2022 CAHEC Partners Conference

A Camper's Guide to Initial Tenant Files and Common Errors

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What we'll talk about:

1. Applications and Interviews
2. Verifications
3. Calculations
4. Tenant Income Certifications
5. Utility Allowance
6. Assets
7. Student Status
8. Child Support
9. More (sometimes scary) campfire stories.

What we are seeing

◈ File Ratings:

- **0 rating** = Unit qualified, no action needed.
- **1 rating** = Unit is qualified, there may be some procedural issues noted. No action required
- **2 rating** = File contains at least one issue that may be reported to the IRS as noncompliance. Action required to correct noncompliance.
- **3 rating** = Household/unit is not LIHTC qualified. File contains severe noncompliance which could result in credit loss. Action required.

◈ File Findings (909 files/21 properties)

- 3 rating = 12 files or 1%
- 2 rating = 267 files or 29% (required the most response)
- 1 rating = 278 files or 31%
- 0 rating = 355 files or 39%

Application and Interview

The application is one of the most important documents you collect for an LIHTC household. Make sure the application you choose is designed for the LIHTC program. It should collect Household composition, all income types and amounts, asset types and amounts, student status, previous years income and more.

◈ Common Errors

1. Apps not fully completed
2. Missing household members (temporarily absent/separated (is marital status asked?))
3. Incorrect student status for children (K-12)
4. Management missed important information while reviewing (unborn child/contradicting information)
5. Not updating an outdated application with an Interview Checklist or Questionnaire
6. Not clarifying vague or updated information (use a clarification record/self cert)

VERIFICATIONS

Remember verifications expire. They should be received within 120 days of the effective date of the Tenant Income Certification and be fully completed.

◇ Common Errors

1. Not fully completed
2. Contain whiteout/alterations
3. Hand carried by tenant/completed by tenant
4. Not from a reliable/correct source.
5. Not correctly verified by State Agency Standards
6. Not comparing application to verifications – large discrepancies in income
7. No clarification record if something doesn't add up

CALCULATIONS

An accurate calculation of income is imperative! Without an accurate calculation of income, you can never really be sure if the household is income eligible or not.

◈ Common Errors

1. Missing a calculation worksheet – must demonstrate how income was derived!
2. Incorrect calculation of income (YTD, Avg. Pay stubs, Base Pay, etc.)
3. Not using the correct number of pay stubs
4. Hand-written calculations (use an adding machine tape as a minimum)
5. Using the incorrect income and rent limits to determine eligibility
6. No clarification for a large discrepancy between calculation methods. (YTD vs. Base Pay)

TENANT INCOME CERTS (TICS)

An incomplete or missing Tenant Income Certification may be reported as an Over Income Household. Any mistake in the previous steps mentioned (Application, Verification or Calculation) is ultimately going to end up on your Tenant Certification. Do your DUE DILIGENCE prior to completing and having the TIC signed.

◈ Common Errors

1. Not fully completed. (i.e.: Part I: Developmental Data)
2. Not signed by Tenant or Owner/Rep.
3. Incorrect Student Status for Children (K-12)
4. White out! Never!

DRIES QUICK
BIG
WHITE OUT!
Correction Fluid

UTILITY ALLOWANCE

Any building where tenant's pay utilities must have a utility allowance calculated. These allowances must be reviewed annually and updated as needed.

◈ Common Errors

1. Outdated and have not been reviewed
2. New allowances not implemented within 90 days of a change
3. Incorrectly calculated/wrong sources used

ASSETS

Understanding what an asset is very important. Understanding why access to an asset is important.

◈ Common Errors

1. Direct Deposit on pay stubs, but TIC records no assets.
2. Analyze bank statements for additional deposits. (Venmo, Paypal, etc.)
3. Not understanding how to correctly determine the FMV of real estate.
4. Interest/Dividends that are reinvested into the account are income.

STUDENTS

Understanding the definition of a Full-Time student for the LIHTC program. You must look at the current calendar year and the next 12 months after the effective date of the TIC.

◈ Common Errors

1. Assuming an adult household member is a dependent. Verify dependent status.
2. Not verifying student status for the entire calendar year
3. Not listing 1-12 grades as FT on the TIC

CHILD SUPPORT

The entire amount of child support must be counted unless the applicant can document they have taken legal action to the collect the full amount.

◇ Common Errors

1. Failure to verify full amounts are not being received.
2. Not documenting legal action to collect child support.