of a HTF-assisted development, the owner's designated agent or property manager.

Period of affordability: Units in projects receiving HTF assistance are required to maintain affordability to households at or below 30 percent AMI for a period of at least 30 years. Also known as "affordability period" or "compliance period."

Recipient: The entity, or its successor(s), which applied for and was awarded assistance from the HTF program.

UPCS: The Uniform Physical Condition Standards is a standardized inspection code created by HUD in order to ensure subsidized housing is maintained in a condition which is decent, safe, sanitary and in good repair.

1.03 Responsibilities

The project's Owner is responsible for compliance. Each Owner has chosen to utilize the HTF program to take advantage of its development and operating assistance benefits. In exchange for the benefit of HTF assistance, the Owner has made during the application and closing process acceptable assurances to NDHFA that it will comply with the requirements of the HTF program during the entire period which begins upon selection of the Owner's project by NDHFA and ends upon the conclusion of the affordability period. Any violation of the HTF requirements could result in corrective action, including the repayment of funds to NDHFA. Any and all financial consequences to the Owner as a result of noncompliance will be the responsibility of the Owner.

The Owner is responsible for ensuring that the development is properly administered. The Owner must make certain that the on-site management team is familiar with and complies with all appropriate HTF rules, regulations and policies that govern the development.

The project's Owner agrees to maintain sufficient records in support of their ongoing compliance with HTF regulations. The project's Owner will make such records, upon request, available for review by NDHFA. The project's Owner must allow full access of all files to NDHFA and must retain all documents and records for a period of five years or until any related review findings have been resolved, whichever is later.

Electronic Signatures

Per the N.D.C.C. Chapter 9-16, NDHFA will accept electronic records with electronic signatures from authorized individuals. Documents provided electronically must be capable of retention, able to be printed and stored electronically, by NDHFA for their full life cycle. Owners and property managers are responsible for developing policies and procedures to ensure electronic signatures obtained meet requirements under the Uniform Electronic Transactions Act (UETA) and Electronic Signatures in Global and National Commerce Act (ESIGN).

NDHFA is responsible for monitoring compliance. NDHFA awards HTF assistance within the state of North Dakota. Once HTF funds are awarded to a project, the Code requires NDHFA to monitor compliance by reviewing certain records kept by the Owners of the HTF-assisted project.

NDHFA will accomplish this monitoring requirement by conducting desk and/or on-site reviews of the development. NDHFA will conduct desk reviews annually. NDHFA will conduct an on-site inspection at project completion in order to confirm that the project meets the property standards listed in the HTF Allocation Plan and Minimum Rehabilitation and Property Standards documents. NDHFA will conduct on-site property inspections during the period of affordability in order to determine compliance with the ongoing property standards and to verify any information submitted by the Owner. On-site inspections must occur at least once every three years during the period of affordability. The on-site inspection may include a review of records for all or a sample of the income and rent restricted units including, but not limited to, tenant files, rent rolls, approved and declined tenant applications, documentation supporting tenant income and employment verification, marketing materials and advertisements, and documentation of requests for reasonable accommodations. It may also include a review of any local health, safety or building code violation reports or notices, and an inspection of the property to determine if the buildings are suitable for occupancy, taking into account local health, safety and building codes, and UPCS inspection standards as prescribed by HUD. In addition, any reports made by state or local government units of violations, with documentation of correction, will be reviewed.

1.04 Compliance Period

NDHFA will ensure long-term affordability for HTF-restricted housing units by requiring that a land use restriction agreement or deed restriction be placed on HTF-assisted properties dictating affordability terms as agreed to by the project Owner in the HTF loan documents. Developments assisted with HTF funds must make a commitment to comply with eligibility requirements for a period of at least 30 years, the affordability period, beginning at the issuance of the Certificate of Occupancy. The development Owner and NDHFA must enter into an agreement pursuant to which the Owner and any successors agree to meet the tenant income requirements for the applicable affordability period.

1.05 Maximum Tenant Income

All HTF-assisted rental projects must meet the objective of providing housing to households with ELI, defined generally as 30 percent or less of AMI, at initial occupancy and subsequent annual recertification. NDHFA will conduct annual monitoring to ensure ongoing compliance with all restricted units' household income restrictions. The Land Use Restrictive Agreement (LURA), recorded against the real estate encompassing the project, will specify the number of units required to be set aside for ELI households. The method recognized by NDHFA for calculating eligible income under the HTF program is known as the "Part 5" annual income method, which is also used by NDHFA in the Low Income Housing Tax Credit program, Housing Incentive Fund and Neighborhood Stabilization Program, as well as in HUD's Section 8 and HOME programs. HTF income limits, calculated at the greater of 30 percent AMI or the federal poverty line are published by NDHFA annually, immediately following their release by HUD.

1.06 Maximum Rent

All HTF-restricted units are subject to maximum allowable tenant-paid rent limits. A unit's specific maximum rent amount is determined based on the county in which the project is physically located and the bedroom count of the unit. HTF rent limits are published annually by NDHFA, immediately following their release by HUD, and are calculated to be 30 percent of 30 percent of AMI or 30 percent of poverty level, whichever is greater. The rent limits reflect the maximum tenant-paid portion of rent plus the applicable allowance for any tenant-paid utilities plus any tenant-based rental assistance received for the unit. This means rents for units with Section 8 housing choice vouchers or similar state or federal tenant-based rental assistance subsidies

cannot exceed the applicable rent limit for the unit. Rents charged must be comparable to units not receiving rent assistance.

1.07 Section 8 Project Based Vouchers and Maximum Rent

If the HTF-assisted unit receives project-based rental subsidy and the tenant pays a contribution toward rent of not more than 30 percent of the tenant's adjusted income, the maximum rent for the HTF-assisted unit (only and specifically for the unit in which the PBV is designated) is the rent allowable under the project-based rental subsidy program, also known as the payment standard.

1.08 Determining Maximum Rents

All HTF-assisted units are subject to maximum allowable tenant-paid rent limits. Rents for HTF-assisted units must not exceed the published Maximum HTF Rent Limits, which are calculated to be 30 percent of 30 percent of AMI or 30 percent of poverty level, whichever is greater, and based on an assumed 1.5 persons per bedroom (single person in an efficiency). HTF rent limits are published annually by NDHFA, immediately following their release by HUD.

The rent limits reflect the maximum tenant-paid portion of rent plus the applicable allowance for any tenant-paid utilities plus any **tenant-based rental assistance** received for the unit. Project-based rental assistance is allowed, so long as the tenant pays no more than 30 percent of their adjusted income and such tenant-paid portion does not exceed the published HTF rent limit.

A unit's specific maximum rent amount is determined based on the county in which the project is physically located and the bedroom count of the unit. Current annual income limits for the HTF program are updated annually and posted on NDHFA's website at https://www.ndhfa.org/index.php/compliance/.

Exhibit 1.01 Sample HTF Rent Limit Schedule

National Housing Trust Fund
Maximum Income and Rents – Extremely Low Income (30% AMI)
Limits as of: 05/30/2016 Effective: 05/30/2016

	Maximum Rent Limits				
	Efficiency	1BR	2BR	3BR	4 BR
Adams	386	413	504	659	814
Barnes	395	425	524	659	814
Benson	390	418	515	659	814

To determine the maximum HTF rent:

1. Find the geographic area in which the project is located on the HTF Income and Rent Limits chart.
2. Find the column that corresponds to the number of bedrooms in the unit.
3. Deduct from the limit an allowance for any tenant-paid utilities as well as any tenant-based rental assistance.

Using the sample rent limits chart provided in Exhibit 1.01, consider the following example:

> The Sanchez household is qualified to rent an HTF-assisted apartment in a project in Barnes County and would like to sign a lease for a two-bedroom unit. The tenants in this property are responsible for paying the electric. According to the Barnes County Housing Authority utility allowance schedule, the electric utility allowance for a two-bedroom apartment is $35. The Sanchezes do not have a voucher for tenant-based rental assistance.

Max gross rent per HTF for 2BR in Barnes County	$524
Less: Allowance for tenant-paid utilities	$35
Maximum tenant-paid rent for the HTF unit	$489

> Because the Sanchezes are responsible to pay the electric, which has an allowance of $35, the maximum they can be charged to rent the two-bedroom unit in Barnes County is $489.

1.09 Utility Allowances

An allowance for the cost of any utility and/or utility service, other than telephone, cable television, or internet, which the tenant is responsible for paying must be deducted from the maximum allowable rent currently in effect for that unit when determining the maximum tenant-paid rent. The sum of a unit's tenant-paid rent and all applicable utility allowance(s) must not exceed NDHFA's currently published maximum HTF rent limit. The specific amount of any utility allowance may be obtained from in the following manner.

1. Buildings assisted by the Rural Housing Service. If a building receives assistance from the Rural Housing Service (RHS-assisted building), the applicable utility allowance for all rent-restricted units in the building is the utility allowance determined under the method prescribed by the RHS for the building (whether or not the building or its tenants also receive other state or federal assistance).

2. Buildings with Rural Housing Service assisted tenants. If any tenant in a building receives RHS rental assistance payments, the applicable utility allowance for all rent-restricted units in the building (including units occupied by tenants receiving rental assistance payments from HUD is the applicable RHS utility allowance.

3. Buildings regulated by HUD. If neither a building nor any tenant received RHS housing assistance, and the rents and utility allowances of the building are reviewed by HUD on an annual basis, the applicable utility allowance for all rent-restricted buildings is the applicable HUD utility allowance.

4. Other Buildings. If a building is neither an RHS-assisted nor a HUD regulated building, and no tenant in the building receives RHS tenant assistance, the applicable utility allowance for rent-restricted units maybe determined under the following methods:
    a. **PHA Estimate**: This is the most common method used by LIHTC properties. A building owner may obtain a utility estimate for each unit in the building from the PHA that has jurisdiction over the building, provided the PHA agrees to provide the estimate. The estimate is obtained when the building owner receives, in writing, information from the PHA providing the estimated per-unit cost of the utilities for units of similar size and construction for the geographic area in which the building is located.

Note: If a property is not HUD regulated or RD regulated, the PHA allowance must be used for any unit that is receiving assistance from HUD through a Section 8 voucher.

b. **Local Utility Company Estimate:** A building owner may obtain an estimate in writing from the local utility company that offers services to that building. The estimate must be provided on the utility company's letterhead, be dated and signed by a representative of the utility company, reference the property, and document that the estimate is based on 12 months of usage at the current utility rates for units of similar sizes and construction, including any applicable taxes and fees. In the case of deregulated utility services, the owner may obtain an estimate from only one utility company. The utility company furnishing the estimate must offer utility services to the building in order for that utility company's rates to be used. The estimate should include all "component deregulated charges" for providing the utility service.

c. **HUD Utility Schedule Model**: The HUD Utility Schedule Model may be obtained by going to the Low Income Housing Tax Credits page on the HUD User website https://www.huduser.gov/portal/resources/utilallowance.html. The utility data used in this model may be no older than the utility rates in place for 60 days prior to the beginning of the 90-day period. The building owner will bear any and all costs associated in using this method. Owners who use this model will need to document the source and content of all factors entered into the model. NDHFA strongly encourages the use of an unrelated licensed or professional third party to complete the estimates.

d. **Energy Consumption Model:** This model may be used by a building owner to calculate utility allowance estimates based on an analysis of energy, water and sewage consumption. At minimum, this consumption and analysis model must take into account the unit size, building orientation, design, materials, mechanical systems, building location and appliances. In order to use this method, the building owner must have the calculations performed by a certified/licensed engineer or other state agency approved qualified professional. One of the requirements of using such an engineer/licensed professional is that the engineer is unrelated to the building owner. The data in this option is also limited to no more than the 12-month period ending no earlier than 60 days prior to the 90-day period (defined later in this article). The building owner will bear all costs if this option is chosen.

Changing Methods

Owners may change the method used for calculating a utility allowance in order to most accurately calculate a utility allowance for a property. NDHFA must be notified of the proposed change. If the Owner selects the Energy Consumption Model, NDHFA must review the proposed allowance prior to use.

Allowable methods for utility allowance calculations are based on the funding the property has received. Some calculation methods are not allowed by certain funding types and are subject to change as revisions are made by the funding source. Owners/Agents are responsible for knowing the allowed method for each funding source and should check with NDHFA when trying to determine if a specific method can be utilized.

Annual Updates

Utility allowances must be reviewed at least once each calendar year and updated if necessary based on current utility rates. These reviews must also take into consideration any changes to the building that affect energy consumption and utility allowances such as building updates and energy conservation measures. Building owners are required to maintain records of all utility data received, estimates used, and notifications made to tenants and state agencies throughout the extended use period. Updated utility allowances should be incorporated into the gross rent calculation within 90-days.

If the Owner is using a utility allowance other than the Public Housing Authority Schedule, the updated allowance estimates must also be made available to all tenants of the building at the beginning of the 90-day period. This can be accomplished by posting the new schedule in a common area or delivering them to each household by mail.

Current utility allowances are required to be provided in with a project's annual reporting and owner certification.

1.10 Tenant Selection

The owner must adopt and follow **written** tenant selection policies and criteria that:

- Limit the housing to income-eligible households.
- Are reasonably related to the applicants' ability to perform the obligations of the lease (e.g., to pay the rent, not to damage the housing, and not to interfere with the rights and quiet enjoyment of other tenants).
- Limit eligibility or give a preference to a particular segment of the population, if permitted in the written HTF award agreement with NDHFA.
- Do not exclude an applicant receiving tenant-based rental assistance because of the applicant's status as a recipient of such assistance.
- Provide for the selection of tenants from a waiting list in the chronological order of their application, insofar as is practicable.
- Give prompt written notification to any rejected applicant of the grounds for any rejection.

1.11 Affirmative Marketing

Each HTF recipient must adopt and follow an Affirmative Fair Housing Marketing Plan for rental projects containing five or more HTF-assisted housing units. More detailed guidance is available in the NDHFA Affirmative Fair Housing Marketing Plan Guidance manual on the agency's Rental Compliance webpage, https://www.ndhfa.org/index.php/compliance/. Affirmative marketing steps consist of actions to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, familial status, or disability. If NDHFA's written agreement with the project owner permits the rental housing project to limit tenant eligibility or to have a tenant preference in accordance with 24 CFR Part 93.303(d)(3), the recipient must have affirmative marketing procedures and requirements that apply in the context of the limited/preferred tenant eligibility for the project. Owners should see 24 CFR Part 93.350 for additional detail regarding the Affirmative Marketing requirements of the HTF program.

Recipients of HTF assistance will be required to use affirmative fair housing marketing practices in soliciting renters, determining their eligibility, and concluding all transactions. Any HTF-assisted housing must comply with the following procedures for the affordability period:

- Recipients advertising vacant units must include the equal housing opportunity logo and/or slogan. Wherever a phone number is provided, there must also be a TDD/TTY phone number, or equivalent, provided. The Relay North Dakota TDD number is 1-800-366-6888, Voice Users 1-800-366-6889, and Spanish Users 1-800-435-8590. This service is free of charge. Advertising media may include newspapers, radio, televisions, brochures, leaflets, or a sign on the premises.

- Recipients will be required to solicit applications for vacant units from persons in the housing market who are least likely to apply for the HTF-assisted housing without the benefit of special outreach efforts. In general, persons who are not of the race or ethnicity of the residents of the neighborhood in which the building is located shall be considered those least likely to apply. Special outreach efforts will include contacts with community action agencies, human service centers, and county social service offices.
- Recipients must maintain a file containing all marketing and outreach efforts (e.g., copies of newspaper ads, memos of phone calls, copies of letters, etc.). These records must be retained for five years and are to be made available for inspection by NDHFA to assess the results of the marketing efforts as part of the annual compliance review.
- Recipients must display the HUD fair housing poster, Form HUD-928.1, in all rental offices and locations where potential tenants may likely come to apply for housing. The poster(s) should be in the language(s) of likely potential applicants. Posters in various languages can be downloaded from HUD's website: https://portal.hud.gov/hudportal/HUD?src=/program_offices/fair_housing_equal_opp/marketing
- Prior to HTF loan closing and at least once every five years, recipients must complete and submit to NDHFA the Form HUD-935.2A, "Affirmative Fair Housing Marketing Plan – Multifamily," in order to describe and assess the effectiveness of the recipient's Affirmative Fair Housing Marketing Plan. https://portal.hud.gov/hudportal/documents/huddoc?id=935-2a.pdf

1.12 Violence Against Women Act

All HTF-assisted projects must comply with the provisions of the Violence Against Women Reauthorization Act of 2013 (VAWA 2013). VAWA is legislation designed to improve criminal justice and community-based responses to domestic violence, dating violence, sexual assault and stalking in the United States.

VAWA protects victims of domestic violence, dating violence, sexual assault, or stalking, as well as affiliated individual(s), generally, from being denied housing assistance or being evicted as a result of an incident of domestic violence, dating violence, sexual assault, or stalking that is reported and confirmed.

The VAWA 2013 reauthorization enhances judicial and law enforcement tools to combat violence against women, improves services for victims, and strengthens the health care system's response to violence against women. It should be noted that the protections for VAWA covered violence include sexual assault, women, men, and people in same-sex relationships.

Documentation

1. Notice of Tenant's Rights: VAWA 2013 requires covered housing providers to distribute a notice of applicant or tenant's rights at three points: upon denial of admission, upon admission or with a notice of eviction or subsidy termination.

2. Model Emergency Plan: The emergency transfer plan communicates to your tenants your commitment to providing safeguards afforded by VAWA and explains the process for a tenant seeking assistance under VAWA.

3. VAWA 2013 Lease Addendum: a lease addendum reiterating the lease is subject to the provisions of VAWA.

4. Certification of Domestic Violence: a document that allows the tenant to communicate their request for relief under VAWA.

5. Emergency Transfer Request: a document that can be utilized by a tenant seeking emergency transfer from their unit under VAWA.

NDHFA has published sample forms that can be utilized and are available at https://www.ndhfa.org/index.php/compliance/vawa/.

1.13 Tenant Fees

Owners may not charge tenants fees related to the project's obligation to comply with the requirements of the HTF program. In addition, owners may not charge tenants fees which are not customarily charged in the local rental housing market, such as laundry room access fees or parking fees. Owners may charge reasonable rental application fees to prospective tenants. Fees for services such as bus transportation or meals are allowable, as long as the services are voluntary and the fees charged are for the services provided.

1.14 Leases

There must be a written lease between the tenant and the owner that is for a period of not less than six months. The lease may not contain any of the following provisions:

- **Agreement to be sued:** agreement by the tenant to be sued, to admit to 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 take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties. This prohibition, 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 North Dakota law.
- **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 by the tenant that the owner may institute a lawsuit without notice to the tenant.
- **Waiver of legal proceedings:** agreement by the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant can present a defense or before a court decision on the rights of the parties.
- **Waiver of trial by jury:** 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.
- **Mandatory supportive services:** agreement by the tenant to accept supportive services that are offered.

An owner may not terminate the tenancy or refuse to renew the lease of a tenant of an HTF-assisted unit except for serious or repeated violations of the terms and conditions of the lease; for violation of an applicable federal, state or local law; or for other good cause. Good cause does not include an increase in the tenant's income. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action and providing a specific period for vacating that is consistent with North Dakota law.

1.15 Target Population Set Aside Units

Projects that received points for Permanent Supportive Housing agree to set aside designated units which must be held for occupancy by members of the special needs population, the Target Population, selected by the applicant for points.

During initial lease-up, priority shall be given in the tenant screening process to income-qualified households in the Target Population. Units shall be set aside for qualified Target Population households until the earlier of such time as the Project's minimum Permanent Supportive Housing commitment has been met or for a period of 90 days from the placed-in-service date.

Once a unit occupied by a Target Population household is physically vacated, that unit shall be held for a minimum of 60 days for occupancy by another qualified Target Population household unless the Project otherwise already complies with the minimum Permanent Supportive Housing unit percentage pledged on the application and required under the LURA. Diligent efforts to market the available unit to the Target Population shall be demonstrated during this time period. If after the 60-day period the unit is then leased to a household that is not within the Target Population and the Project does not otherwise meet the minimum required Permanent Supportive Housing unit percentage, the next subsequent available unit shall be set aside for and marketed to the Target Population for 60 days. This subsequent next-available-unit rule will continue to apply until the Project has once again met its Permanent Supportive Housing unit percentage.

1.16 Reserve Accounts

All properties will be required to maintain a replacement reserve account for the term of the HTF loan. The replacement reserve requirement for new construction properties and substantial rehabilitation properties, rehab exceeding $30,000 per unit, designed for seniors will be no less than $300 per unit per year, inflated at three percent annually. The requirement for all properties designed for families as well as rehabilitation developments with rehabilitation costs of $30,000 per unit or less will be no less than $350 per unit per year, inflated at three percent annually. This account shall be used only for capital improvements and the replacement of long-lived capital assets, not for routine maintenance and upkeep expenses. The replacement reserve shall be, and shall remain, an asset of the Project. It shall not be distributed to the Owner or any partner of the Owner at any time during or after the compliance period. Project Owners shall be required to provide NDHFA with a record of all activity in the replacement reserve account during the prior fiscal year in conjunction with submission of the Project's annual compliance monitoring materials.

All properties will also be required to establish and maintain, until the property has achieved a minimum of five years of stabilized operations, an operating reserve equal to a minimum of six months of projected operating expenses plus must-pay debt service payments and annual replacement reserve payments. This requirement can be met with an up-front cash reserve, a personal guarantee from the developer/general partner with a surety bond to stand behind the personal guarantee, or partnership documents specifying satisfactory establishment of an operating reserve. For purposes of the HTF program, “stabilized operations” is defined as occupancy of at least 90 percent of the units in the property for a period of at least 90 days.

Each reserve account identified in this section must be maintained in separate accounts maintained in a federally insured financial institution or the Bank of North Dakota. Reserve accounts must also be separate from the project’s ordinary operating account.

1.17 Changes in Management and/or Owner Contact Information

NDHFA must be notified within 30 days whenever the owner makes a change in the management agent or if there is a change in the contact ownership entity, agent or property manager. Changes in ownership must follow the requirements outlined under the Transfer of Ownership section in this manual. **Owners must review the Non-Compliant Organization listing.** A property management organization which is found to be substantially noncompliant will be placed on a Non-Compliance Organization listing and may not be contracted to manage another property until they have corrected all noncompliance issues.

1.18 Transfer of Ownership

Owners should contact NDHFA when considering a transfer of ownership.

All anticipated transfers of ownership should begin with the submission to NDHFA of a Notice of Intent to Transfer Ownership form (SFN 59468) with all necessary supporting documentation. The form must be completed and submitted **prior to** any transfer of title, change in partnership name, corporate name or status.

The fee for a transfer of ownership within five years of the placed-in-service date is $5,000. The fee for a transfer of ownership beyond five years of the placed-in-service date is $500. Half of the transfer fee will be refunded following NDHFA’s receipt of all the required documentation. There is no fee required for a partial change in the underlying organization of the ownership entity such as a replacement of the limited partner.

Submission to NDHFA of a Notice of Intent to Transfer form should be accompanied by the applicable fee, written notice from the seller to the buyer as to the requirements of the LURA, and written agreement by the potential buyer acknowledging and agreeing to abide by the requirements of the LURA.

In addition to the Notice of Intent to Transfer Ownership form, the following documentation must be submitted as available, but no later than 30 days after the transfer.

For Changes in Partnership Status, submit the corresponding document:

- Copy of amended or new Partnership Agreement.
- Copy of the Articles of Incorporation and By-Laws.
- Copy of the LLP/LLC Organizational Documents.

For Transfers of Ownership:

- Copy of the Purchase Agreement.
- Copy of the recorded Contract for Deed or Warranty Deed transferring the benefits and burdens of ownership of the building(s) to the purchaser or a Title Policy indicating ownership.
- Copy of the closing settlement statement showing sources and uses of funding.
- Also submit the corresponding document:
  - Copy of amended or new Partnership Agreement.
  - Copy of the Articles of Incorporation and By-Laws.
  - Copy of the LLP/LLC Organizational Documents.

1.19 Casualty Loss

The Owner is responsible to report any casualty losses of a building or individual unit(s) to NDHFA within 10 days of an incident. Furthermore, the owner must submit a plan to NDHFA within 30 days that sets a timeframe for reconstruction or replacement of lost units.

SECTION 2 – QUALIFICATION OF APPLICANTS

2.01 Overview

HTF establishes annual income limits for households occupying affordability-targeted rental units, known as the HTF-restricted units, in HTF projects. Each year, HUD determines the annual median incomes for all states, counties and metropolitan statistical areas. Those income determinations are used by NDHFA to assess a household's eligibility to rent an HTF-restricted unit. In order to determine whether a household is eligible, the project Owner needs to compare the verified anticipated annual household income against the published limit. Current Income Limits for HTF are posted on the NDHFA website at https://www.ndhfa.org/index.php/compliance/. HTF income limits, calculated at the greater of 30 percent AMI or the federal poverty line, are published by NDHFA annually, immediately following their release by HUD.

The method recognized by NDHFA for calculating eligible income under the HTF program is known as the Part 5 annual income method, which is also used by NDHFA in the Low Income Housing Tax Credit, Housing Incentive Fund and Neighborhood Stabilization Program, as well as in HUD's Section 8 and HOME programs. The term Part 5 refers to annual income as defined in Federal Regulations at 24 CFR 5.609. Income is calculated for all adult household members and is projected for the upcoming 12-month period, factoring in historical data and any other information obtained in the income review process.

Applicants for HTF-assisted units should be advised early in their initial visit to the development that there are maximum income limits that apply to these units. The Owner should explain to the prospective tenants that the anticipated income of **all persons** expecting to occupy the unit must be verified and included on an Application and Income Certification form prior to occupancy.

2.02 The Application

A fully completed rental application is critical to an accurate determination of eligibility. The information furnished on the application should be used as a tool to determine all sources of income and assets. The Agency encourages the use of the **Application for Housing and Tenant Income Certification.** If management chooses to use their own application, it must solicit sufficient information to make an accurate determination of the household's total income and assets using HUD standards. It is recommended that unrelated persons complete separate applications.

After the household completes the application, the Owner must verify all income and assets. After all income and assets have been verified, the Owner must then complete the **Tenant Income Certification** (TIC). The TIC must be signed and dated by both the tenant(s) and the Owner, and a copy retained in the tenant file. The TIC must be used for all move-ins. The TIC, along with the lease, is to be executed prior to move-in. All occupants in an HTF-assisted unit must be certified and under lease.

Any file documentation completed or obtained from a third party should be complete and accurate. Any corrections should be made by crossing out incorrect data, writing corrected information, and date and initial the correction. Correction fluids (white-out) are not permissible.

2.03 Determining Household Size

Household members include all adults and children who live in the unit including foster children and foster adults.

There will be times when absent family members will be included as part of the household composition and for determining the applicable income limit for the household. Such family members include:

- Children temporarily placed in a foster care home.
- Children present at least 50 percent of the time, as mandated by joint custody arrangements.
- Children who are away at school but return to the household during school recesses.
- Unborn children.
- Children in the process of being adopted.
- Family members temporarily absent due to military service or an out-of-state job assignment.
- Family members in rehabilitation facilities or hospitals for a limited time period or longer.
- If a family member is permanently confined to a nursing home or hospital, the family makes the decision as to whether to include the permanently confined family member as part of the household's composition.

If it is determined that a family member is only temporarily absent from the home, their entire income must be counted as if they were living in the unit.

If the family decides that a person permanently confined to a hospital or nursing home will be included as a household member, he or she may not be designated as head, co-head or spouse.

You must count income of all family members approved as household members even if some are temporarily absent.

Some households may include persons who are not considered as family members for the purposes of determining household size and income eligibility, including:

- Live-in aides.
- Children of live-in aides.
- Guests.

These persons should not be counted as household members when determining household size, and their income, if any, is not included when calculating annual income.

2.04 Whose Income to Count

Income for the following household members must be included:

- All adult members age 18 years and older.
- Emancipated minors residing with a family, other than head, spouse or co-head, would be considered a dependent.
- Household members, children and students who receive unearned income.
- Temporarily absent family members.

- Full-time students who are head, co-head or spouse, include all income.
- Full-time students who are age 18 and older and **not** head, co-head or spouse, include all unearned income and only the first $480 of earned income.
- Full-time students under age 18, include only unearned income.
- Active military members who are head, co-head or spouse.

2.05 Whose Income to Exclude

Income, as described below, for the following household members must be excluded from household income calculations:

- Family members under the age of 18, including foster children, who receive earned income.
- Qualifying students who receive financial assistance.
- Full-time students who are age 18 and older and **not** head, co-head or spouse, exclude all but the first $480 of earned income.
- Active military members who are **not** head, co-head or spouse.
- Family members who receive payments for the care of foster children and foster adults.
- Nonmembers including live-in aides and their children, guests and co-signors.

Household Members	**Employment Income**	**Other Income – Unearned** (including income from assets)
Head of Household	Yes	Yes
Spouse	Yes	Yes
Co-Head	Yes	Yes
Other Adults (includes foster adult)	Yes	Yes
Dependents (under 18)	No	Yes
Foster Child (under 18)	No	Yes
Full-Time Student (over 18)	See Note Below*	Yes
Temporarily Absent Member	Yes	Yes
Member permanently living in hospital or nursing home	A household decision	A household decision
Non-Household Members		
Live-in Aide	No	No
Guest	No	No

*The earned income of a full-time student 18 years old or older who is a dependent is excluded to the extent that it exceeds $480.

2.06 General Income Requirements

The Part 5 definition of annual income is the **gross amount** of **income of all adult household members** that is **anticipated to be received** during the coming 12-month period. Each of the bolded words or phrases in this definition is key to understanding the requirements for calculating annual income:

- Gross amount. For those types of income counted use the gross amounts, before any deductions are taken.
- Income of all adult household members. The Part 5 definition of annual income contains income "inclusions," types of income to be considered, and "exclusions," types of income that are not considered (e.g., the income of minors).
- Anticipated to be received. An Owner manager must use a household's expected ability to pay, rather than past earnings, when estimating housing assistance needs. In this case, an HTF-assisted rental unit.

2.07 General Verification Procedures (CFR 93.151)

At initial occupancy, annual income must initially be determined by examining source documents evidencing the household's annual income.

Required Number of Source Documents.

- Employment Income: Two months of source documentation or the most recent four consecutive pay stubs, which ever covers a greater time period (e.g., if paid weekly must collect eight paystubs, if paid monthly must collect four months).
- All other income: At least two months of source information (e.g., interest statements, unemployment compensation or government benefits statements).

Annual recertification of tenant income during the affordability period is required. For subsequent income determinations during the affordability period, income may be verified through review of source documents, as during initial occupancy, or through tenant self-certification or through certification by other government programs. Project-Based Rental Assistance recertification rules prevail and will also be employed for all HTF-assisted units when applicable.

1. Review of Source Documents (Initial Occupancy or Annual Recertification)

   HTF regulations require that Owners determine income eligibility for applicants of HTF-restricted units by examining source documents (e.g., wage statements or interest statements) as evidence of annual income. Owners may develop their own verification procedures if they collect source documentation and the documentation is sufficient for NDHFA to monitor program compliance.

   Documents provided by the applicant (e.g., pay stubs or tax returns) may be most appropriate for certain types of income and can be used as an alternative to third-party verifications. Note, if a copy of a tax return is needed, the IRS Form 4506, "Request for Copy of Tax Form," must be completed and signed. Copies of documents should be retained in tenant files.

Although easy to obtain, a review of documents provided by the applicant may not provide all necessary information. For instance, an employed applicant's pay stubs may not provide sufficient information about the average number of hours worked, overtime, tips and bonuses. Therefore, the Owner may also need to contact the employer to accurately project annual income.

Third-Party Verification: Under this form of verification, a third party (e.g., employer, Social Security Administration or public assistance agency) is contacted to provide information to verify income. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person, information conveyed and date of call. In addition, an Owner may obtain third party written verification by fax, email or Internet. The Owner must make adequate effort to ensure the sender is a valid third-party source.

To allow Owners to conduct third-party verifications, most recommended forms include a written release from the household that authorizes the third party to release required information.

Third-party verifications are helpful because they provide independent verification of information and permit the Owner to determine if any changes to current circumstances are anticipated. Some third-party providers may, however, be unwilling or unable to provide the needed information in a timely manner.

Some third-party providers (e.g., banks) may charge a fee to provide the information. In such cases, the Owner should attempt to find suitable documentation (e.g., bank statements) without the third-party verification.

2. Self-Certification (Annual Recertification Only)

   Through the self-certification method, the household provides a written statement of the amount of the household's annual income and size along with a certification that the information is complete and accurate. The certification must state that source documents will be provided upon request.

   Income source documents must be verified at least once every sixth year during the project's period of affordability (this does not mean the tenants sixth year of residency, but the project's period of affordability)

   ***Units that receive project-based rental assistance must re-examine tenant income in accordance with project-based rental assistance rules.**

3. Certification by Other Programs (Annual Recertification Only)

   Through certification by other programs, the Owner obtains a written statement from the administrator of a government program under which the household receives benefits in which the annual income of the household is examined yearly. The statement must indicate the tenant's household size and state the amount of the annual household income or, alternatively, the statement must indicate the current dollar limit for ELI households for tenant's household size and state that the household's annual income does not exceed this limit.

- Applicants should be asked to sign two copies of each verification form. The second copy may be used if the first request has not been returned in a timely manner.
- Income verification requests must be sent directly to and from the source, **not** through the tenant. It is suggested that a self-addressed, stamped envelope be included with the request for verification.
- When written verification is not possible prior to move-in, direct contact with the source will be acceptable to the NDHFA but **must be followed up by written verification**. The conversation should be documented in the applicant's file to include all the information that would be included in a written verification. The name and title of the contact, the name of the management representative accepting the information and the date must be included. The form, "Document Viewed or Telephone Information Received," may be used for documentation of a direct contact. By using this approach, the ultimate risk of admitting an ineligible tenant is borne solely by the Owner.
- The Owner should give the applicant the opportunity to explain any significant differences between the amounts reported on the application and amounts reported on third-party verification in order to determine actual income. The explanation should be documented in the tenant file.

Certain requirement areas apply to the Part 5 method, including how to determine whose income to count, anticipating and verifying income, and comparing calculated annual income to HUD income limits. Once annual income is calculated and verified by the Owner, the tenant household must sign a tenant income certification attesting to the truth and accuracy of the income information and calculations.

HTF regulations require that for purposes of determining eligibility for an HTF-restricted unit, the Owner must project a household's income in the future. To do so, a "snapshot" of the household's current circumstances is used to project future income. In general, unless there is verifiable evidence to the contrary, it should be assumed that today's circumstances will continue for the next 12 months. I.e., if a head of household is currently working for $10.00 per hour, 40 hours per week, the Owner should assume that the family member will continue to do so for the next year. Thus, estimated earnings will be $10.00 per hour multiplied by 2,080 hours or $20,800 per year.

This method should be used even when it is not clear that the type of income received currently will continue in the coming year, i.e., a family member has been receiving unemployment benefits of $100 per month for 16 weeks at the time of income certification. It is unlikely that the family member will continue unemployment for another 52 weeks. However, because it is not known whether or when the family member will find employment, the Owner should use the current circumstances to anticipate annual income. Income would therefore be calculated as follows: $100 per week x 52 weeks or $5,200.

The exception to this rule is when documentation is provided which indicates that current circumstances are about to change. I.e., an employer might report that an employee currently makes $10.00 an hour, but a negotiated union contract will increase this amount to $12.00 an hour eight weeks from the date of initial occupancy. In such cases, income can be calculated based on the information provided. The calculation would be as follows.

- $10.00/hour x 40 hours/week x 8 weeks = $3.200
- $12.00/hour x 40 hours/week x 44 weeks = $21,120
- $3,200 + $21,120 = $24,320 projected annual income

2.08 Income Inclusions and Exclusions (24 CFR 5.609 (b) and (c))

Income inclusions include:

1. The **full amount**, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.

2. **The net income from operation of a business or profession**. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

3. **Interest, dividends and other net income** of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in Inclusion 2. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.

4. The full amount of **periodic amounts** received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amounts or prospective monthly amounts for the delayed start of a periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See Exclusion 13 for an exception.

5. **Payments in lieu of earnings**, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in Exclusion 3.

6. **Welfare Assistance**.
   a. Welfare assistance received by the family.
   b. If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance to be included as income shall consist of both:
      i. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities.
      ii. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount

calculated under this paragraph shall be the amount resulting from one application of the percentage.

7. **Periodic and determinable allowances** such as alimony, child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.

8. **All regular pay, special pay, and allowances** of a member of the Armed Forces, except as provided in Exclusion 7.

9. For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph "financial assistance" does not include loan proceeds for the purpose of determining income. *(Note: This paragraph also does not apply to a student who is living with his/her parents who are applying for or receiving Section 8 assistance.)

Income Exclusions include:

1. Income from employment of children, including foster children, under the age of 18 years.

2. Payments received for the care of foster children or foster adults, usually persons with disabilities unrelated to the tenant family, who are unable to live alone.

3. Lump-sum additions to family assets, such as inheritances, insurance payments including payments under health and accident insurance and worker's compensation, capital gains, and settlement for personal or property losses, except as provided in Inclusion 5.

4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.

5. Income of a live-in aide, as defined in 24 CFR 5.403.

6. The full amount of student financial assistance paid directly to the student or to the educational institution, see Inclusion 9, for students receiving Section 8 assistance.

7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm).

8. Miscellaneous Income Exclusions:
   a. Amounts received under training programs funded by HUD (e.g., training received under Section 3).
   b. Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS).
   c. Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (e.g., special

equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program.

d. Amounts received under a resident service stipend. A resident service stipend is a modest amount, not to exceed $200 per month, received by a resident for performing a service for the owner on a part-time basis that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident initiative coordination. No resident may receive more than one such stipend during the same period of time.

e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs, including training programs not affiliated with a local government, and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program.

9. Temporary, nonrecurring or sporadic income including gifts.

10. Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era (i.e., payments by the German and Japanese governments for atrocities committed).

11. Earnings in excess of $480 for each full-time student 18 years or older, excluding the head of household and spouse.

12. Adoption assistance payments in excess of $480 per adopted child.

13. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts.

14. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.

15. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.

16. Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:

    a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 [b]).
    b. Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (e.g., employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions).

c. Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c]).
d. Income derived from certain sub marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e).
e. Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]).
f. Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552[b]. Effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998 [29 U.S.C. 2931], e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs, AmeriCorps.
g. Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L94-540, 90 Stat. 2503-04).
h. The first $2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U. S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408).
i. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu).
j. Payments received from programs funded under Title V of the Older Americans Act of 1985 (42 U.S.C. 3056[f]), e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program.
k. Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in In Re Agent-product liability litigation, M.D.L. No. 381 (E.D.N.Y.).
l. Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721).
m. The value of any child care provided or arranged or any amount received as payment for such care or reimbursement for costs incurred for such care under the Child Care and Development Block Grant Act of 1990 (42 U.S.C.
n. Earned Income Tax Credit (EITC) refund payments received on or after January 1, 1991, including advanced earned income credit payments (26 U.S.C. 32[j]).
o. Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433).
p. Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637[d]).
q. Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran (38 U.S.C. 1805).
r. Any amount of crime victim compensation under the Victims of Crime Act received through crime victim assistance, or payment or reimbursement of the cost of such assistance, as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602).
s. Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).

2.09 Unemployed Zero Income Applicants

If a household member is currently unemployed and claims no income from such sources as Social Security, pensions, income from assets, etc., the tenant must complete the **Certification of Zero Income and the Non-employed Affidavit.**

The income of unemployed household members, with regular income from any source such as Social Security, pension, recurring gifts, income from assets, etc., must be verified.

2.10 Calculating Annual Income

Owners must assess all the facts underlying the income information collected. Below are some of the considerations Owners must take into account:

- Pay Period
  - The Owner should determine the basis on which employees are paid (hourly, weekly or monthly, and with or without overtime). An employee who gets paid "twice a month" may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year).
  - An annual salary is counted as annual income regardless of the payment schedule. For example, if a teacher's annual salary is $30,000, this is the annual income regardless of whether the teacher is paid over a nine- or 12-month period.

- Variations in Pay
  - For applicants whose jobs provide steady employment (e.g., 40 hours a week, 52 weeks a year), it can be assumed that there will only be slight variations in the amount of earnings reflected in monthly or bi-weekly pay stubs. In such cases, three consecutive months' worth of income documentation is an appropriate amount upon which to base a projection of income over the following 12-month period.
  - For those whose annual employment is less stable or does not conform to a twelve-month schedule (e.g., seasonal laborers, construction workers, teachers), Owners should examine income documentation that covers the entire previous twelve-month period. Such workers can experience substantial variations in earned income over the course of a year. As such, an examination of three months' worth of income documentation may not provide an accurate basis upon which to project the applicant's income over the following 12 months.

- Sources of Earned Income
  - In addition to hourly earnings, Owners must account for all earned income. In addition to the base salary, this will include annual cost of living adjustments (COLAs), bonuses, raises, and overtime pay. In the case of overtime, it is important to clarify whether overtime is sporadic or a predictable component of an employee's income. If it is determined that an applicant has earned and will continue to earn overtime pay on a regular basis, Owners should calculate the average amount of overtime pay earned by the applicant over the pay period the Owner is using to calculate income eligibility. This average amount is then to be added to the total amount of projected earned income over the following 12-month period.

Exhibit 2.1 Step-by-Step Methodology for Projecting Annual Income

Steps	Instructions
Step 1: Collect appropriate income documentation.	Appropriate documentation includes pay stubs, third-party verification, bank statements (checking and/or savings), or certified copies of tax returns. (These can be acquired by submitting an IRS Form 4506, "Request for Copy of Tax Form.")
Step 2: Calculate the applicant household's projected income based upon documentation.	This calculation must include hourly wage figures, overtime figures, bonuses, anticipated raises, COLAs, or other anticipated changes in income. Other specific inclusions must also be reflected in the calculations, such as other eligible sources of non-wage income.
Step 3: Compare the amount of projected income against current HUD-published income limits.	Once the Owner has calculated the household's income, it must compare the household's final projected figure to HUD-published income limits. Households whose projected annual income is less than the current HTF income limit are eligible for an HTF-restricted unit.

Exhibit 2.1 provides a step-by-step explanation of the standard methodology for projecting annual income.

2.11 Assets

Assets, other than necessary personal items, are considered along with verified income in determining the eligibility of a household.

Valuing Assets

In computing assets, owners must use the cash value of the asset, the amount the family would receive if the asset was converted to cash. Cash value is the market value of the asset less reasonable costs that were or would be incurred in selling or converting the asset to cash. NDHFA considers 10 percent as a reasonable basis for the costs of conversion.

Example: An applicant owns a home with a market value of $30,000 and a loan against the home of $18,000. The cash value of the asset would be $30,000 less 10 percent less $18,000 or $9,000.

If assets are owned by more than one person, prorate the assets according to their percentage of ownership. If no percentage is specified, prorate the assets evenly among all owners.

Asset Valuation Guidelines

Checking Account	Use the past six months' average balance.
Savings Account	Use the current balance.
Equity in Real Estate	Convert to and use the cash value.
IRA or Keogh Accounts	If not withdrawing, use cash value.

Retirement Accounts	While employed, use the amount that can be withdrawn without retiring or terminating employment. At retirement, add lump sum amounts to net family assets or add periodic distributions to annual income.
Jointly-owned Assets	Prorate according to the percentage of ownership. If no percentage is specified or provided by state or local law, prorate the assets evenly among all owners.

Do Include:

1. Cash held in savings and checking accounts, safety deposit boxes, homes, etc.

2. Trusts: include the principal value of any trust available to the household. Do **not** include irrevocable trusts, i.e. ones that no household or family member can control.

3. Equity in rental property or other capital investments. Include the current market value less:
   a. Any unpaid balance on any loans secured by the property.
   b. Reasonable costs that would be incurred in selling the asset - penalties, broker fees, etc.

4. Stocks, bonds, treasury bills, certificates of deposits, money market funds, etc.

5. Individual Retirement and Keogh Accounts.

6. Retirement and pension funds.
   a. While the person is employed, include only amounts the family can withdraw without retiring or terminating employment.
   b. At retirement or termination of employment, if benefits will be received in a lump sum, include the benefits in Net Family Assets. If benefits will be received through periodic payments, include the benefits in annual income.

7. Lump sum receipts: include inheritances, capital gains, one-time lottery winnings, and settlements on insurance and other claims. (Do not count lump sum receipts that must be counted as income.)

8. Personal property held as an investment. Include gems, jewelry, coin collections, or antique cars held as an investment. (An applicant's wedding ring and other personal jewelry are not counted as an asset.)

9. Cash value of life insurance policies available to the individual before death.

10. Assets disposed of within two years before effective date of certification/recertification.
    a. If the cash value of the disposed assets exceeds the actual amount the family received by more than $1,000, include the whole difference between the cash value and the amounts received. Do not include if the difference is less than $1,000.
    For example, on 6-1-99 a couple gave $2,000 to each of their three grandchildren and deeded a home to their son. The home had a cash value of $40,000 and the son paid his parents $12,000 for the home. $34,000 ($40,000 less $12,000 plus $2,000 x 3) is counted as an asset until such time as the household can certify on an

Income Certification that they did not dispose of any assets during the two years preceding the certification date. The $12,000 paid by the son may also be counted as an asset, depending on what was done with the payment.

b. **Do not** consider assets disposed of for less than fair market value as a result of a foreclosure, bankruptcy, or a divorce or separation agreement.

Do Consider:

1. Assets put into trusts.

2. Business assets disposed of for less than fair market value. (Business assets are excluded from net family assets only while they are part of an active business.)

Do Not Include:

1. Necessary personal property (e.g., clothing, furniture, cars, etc.).

2. Life insurance policies that do not have any cash value.

   Assets that are part of an active business. A business does not include rental of properties that are held as an investment and are not a main occupation.

3. Assets that are not effectively owned by the applicant, i.e., when assets are held in an individual's name but the assets and any income earned accrues to the benefit of someone else or another person is responsible for income taxes incurred on income generated by the assets. For example, assets held pursuant to a power of attorney because one party is not competent to manage the assets or assets held in a joint account solely to facilitate access to assets in the event of an emergency.

4. Assets that are not accessible to the applicant and provide no income to the applicant. For example, a battered spouse owns a house jointly but because of the domestic situation receives no income from the asset and cannot convert the asset to cash.

2.12 Actual Income from Assets

Assets can generate income, and for the purpose of determining an applicant's income, the actual income generated by the asset (e.g., interest on a savings or checking account) is what counts, not the value of the asset. The income is counted, even if the household elects not to receive it. For example, if an applicant elects to reinvest the interest or dividends from an asset, it is still counted as income.

As with other types of income, the income included in annual income calculation is the income that is anticipated to be received from the asset during the coming 12 months. Several methods may be used to approximate the anticipated income from the asset. For example, to obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account. Alternatively, if the value of the account is not anticipated to change in the near future and the interest rate has been stable, a copy of the IRS 1099 form showing past interest earned can be used.

Checking account balances are considered assets. This rule is not intended to count monthly income as an asset, but rather is recognition that some households keep assets in their checking accounts. To avoid counting monthly income as an asset, Owners should use the **average monthly balance over a six-month period** as the cash value of a checking account.

Two Unique Rules

For most assets, calculating cash value and the income from the assets is straightforward. Special rules have, however, been established to address two circumstances – situations in which the assets produce little or no income and assets that are disposed of for less than fair market value.

HUD does not allow the use of the Assets Under $5,000 self-certification. Assets must be verified.

1. When an Asset Produces Little or No Income

   This rule assumes that a household with assets has an increased payment ability, even if its assets do not currently produce income. For example, a household that owns land that is not rented or otherwise used to produce income. Rather than require the household to dispose of the property, the rule requires that an “imputed” income be calculated based on a Passbook Rate that is applied to the cash value of all assets. **This rule only applies if the total cash value of all assets is more than $5,000.** The following examples illustrate how imputed income from assets calculation is applied.

   Example 1: The Cayhill family has $6,000, average balance over six months, in a non-interest-bearing checking account. The Owner would include in annual income an amount based on the current Passbook Rate, two percent in this example. The calculation would be: $6,000 x .02 = $120.

   Example 2: The Shaw family has $3,000, average balance over six months, in a non-interest-bearing checking account and $5,500 in an interest-bearing savings account. The family reports and the Owner verifies $150 interest on the savings account. The Owner would count the greater of the actual income from assets or the imputed income based on the Passbook Rate, two percent in this example, as shown below.

Imputed income ($8,500 x .02) =	$170
Actual income	$150
Included in annual income	$170

   Example 3: The Smiths have $600, average balance over six months, in a non-interest-bearing checking account. No income from assets would be counted because the family has no actual income from assets and the total amount of all assets is less than $5,000.

   Note: Check with NDHFA for the current Passbook Rate to utilize.

2. When Assets are Disposed of at Less than Fair Market Value

   Applicants who dispose of assets for less than fair market value (i.e., value on the open market in an “arm’s length transaction”) have voluntarily reduced their ability to afford housing. The Part 5 rules require, that any asset disposed of for less than fair market value during the two years preceding the income determination be counted as if the household still owned the asset.

The amount to be included as an asset is the difference between the cash value of the asset and the amount that was received, if any, in the disposition of the asset. Consider the following examples.

Example 1: Mr. Jones cashed in stock to give a granddaughter funds for college in August 2015. The stock had a market value of $4,500 and a broker fee of $500 was charged for the transaction.

Market value	$4,500
Less broker's fee	500
Cash value to be considered	$4,000

The $4,000 in assets would be counted for any income determination conducted until August 2017 (looking forward two years from the time of disposal).

If Mr. Jones has no other assets, no income from assets would be included in annual income because the cash value of the asset is less than $5,000. If other assets brought total assets to more than $5,000, the imputed income calculation described previously would be required.

Example 2: Mrs. Smith "sold" a piece of property to a family member for $30,000 on July 1, 2016. The home was valued at $75,000 and had no loans against it.

Market value	$75,000
Less actual settlement costs	3,000
Less sales price	30,000
Cash value to be considered	$42,000

The $42,000 would be counted as an asset for any income determination conducted until July 1, 2018. The $42,000 would be combined with the cash value of other assets, if any, and an imputed income calculation would be required.

Each applicant must certify whether an asset has been disposed of for less than fair market value. Assets disposed of for less than fair market value as a result of foreclosure or bankruptcy are not included in this calculation. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be less than fair market value if the applicant receives (or received) important consideration not measurable in dollar terms.

2.13 Comparing Annual Household Income to Published Income Limits

Once household and income information has been established and verified, an Owner must compare the information to the appropriate HUD income limits to determine if the household is eligible for a HTF-restricted unit.

To determine eligibility, Owners must use a copy of the most recent HTF income limits, adjusted for family size and county. Current annual income limits for the HTF program are updated annually and posted on NDHFA's website, https://www.ndhfa.org/index.php/compliance/. Exhibit 2.02 provides a sample HTF income limits table.

To compare a household's verified annual income to the HTF income limits, follow these steps:

1. Find the geographic area in which the project is located on the HTF Income Limits chart.
2. Find the column that corresponds to the actual number of persons in the household.
3. Compare the verified income of the household with the income limit for the applicable household size.

Exhibit 2.02 Sample HTF Income Limit Schedule

National Housing Trust Fund
Maximum Income and Rents – Extremely Low Income (30% AMI)
Limits as of: 05/30/2016 Effective: 05/30/2016

	Maximum Income Limits							
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Adams	15,450	17,650	20,160	24,300	28,440	32,580	36,730	40,890
Barnes	16,100	18,300	20,450	24,300	28,440	32,580	36,730	40,890
Benson	15,800	18,050	20,300	24,300	28,440	32,580	36,730	40,890

Using the sample income limits chart in Exhibit 2.02, consider the following example:

> Mr. and Mrs. Larson of Adams County have three children that permanently reside with them. It has been determined by the Owner that the Larsons have an annual household income of \$27,500. Based on the income limits, the Larson family must have an income of less than \$28,440 in order to be eligible for an HTF-assisted unit. Since the Larson's income of \$27,500 is less than the HTF limit of \$28,440, they are eligible for the HTF-assisted unit.

Sample Format for Computing Part 5 Annual Income

Appendix A shows a sample format for computing annual income using the Part 5 annual income definition. Appendix A also provides examples that illustrate how the Part 5 annual income and asset definitions are applied to individual family circumstances.

Increases in Household Income

A household residing in an HTF-assisted unit, and which was determined income-eligible at the time of initial occupancy, is not subject to eviction from that unit solely because household income increased above 140% of applicable HTF income limits during recertification. HTF-assisted units continue to qualify as affordable housing despite a temporary noncompliance caused by increases to household income, so long as actions are being taken by the Owner to fill vacancies in such a manner as to correct the noncompliance as quickly as possible. Specifically, the next available vacant unit in the project must be filled by an income-eligible household so that the project as a whole remains in compliance with the affordability restrictions agreed upon in the HTF loan documents and LURA. This is referred to as the "next-available-unit rule." The next-available-unit rule applies to any project that is not 100 percent HTF-assisted. HTF-assisted units must be floating, and not fixed to specific project units, in order to facilitate the next-available-unit rule. If any subsequent vacancy is filled with an over income tenant, the project is then considered to be out of compliance with the HTF program.

An owner may not terminate the tenancy or refuse to renew the lease of a tenant of an HTF-assisted unit except for serious or repeated violations of the terms and conditions of the lease; for violation of an applicable federal, state or local law; or for other good cause. Good cause does not include an increase in the tenant's income. To terminate or refuse to renew tenancy, the owner must serve written notice upon the tenant specifying the grounds for the action and providing a specific period for vacating that is consistent with North Dakota law.

SECTION 3 – COMPLIANCE MONITORING PROCEDURES

NDHFA shall perform annual monitoring reviews for all projects funded by NDHFA with HTF funds. The monitoring review shall consist of a desk review of information provided by the Owner and/or a site visit and review of documentation at the project location. At a minimum, a site visit will be performed soon after project completion and at least once every three years thereafter. If a project contains funding from a federal program which requires tenant income and rent restrictions and project financial requirements at least as restrictive as the HTF program, NDHFA may accept proof of compliance during the annual review of such federal program to satisfy the HTF monitoring requirement.

3.01 Compliance Monitoring Fees

Late Fee: Developments making late payment or filing required annual reports late will be assessed a $250 late fee.

Follow Up Inspections: If NDHFA is required to reinspect the property due to noncompliance, management no show, or failure to properly notify the tenants of an inspection, the development will be assessed a $150 reinspection fee plus actual costs for travel and per diem will be charged.

3.02 Annual Desk Review

Each project is assigned a compliance reporting period when the project is placed in service. All reports must be sent in by the pre-determined date, typically within 15 days of the anniversary of the placed-in-service date. This annual date remains the same throughout the affordability period. Non-receipt of the reports by the due date will automatically trigger the filing of a notice of noncompliance.

The Owner is required to submit an **Annual Rental Compliance Report** and an **Annual Owner Certification** to NDHFA each year of the affordability period as defined in the Land Use Restrictive Covenant.

Annual Rental Compliance Report

Each year of the period of affordability, the project owner shall submit to NDHFA a completed **Annual Rental Compliance Report**. The report shall contain information about each income and/or rent restricted unit in the project as well as tenant information for those units. The report shall also contain information about each vacant unit in the project. The project Owner shall also submit a tenant income certification for each tenant household residing in an HTF-assisted unit. NDHFA will perform a desk review of the information provided by the project owner in order to determine areas for further examination. NDHFA will also consult other written data during the monitoring review, such as the HTF application, financial award, loan documents, and documentation from previous monitoring.

Annual Owner Certification

Each year of the period of affordability, the project owner shall submit to NDHFA a completed **Annual Owner Certification**. With this document, the Owner certifies that the development meets the following:

- The development continues to comply with all HTF regulatory requirements contained in 24 CFR Part 93.

- Each HTF-assisted unit is rent-restricted as defined in the LURA.
- The Owner has conducted an initial certification for each household in an HTF-assisted unit and is retaining documentation to support that certification.
- No tenants in HTF-assisted units were evicted or had their tenancies terminated other than for good cause, and no tenants had an increase in the gross rent with respect to a low-income unit not otherwise permitted under Code.
- All low-income units in the project are and have been for use by the general public and used on a non-transient basis.
- No finding of discrimination under the Fair Housing Act (42 U.S.C. 3601-3619) has occurred for this project. A finding of discrimination includes an adverse final decision by the HUD Secretary, 24 CFR 180.680, an adverse final decision by a substantially equivalent state or local fair housing agency, 42 U.S.C. 3616a(a)(1), or an adverse judgment from a federal court.
- Each building in the project is and has been suitable for occupancy taking into account local health, safety and building codes (or other habitability standards), and the state or local government unit responsible for making building code inspections did not issue a report of a violation for any building or low income unit in the project.
- No request for protection under VAWA 2013 has been made by any tenant of this project.
- All common areas and facilities such as swimming pools, other recreational facilities, parking areas, washer/dryer hookups, and appliances were provided on a comparable basis without charge to all tenants in the buildings where applicable.
- If a low-income unit in the project has been vacant during the year, reasonable attempts were or are being made to rent that unit or the next available unit to tenants having a qualifying income before any units were or will be rented to tenants not having a qualifying income.
- If the income of tenants of a low-income unit in any building increased above the limits allowed under the HTF program, the next available unit was or will be rented to residents having a qualifying income.
- There has been no change in the ownership or management of the Project.
- There has been no project-based rental assistance added to the Project since placed-in-service.

Other Required Annual Compliance Records

Also required to be submitted to NDHFA within 120 days of the end of the project's fiscal year are the following, certified to be true and correct by the Owner:

- Federal regulation requires that, during the period of affordability, the Owner must submit audited financial statements for the Project in order for NDHFA to examine the Project's financial condition, to determine continued financial viability, and to take corrective action.
- Statement of Mortgage Balances, showing that payments are current.
- Property Tax Statement showing taxes are paid and current.
- Bank statements for operating reserve and replacement reserve accounts as of the end of the project fiscal year.
- Proof of sufficient property and liability insurance coverage with NDHFA listed as mortgagee.
- Documentation to show the current utility allowance is being used (i.e., a copy of the PHA utility allowance table).
- For projects that received points at initial HTF application for pledging to provide permanent supportive services to special needs populations, an affidavit attesting to the supportive services provided to the project's population during the fiscal year must be

provided by the provider(s) of such services.
- Compliance monitoring fees.
- Such other information as may be requested in writing by the Agency in its reasonable discretion.

3.03 On-site Inspection

Consists of an inspection of all buildings in the development within twelve (12) months following the year the last building in the development was placed in service (project completion) and at least once every three years thereafter. On-site inspections include a physical inspection of property and review of the tenant income certifications (TIC), the documentation supporting the TIC, and the rent records for the tenants. NDHFA is required to review a random sampling of at least 20 percent of the tenant files and multi-family units. All vacant units will be inspected to ensure they are suitable for occupancy.

NDHFA will also request the following:

- Current Rent Roll.
- Current utility allowance.
- Affirmative Fair Housing Plan.
- Tenant Selection Policy.

The selection of the files and units will be a random sample that is not available prior to the review. The units inspected will not necessarily be the tenant files reviewed. Approximately 14 days prior to the inspection a notification letter will be sent to the owner/agent of the property.

3.04 Tenant File Review Procedures

Based on the total number of HTF units in the development, on-site tenant file reviews will consist of 20 percent of the tenant files. If there are serious non-compliance issues the number of units sampled may increase.

The following items will be reviewed:

- Rental Application.
- Lease Agreement.
- Student Status Verification.
- VAWA Lease Addendum.
- Move-in Inspection signed by Owner and Tenant.
- Consent and Release forms.
- Tenant Income Certification and supporting documentation/verifications for both income and assets.
- Recertification documentation.

Corrections should be made to documents with a line drawn through the incorrect item, write in the correct item and have both parties initial and date the change. White out is not acceptable.

3.05 Physical Inspection Procedures

NDHFA is required to enforce property standards which ensure the housing is decent, safe, sanitary and in good repair throughout the affordability period. At a minimum, the property standards include all inspectable items and inspectable areas specified by HUD's physical inspection procedures called UPCS (Uniform Physical Condition Standards).

The HTF-assisted housing must be free of all health and safety defects. Any life-threatening deficiencies must be corrected immediately upon discovery.

Timely corrective and remedial actions must be taken by the owner to address identified deficiencies. Correction can be verified by providing third party documentation including work orders and receipts. A follow-up on-site inspection may occur within 12 months, or within a reasonable timeframe established by NDHFA depending on the severity of the deficiency, to verify that all observed life-threatening and safety deficiencies have been corrected.

NDHFA will conduct physical inspections of HTF-assisted housing to determine compliance with these standards and will conduct such inspections every one to three years at its sole discretion. Properties which are found to have health and safety violations will be subject to a more frequent inspection schedule.

The manager is required to notify all households at least 24 hours in advance of the physical inspection. The selection of units is random and at the discretion of the inspector.

The property owner must annually certify that each building in the project is suitable for occupancy, taking into account state and local health, safety, and other applicable codes, ordinances, requirements, and the UPCS. Property owners and managers should refer to the Minimum Housing Rehabilitation and Property Standards manual for further information.

Uniform Physical Condition Standards

Housing assisted with HTF funds and which are placed in service must follow property standards which include all inspectable items and inspectable areas specified by HUD based on its physical inspection procedures, known as the UPCS as prescribed by HUD pursuant to 24 CFR Part 5, subpart G. Any and all deficiencies identified during annual compliance monitoring site visits of HTF-assisted properties must be cured. NDHFA will monitor property condition standards using the same process and procedures as for the federal Low Income Housing Tax Credit Program which does not employ a scoring protocol or grade levels of deficiencies; all identified deficiencies must be corrected.

Rehabilitation projects, including adaptive reuse, must address any and all deficiencies identified in this section as part of the project's scope of work so that, upon completion, all such deficiencies are cured. For projects which include acquisition and/or rehabilitation of occupied housing, any life-threatening health and safety deficiencies, **identified in this section in ALL CAPS**, must be addressed and corrected immediately.

Housing assisted with HTF funds must be decent, safe, sanitary and in good repair. Owners of HTF-assisted property must maintain such housing in a manner that meets the physical condition standards set forth in this section in order to be considered decent, safe, sanitary and in good repair. These standards address the major areas of the HTF-assisted housing: the site, building exterior, building systems, the dwelling units, the common areas, and health and safety considerations.

- **Site:** The inspectable items related to Site, such as fencing and gates, retaining walls, grounds, lighting, mailboxes/project signs, parking lots/driveways, play areas and equipment, refuse disposal, roads, market appeal, storm drainage, walkways, and steps must be free of health and safety hazards and be in good repair. The site must not be subject to material adverse conditions, such as abandoned vehicles, dangerous walks or steps, poor drainage, septic tank back-ups, sewer hazards, excess accumulation of trash, vermin or rodent infestation, or fire hazards.

  Examples of observable deficiencies for inspectable items related to Site include, but are not limited to, the following:

  - Fencing and Gates, both security/safety and non-security fences and gates: damaged, falling, or leaning; holes; and missing sections.
  - Grounds: erosion; rutting areas; overgrown or penetrating vegetation; ponding or poor site drainage.
  - Mailboxes/Project Signs: missing or damaged.
  - Market Appeal: graffiti or litter.
  - Parking Lots/Driveways/Roads: Cracks; ponding; potholes; loose material; settlement or heaving.
  - Play Areas and Equipment: Damaged or broken equipment; deteriorated play area surface.
  - Refuse Disposal: Broken or damaged enclosure; Inadequate outdoor storage space.
  - Retaining Walls: Damaged, falling, or leaning.
  - Storm Drainage: Damaged or obstructed.
  - Walkways/Steps: Broken or missing handrail; cracks; settlement; heaving; spalling; exposed rebar.

- **Building Exterior:** Each building on the site must be structurally sound, secure, habitable, and in good repair. The inspectable items related to Building Exterior, which includes each building's doors, fire escapes, foundations, lighting, roofs, walls, and windows, where applicable, must be free of health and safety hazards, operable, and in good repair.

  Examples of observable deficiencies for inspectable items related to Building Exterior include, but are not limited to, the following.

  - Doors: Damaged frames, threshold, lintels, or trim; damaged hardware or locks; damaged surface (holes, paint, rusting, glass); damaged or missing screen, storm or security door; deteriorated or missing caulking or seals; missing door.
  - FIRE ESCAPES: BLOCKED EGRESS OR LADDERS; VISIBLY MISSING COMPONENTS.
  - Foundations: Cracks or gaps; spalling; exposed rebar.
  - Lighting: Broken fixtures or bulbs.
  - Roofs: Damaged soffits or fascia; damaged vents; damaged or clogged drains; damaged or torn membrane; missing ballast; missing or damaged components from downspout or gutter; missing or damaged shingles; ponding.

- Walls: Cracks or gaps; damaged chimneys; missing or damaged caulking or mortar; missing pieces, holes, or spalling; stained, peeling, or needs paint.
- Windows: Broken, missing, or cracked panes; damaged sills, frames, lintels, or trim; damaged or missing screens; missing or deteriorated caulking, seals, or glazing compound; peeling or missing paint; SECURITY BARS PREVENT EGRESS.

- **Building Systems:** The inspectable items related to Building Systems, which includes each building's domestic water, electrical system, elevators, emergency power, fire protection, HVAC, roof exhaust system, and sanitary system must be free of health and safety hazards, functionally adequate, operable, and in good repair.

  Examples of observable deficiencies for inspectable items related to Building Systems include, but are not limited to, the following.

  - Domestic Water: Leaking central water supply; missing pressure relief valve; RUST OR CORROSION ON HEATER CHIMNEY; IMPROPER ANGLE OF OR DISCONNECTED FLUE ON WATER HEATER; water supply inoperable.
  - Electrical System: Blocked access or improper storage; burnt breakers; evidence of leaks or corrosion; frayed wiring; MISSING BREAKERS OR FUSES; MISSING OUTLET COVERS.
  - Elevators: Not operable.
  - Emergency Power: Auxiliary lighting inoperable; run-up records/documentation not available.
  - Fire Protection: Missing/disabled/painted/blocked/capped sprinkler head; missing, damaged, or expired extinguishers.
  - HVAC: Boiler or pump leaks; fuel supply leaks; general rust or corrosion; MISALIGNED CHIMNEY OR VENTILATION SYSTEM.
  - Roof Exhaust System: Roof exhaust fan(s) inoperable.
  - Sanitary System: Broken, leaking, or clogged pipes or drains; missing drain, cleanout, or manhole covers.

- **Dwelling Units:** Each Dwelling Unit within a building must be structurally sound, habitable, and in good repair. All inspectable items of the dwelling unit (e.g., the unit's bathroom, call-for-aid (if applicable), ceiling, doors, electrical systems, floors, hot water heater, HVAC, kitchen, lighting, laundry area, outlets/switches, patio/porch/balcony, smoke detectors, stairs, walls, and windows) must be free of health and safety hazards, functionally adequate, operable, and in good repair.

  Examples of observable deficiencies for inspectable items related to the Dwelling Units include, but are not limited to, the following.

  - Bathroom: Bathroom cabinets damaged or missing; lavatory sink damaged or missing; plumbing has clogged drains or faucets or leaking faucet or pipes; shower or tub is damaged or missing; ventilation or exhaust system is absent or inoperable; water closet or toilet is damaged, clogged or missing.
  - Call-for-Aid (if applicable): Inoperable.
  - Ceiling: Bulging, bucking, or leaking; holes, missing tiles, panels, or cracks; peeling or missing paint; water stains, water damage, mold or mildew.
  - Doors: Damaged frames, threshold, lintels, or trim; damaged hardware or locks; damaged or missing screen, storm or security door; damaged surface, including

holes, bad paint, rusting, broken glass, or rotting; deteriorated or missing seals on the entry door; missing door.

- Electrical System: Blocked access to electrical panel; burnt breakers; evidence of leaks or corrosion; frayed wiring; GFI inoperable; MISSING BREAKERS OR FUSES; MISSING COVERS.
- Floors: Bulging or buckling; hard floor covering damage; missing flooring tiles; peeling or missing paint; rotten or deteriorated subfloor; water stains, water damage, mold, or mildew.
- Hot Water Heater: MISALIGNED CHIMNEY OR VENTILATION SYSTEM; inoperable unit or components; leaking valves, tanks, or pipes; pressure relief valve missing; rust or corrosion.
- HVAC System: Convection or radiant heat system covers missing or damaged; inoperable system; MISALIGNED CHIMNEY OR VENTILATION SYSTEM; noisy, vibrating, or leaking system; rust or corrosion.
- Kitchen: Cabinets are missing or damaged; countertops are missing or damaged; dishwasher or garbage disposal is inoperable; plumbing has clogged drains, leaking faucets, or pipes; range hood or exhaust fans are inoperable; excessive grease buildup; range or stove is missing, damaged, or inoperable; refrigerator is missing, damaged, or inoperable; sink is damaged or missing.
- Laundry Area: Dryer vent is missing, damaged, or inoperable.
- Lighting: Missing or inoperable fixture.
- Outlets/Switches: Missing outlet or switch; MISSING OR BROKEN COVER PLATE.
- Patio/Porch/Balcony: Baluster or side railings damaged.
- SMOKE DETECTOR: MISSING OR INOPERABLE.
- Stairs: Broken, missing, or damaged steps or handrail.
- Walls: Bulging or buckling; damaged wall surface; damaged or deteriorated trim; peeling or missing paint; water stains, water damage, mold, or mildew.
- Windows: Cracked, broken, or missing panes; Damaged window sill; Missing or deteriorated caulking, seals, glazing; Inoperable or not lockable; Peeling or missing paint; SECURITY BARS PREVENT EGRESS.

- **Common Areas:** The Common Areas must be structurally sound, secure, and functionally adequate for the purposes intended. The basement/garage/carport, restrooms, closets, utility, mechanical, community rooms, day care, halls/corridors, stairs, kitchens, laundry rooms, office, porch, patio, balcony, and trash collection areas, if applicable, must be free of health and safety hazards, operable, and in good repair. All common area ceilings, doors, floors, HVAC, lighting, outlets/switches, smoke detectors, stairs, walls, and windows, to the extent applicable, must be free of health and safety hazards, operable, and in good repair.

  Examples of observable deficiencies for inspectable items related to the Common Areas include, but are not limited to, the following. Common Areas include Basement, Garage, Carport, Closet, Utility or Mechanical Room, Community Room, Halls, Corridors, Stairs, Kitchens, Laundry Room, Lobby, Office, Patio, Porch, Balcony, Restrooms, Storage Areas, Pedestrian or Wheelchair Ramps, Pools and Related Structures, Trash Collection Areas, or Other Community Spaces.

  - Missing or damaged balusters or side railings.
  - Cabinets missing or damaged.
  - Call-for-Aid system (if applicable) inoperable.

- Ceiling: Holes, missing tiles or panels, cracks; peeling or missing paint; water stains, water damage, mold, or mildew; bulging or buckling.
- Chutes: Damaged or missing components.
- Countertops: missing or damaged.
- Dishwasher or garbage disposal inoperable.
- Doors: Damaged frames, threshold, lintels, or trim; damaged hardware or locks; damaged surface (holes, paint, rust, glass); damaged or missing screen, storm, or security door; deteriorated or missing seals on entry door; missing door.
- Dryer Vent: Missing, damaged, or inoperable.
- Electrical: Blocked access to electrical panel; burnt breakers, evidence of leaks or corrosion; frayed wiring; MISSING BREAKERS; MISSING PLATES OR COVERS; inoperable GFI; missing or broken outlets, switches, or cover plates.
- Fencing: Damaged or not intact.
- Floors: Bulging or buckling; floor covering damaged; missing flooring or tiles; peeling painted surface; rotten or deteriorated subflooring; water stains, water damage, mold, or mildew.
- Graffiti
- HVAC: Convection or radiant heat system covers missing or damaged; general rust or corrosion; inoperable unit or system; MISALIGNED CHIMNEY OR VENTILATION SYSTEM; noisy, vibrating, or leaking.
- Lavatory Sink: Damaged or missing fixture.
- Lighting: Missing, damaged, or inoperable fixture.
- Mailbox: Missing or damaged.
- Plumbing: Clogged drains; leaking faucet or pipes.
- Range Hood/Exhaust Fans: Excessive grease buildup; inoperable.
- Range/Stove: Missing, damaged, or inoperable.
- Refrigerator: Missing, damaged, or inoperable.
- Shower/Tub/Sink: Damaged or missing.
- SMOKE DETECTORS: MISSING OR INOPERABLE.
- Stairs: Broken, damaged, or missing steps or handrail.
- Ventilation/Exhaust system inoperable.
- Walls: Bulging or buckling; damaged surface, peeling or missing paint; damaged or deteriorated trim; water stains, water damage, mold, or mildew.
- Water Closet/Toilet: Damaged, clogged, or missing.
- Windows: Cracked, broken, or missing panes; damaged window sill; inoperable or missing lock; missing or deteriorated caulking, seals, or glazing; peeling or missing paint; SECURITY BARS PREVENT EGRESS.

- **Health and Safety Concerns:** All areas and components of the housing must be free of health and safety hazards. The inspectable areas related to Health and Safety include, air quality, electrical hazards, elevators, emergency/fire exits, flammable materials, garbage and debris, general hazards, infestation, and lead-based paint. For example, the buildings must have fire exits that are not blocked and have handrails that are undamaged and have no other observable deficiencies. The housing must have no evidence of infestation by rats, mice, or other vermin, or of garbage and debris. The housing must have no evidence of electrical hazards, natural hazards, or fire hazards. The dwelling units and common areas must have proper ventilation and be free of mold, odor (e.g., propane, natural gas, methane gas), or other observable deficiencies. The housing must comply with all requirements related to the evaluation and reduction of lead-based paint hazards and have proper certifications of such (see 24 CFR part 35). For projects which include acquisition of occupied housing, life threatening deficiencies in areas of health and safety must be addressed and corrected immediately. Life threatening health and safety deficiencies are identified below by ALL CAPS.

Examples of observable deficiencies for inspectable items related to Health and Safety include, but are not limited to, the following.

- Air Quality: Mold and/or mildew observed; PROPANE, NATURAL GAS, OR METHANE GAS DETECTED; Sewer odor detected.
- ELECTRICAL HAZARDS: EXPOSED WIRES; OPEN PANELS; WATER LEAKS ON OR NEAR ELECTRICAL EQUIPMENT.
- Elevator: Elevator is misaligned with floor by ¾ inches or more.
- Emergency Fire Exits: EXITS BLOCKED OR UNUSABLE; missing exit signs.
- Flammable or Combustible Material: Improperly stored and secured.
- Garbage and Debris: Present indoors or outdoors.
- General Hazards: Sharp edges; tripping; unsafe or missing handrails.
- Infestation: Insects, rats, mice, or other vermin.

- **Compliance with State and Local Codes**: These physical condition standards do not supersede or preempt state and local codes for building and maintenance with which HTF-assisted housing must comply. HTF-assisted housing must continue to adhere to those codes.

NDHFA recommends using preventative maintenance and maintaining a maintenance schedule at all developments.

3.06 Correction Period

The Owner has an opportunity to correct noncompliance within 30 days from the date of the notice. An extension of up to six months may be granted by NDHFA for good cause as determined by NDHFA

3.07 Quarterly Reporting

In addition to the annual items listed in this section, owners of HTF-assisted properties must provide NDHFA, on a quarterly basis, an **HTF Quarterly Report**, showing the total number of vacancies and the total number of households on the waiting list.

3.08 Non-Compliance

If NDHFA does not receive the required certifications by the due date or if NDHFA discovers on audit, inspection, or review, or in some other manner that the development is not in compliance with the Code, NDHFA will notify the owner within 30 days.

The owner will have an opportunity to supply missing certifications or to correct noncompliance within a specified correction period.

If a recipient of HTF assistance is determined to have used HTF funds in a manner that is materially in violation of the HTF program or of any requirements or conditions under which the funds were provided, the recipient must reimburse NDHFA for such misused amounts and return to NDHFA any such amounts that remain unused or uncommitted for use. The reimbursement is in addition to any other remedies that may be available under law. Repayment is required if affordability is violated.

Unresolved findings of non-compliance will result in a progressive level of sanctions that may include:

- Additional reporting requirements.
- Suspension of further HTF funding.
- Additional special conditions.
- Replacement of property management.
- Default of the HTF loan and recapture of funding.
- Termination of future NDHFA funding.
- Legal action.

3.09 Recordkeeping and Retention

Owners must establish and maintain sufficient records to enable NDHFA and HUD to determine whether the project has met all HTF requirements and remains in compliance. Included should be records which:

- Demonstrate that each HTF household is income-eligible.
- Demonstrate the project meets HTF affordability and income targeting requirements.
- Demonstrate that each lease for an HTF-assisted rental unit complies with HTF requirements.
- Document required inspections, monitoring reviews, and audits, along with the resolution of any findings or concerns.
- Document equal opportunity and fair housing compliance.
- Contain racial, ethnic, and single head-of-household information of rental applicants.
- Demonstrate compliance with the affirmative marketing procedures and requirements.

All records must be retained in a secure location for the most recent 5–years. If any litigation, claim, negotiation, audit, monitoring, inspection, or other action has been started before the expiration of the required record retention period, records must be retained until completion of the action and resolution of all issues that arise from it, or until the end of the required period, whichever is later.

HUD and the Comptroller General of the United States and any of their representatives, have the right of access to any pertinent books, documents, papers, or other records of the project Owner in order to make audits, examinations, excerpts, and transcripts.

APPENDIX A – INCOME CALCULATION EXAMPLES

This appendix contains examples and exercises in order to illustrate and assist property management staff in understanding the methods followed under the HTF program for tenant income calculation. NDHFA will follow these same methods when verifying tenant income calculations during monitoring reviews.

Included first in this appendix is a sample format for computing projected annual tenant income under the Part 5 method. This is only a suggested format for making calculations, and its completion as a form is not being mandated by NDHFA. Any format which follows the same mathematical process, and therefore would arrive at the same annual income calculation, is acceptable. Next in this appendix are examples of calculations under different tenant income scenarios, as well as examples of identifying and calculating income from assets held by an applicant. Finally, there is a comprehensive practice exercise including standard income calculations as well as asset income calculations.

A.01 Sample Format for Computing Part 5 Annual Income

1. Name:		2. Date:	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets………………..........................		3.	
4. Total Actual Income from Assets…………………………………………………………….			4.
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of _____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7.

A.02 Examples of Annual Income Calculation

Income Example #1 The Greens

Household Members	Position in Household	Age	Income Sources
John Green	Head	53	Works full-time at $7.25/hour; also receives $400/month from the government as a result of a settlement in the Agent Orange product liability litigation.
Jennifer Green	Spouse	48	Works 18 hours/week at a bank at $7.50/hour; also receives $50/month from her mother to help with expenses.
Jason Green	Son	19	Full-time student at local college where he has a part-time, 15-hour/week job in the student bookstore at $6.00/hour for the 46 weeks when classes are in session.
Assume that the applicable HIF income limit for a family of three in this county is **$23,900**. Assume also for this example that the Greens have no assets. Are the Greens eligible for the HIF-restricted unit?			

1. Name: Green		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets……………..........................		3. 0.00	
4. Total Actual Income from Assets……………………………………………………………….			4. 0.00
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of _____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
John	$15,080				Enter the greater of lines 4 or 5 from above in e.
Jennifer	7,020			$600	
Jason	480				
6. Totals	a. $22,580	b.	c.	d. $600	e. 0.00
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7. $23,180

The Green household is eligible for the HIF-restricted unit because its total income of $23,180 is below the applicable HIF income limit for the county ($23,900).

Explanation:

- John's earnings from work count as income, but his income from the Agent Orange Settlement Fund ($4,800/year) does not. Thus, John's income is $7.25/hour x 40 hours/week x 52 weeks/year, or $15,080.
- Jennifer's income from wages is $7.50/hour x 18 hours/week x 52 weeks, or $7,020. In addition, her **regular** gift income of $50/month or $600/year counts as income.
- Because Jason is a full-time student and is not the head of household or the spouse, only the first $480 of his earnings count toward the household income.

Income Example #2 Rolle/Tyde

Household Members	Position in Household	Age	Income Sources
Tina Rolle	Head	55	Works 6 hours/night, 4 nights/week at $5.00/hour as a waitress; also earns an average of $55/night in tips.
Julie Rolle	Cousin	58	Earns $6.50/hour as a full-time aide in a hospital; employer reports that her wages will increase to $6.75/hour, 7 weeks from the effective date of this calculation.
Karen Tyde	Friend	61	Earns $60/day as a substitute teacher, and works an average of 3 days/week for the 40 weeks school is in session (she made $7,200 last year); also receives $40/month in SNAP (food stamps).
Assume that the applicable HIF income limit for a household of three in this county is **$38,500**. Assume also for this example that the applicants have no assets. Are the applicants eligible for the HIF-restricted unit?			

1. Name: Rolle / Tyde		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets……………..........................		3. 0.00	
4. Total Actual Income from Assets……………………………………………………………….			4. 0.00
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of _____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Tina	$17,680				Enter the greater of lines 4 or 5 from above in e.
Julie	13,980				
Karen	7,200				
6. Totals	a. $38,860	b.	c.	d.	e. 0.00
7. Enter total of items 6a through 6e. This is *Annual Income*…………………………………………					7. $38,860

The applicant household is not eligible for the HIF-restricted unit because its total income of $38,860 exceeds the applicable HIF income limit for the county ($38,500).

Explanation:

- Tina's income must include both wages and tips. Her wage income is $6,240 annually ($5.00 x 6 hours/night x 4 nights/week x 52 weeks/year) and her tip income is $11,400 annually ($55/night x 4 nights/week x 52 weeks/year).
- Julie's wage income must be calculated in two steps. For the first 6 weeks of the year, she earns $6.50/hour. Her income at this wage is $6.50 x 40 hours/week x 6 weeks = $1,560. For the next 46 weeks, her wage will be $6.75/hour. Her income at this wage will be $6.75/hour x 40 hours/week x 46 weeks = $12,420.
- Karen made $7,200 last year, and there is no reason to expect that she will work more or less often in the coming year. Her income is, therefore, estimated at $7,200. Per Income Exclusion 16 a., the food stamp assistance is excluded from this calculation.

Income Example #3 Geaux/Sue

Household Members	Position in Household	Age	Income Sources
Brenda Geaux	Head	38	Earns $550 semi-monthly as a manager in the housewares department at a local store, and receives $100/month in child support.
Michael Sue	Boyfriend	36	Earns $250/week as a part-time painting instructor at a local school for the 40 weeks/year when school is in session; attends evening classes at the local college, which he pays for with a scholarship grant of $3,500; and also pays $50/month in child support for his twins.
Carter Geaux	Son	3	No income.
Assume that the applicable HIF income limit for a household of three in this county is **$25,700**. Assume also for this example that the applicants have no assets. Are they eligible for the HIF-restricted unit?			

1. Name: Geaux/Sue		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets…………………........................		3. 0.00	
4. Total Actual Income from Assets……………………………………………………………….			4. 0.00
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of _____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Brenda	$13,200			$1,200	Enter the greater of lines 4 or 5 from above in e.
Michael	10,000				
Carter	0				
6. Totals	a. $23,200	b.	c.	d. $1,200	e. 0.00
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7. $24,400

The applicant household is eligible for the HIF-restricted unit because its total income of $24,400 is below the applicable HIF income limit for the county ($25,700).

Explanation:

- Brenda's annual wage income is $550 semi-monthly x 24 periods/year, or $13,200. In addition, she receives $100/month x 12 months = $1,200/year in child support for Carter.
- Michael's wage income is based on 40 weeks of work: $250/week x 40 weeks/year, or $10,000 annually. His scholarship does not count as income. The child support Michael pays cannot be deducted from his income.

Income Example #4 The Simmons

Household Members	Position in Household	Age	Income Sources
Eugene Simmons	Head	80	Receives gross Social Security in the amount of $625/month; receives a pension from the local musicians' union in the amount of $25 every quarter.
Shannon Simmons	Spouse	79	Receives gross Social Security in the amount of $120/month; grossed $4,200 for giving voice lessons last year, but paid business expenses of $1,250 from this income for equipment and sound proofing.
Nicholas Simmons	Son	45	Earns $330/week as an interpreter for a local nonprofit organization.
Assume that the applicable HIF income limit for a family of three in this county is **$30,000**. Assume also for this example that the Simmons' have no assets. Are they eligible for the HIF-restricted unit?			

1. Name: Simmons		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets…………………...........................		3. 0.00	
4. Total Actual Income from Assets……………………………………………………………….			4. 0.00
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of _____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Eugene		$7,600			Enter the greater of lines 4 or 5 from above in e.
Shannon		1,440		$2,950	
Nicholas	$17,160				
6. Totals	a. $17,160	b. $9,040	c.	d. $2,950	e. 0.00
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7. $29,150

The Simmons household is eligible for the HIF-restricted unit because its total income of $29,150 is below the applicable HIF income limit for the county ($30,000).

Explanation:

- Eugene's entire income is comprised of pensions and benefits. It equals $625/month x 12 months/year ($7,500) plus $25/quarter x 4 quarters/year ($100), or $7,600.
- Shannon's benefits income is $120/month x 12 months/year, or $1,440. Her net income from her business was $4,200 - $1,250, or $2,950. (Her equipment and soundproofing expense is an allowable deduction because the business funds were invested in the business and did not represent expansion. Refer to #2 of Exhibit 2.3.)
- Nicholas' wage income calculation is $330/week x 52 weeks/year = $17,160.

A.03 Examples of Part 5 Asset Income Calculation

Asset Income Example #1 Al Czervik

Household Members	Assets	Asset Value
Al Czervik	Checking Account	$870 average 6-month balance with an interest rate of 2.7%.
	Inheritance	Received an inheritance of $30,000 that he used to buy a new car for $12,000, payoff his $3,000 credit card bill, and open a mutual fund account (which has no associated account costs) to invest the remaining $15,000 at an annual interest rate of 5.3%.
For purposes of this example, the applicable Passbook Rate is 2%. What amount of income from assets should be inserted in Czervik's total annual income calculation?		

1. Name: Czervik		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Al Czervik	Checking account	$870	$23
	Mutual fund	$15,000	$795
3. Net Cash Value of Assets……………..........................		3. $15,870	
4. Total Actual Income from Assets………………………………………………………			4. $818
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of 2.0% and enter results here; otherwise, leave blank.			5. $317

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e. $818
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7.

The asset income to be used in the annual income calculation is $818 since the actual income generated by the assets is greater than the imputed income.

Explanation:

- Checking account - the income from the checking account is calculated based on the 6-month balance and the interest rate ($870 x .027 = $23).
- Inheritance - a car owned for personal use is not considered an asset. However, the mutual fund is an asset. $15,000 x .053 = $795.

Because the total cash value of the assets exceeds $5,000, the Passbook Rate must be used to calculate the imputed income from all assets combined. In this case, $15,870 x .02 = $317. The actual income earned ($818) is greater, however, so that amount must be used in the calculation of annual income for this family.

Asset Income Example #2 The Smails

Household Members	Assets	Asset Value
Elihu Smails	Checking Account	$595 average 6-month balance in a non-interest bearing checking account.
Penelope Smails	Savings Account	$2,695 present balance at 3.1% annual yield.
For purposes of this example, the applicable Passbook Rate is 2%. What amount of income from assets should be inserted in the Smails' total annual income calculation?		

1. Name: Smails		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Elihu	Checking account	$595	$0
Penelope	Mutual fund	$2,695	$84
3. Net Cash Value of Assets…………………...		3. $3,290	
4. Total Actual Income from Assets…………………………………………………………………			4. $84
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of 2.0% and enter results here; otherwise, leave blank.			5. N/A

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e. $84
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7.

The asset income to be used in the annual income calculation is $84.

Explanation:

- Use the actual income from assets in this case because the cash value of the Smails' total assets is less than $5,000. The imputed income is only calculated for assets when the total cash value of all assets exceeds $5,000.

Asset Income Example #3 The Ropers

Household Members	Assets	Asset Value
Stanley Roper	Rental Property	Small rental property that grosses $6,500/year (expenses to keep up the property are $3,400/year). The property has a fair market value of $69,000, but they have a mortgage on the property in the amount of $35,000. The average closing costs in a real estate transaction is 8% in the area.
Helen Roper	Savings Account	Savings of $5,000 that earned $179 in interest during the past year.
	Stock	100 shares of stock with a face value of $4.25 per share that have not shown a dividend in years. The cost to sell the stock would be about $76.
For purposes of this example, the applicable Passbook Rate is 2%. What amount of income from assets should be inserted in the Ropers' total annual income calculation?		

1. Name: Roper		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Stanley	Rental Property	$28,480	$3,100
Helen	Savings Account	$5,000	$179
	Stock	$349	$0
3. Net Cash Value of Assets…………………........................		3. $33,829	
4. Total Actual Income from Assets………………………………………………………………			4. $3,279
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of 2.0% and enter results here; otherwise, leave blank.			5. $677

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e. $3,279
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7.

The asset income to be used in the annual income calculation is $3,279 since the actual income generated by the assets is greater than the imputed income.

Explanation:

- Rental Property - the cash value of the property is:

Market Value	$69,000
Less Mortgage	35,000
Less sales cost ($69,000 x .08)	5,520
Cash Value	$28,480

- Savings Account - the information is provided.
- Stock - the cash value of the stock is the sales proceeds (100 shares x $4.25/share = $425) less the cost to sell ($76), or $349. It generates no dividend income.

Because the total cash value of the assets exceeds $5,000, calculate the imputed income by multiplying the cash value by the Passbook Rate ($33,829 x .02 = $677). This is less than the actual income earned of $3,279.

A.04 Part 5 Income Calculation Exercise

Exercise #1 The Johnson

Assume that the applicable HIF income limit for a household of four in this county if **$45,000**. Using the information provided and the blank chart below, determine if the Johnsons are eligible for the HIF-restricted unit. Answers are provided on the following page.

Income Information

Household Members	Position in Household	Age	Income Sources
Samantha Johnson	Head	36	Samantha earns a salary of $30,000 per year as an administrative assistant. Samantha receives $500 per month child support.
Barbara Johnson	Mother	66	Barbara receives a pension check of $200 per month and Social Security of $600 per month.
Eric Johnson	Son	12	None
Andrew Johnson	Son	14	None

Asset Information

Household Members	Assets	Asset Value
Samantha Johnson	Savings Account	$2,500 balance and a 3.5% interest rate.
Barbara Johnson	House	Barbara's recently inherited a house from her sister Marie. The home is valued at $50,000 and has a mortgage balance of $8,000. The average cost of settlement and real estate transfers equals 8% of the value of the property. Barbara does not plan to sell the house because she wants to allow her other sister Martha and her husband to live there rent free.
For purposes of this example, the applicable Passbook Rate is 2%.		

1. Name:		2. Date:	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets…………………...........................		3.	
4. Total Actual Income from Assets………………………………………………………………			4.
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of ____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7.

Answer

1. Name: Johnson		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Samantha	Savings Account	$2,500	$88
Barbara	House	$38,000	$0
3. Net Cash Value of Assets…………………...........................		3. $40,500	
4. Total Actual Income from Assets………………………………………………………………			4. $88
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of <u>2.0%</u> and enter results here; otherwise, leave blank.			5. $810

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Samantha	$30,000			$6,000	Enter the greater of lines 4 or 5 from above in e.
Barbara		$9,600			
6. Totals	a. $30,000	b. $9,600	c.	d. $6,000	e. $810
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7. $46,410

Explanation:

The Johnsons are not eligible for the HIF-restricted unit because the total household income of $46,410 exceeds the applicable $45,000 HIF income limit for a household of four in the county.

Assets

- Savings Account - balance of $2,500 x 3.5% interest = $88
- House - the cash value of the property is:

Market Value	$50,000
Less Mortgage	8,000
<u>Less sales cost ($50,000 x .08)</u>	<u>4,000</u>
Cash Value	$38,000

Because the total cash value of the assets exceeds $5,000, calculate the imputed income by multiplying the cash value by the Passbook Rate ($40,500 x .02 = $810). This is more than the actual income earned of $88 and therefore must be used in the calculation of annual income for this household.

Income

- Samantha's salary is $30,000, and there is no reason to expect that she will earn more or less in the coming year. Her income is, therefore, estimated at $30,000. She also has additional income from child support of $500 x 12 months = $6,000.
- Barbara receives $800 per month between pension and Social Security. $800 x 12 months = $9,600 per year.