

March 14, 2008

To: Owners and Agents of Section 8 Housing

From: Idaho Housing and Finance Association Compliance Department

Date: July xx, 2007

Re: Program Tips and Suggestions

As we progress through the 2007 audit season, we felt it important to issue another list of what we consider to be common findings during the MOR's, as well as to communicate and reinforce some HUD guidance/changes that have been published recently. The issues currently of concern are:

❖ **Lease Attachments:**

- Many management companies are still utilizing the Disclosure Discrepancy and Drug Free Lease Addendums. When the HUD Handbook 4350.3 was updated in 2003, both these addendums were eliminated from requirements. They are no longer approved attachments to the lease. Please discontinue the use of these documents as the topics are either covered in the current HUD Model Lease, or are no longer a program requirement.

❖ **Owner's Summary of Family:**

- It has been fairly common in our reviews to find that this form is either not being completed by the correct person, or is only partially complete – with some areas of the forms left blank. Just to confirm the proper completion of the form:
 - The owner/agent should complete this form – not the tenant. The date verified should always be filled in. This is the date that the applicant signed the citizenship declarations, or that the SAVE system confirmed residency.

❖ **Initial Notice of Recertification:**

- There are some key requirements for this form that are being missed on a fairly regular basis:
 - It must refer to the section of the lease regarding the tenant's responsibility to recertify.
 - It must specify the cut-off date by which the tenant must report for the annual recertification. (The 10th day of the 11th month; i.e., a June 1, 2007 recertification would be April 10, 2007)
 - Both the tenant and the O/A must sign and date the form.
 - Original signatures must be kept in the tenant file, and a copy provided to the tenant.

Please review your form and ensure that it is meeting these criteria.

❖ **Resident Selection Plan Criteria:**

- We continue to see issues relative to the Resident Selection Plans at various properties. Oftentimes, the plans either are not specific enough to address the requirements listed in the 4350.3 REV-1 Chg. 1, or they do not expand on the topics required in the Handbook. Please review your current plan and ensure that it is compliance with the requirements. If you need an example of an approved plan, please contact your Compliance Auditor, who can provide you with a sample plan.

❖ **“Timely” Reporting of Income Changes:**

- We have had several instances this audit season where the issue of “immediately” reporting interim income changes has surfaced. IHFA considers anything reported within 14 calendar days to be reported timely for purposes of 30 days notices of rent increase. Anything reported after 14 days is not deemed to have satisfied the requirement for timely reporting. If your current policy does not result in timely reporting, and you wish to change it, please ensure that all tenants are notified in writing of the new criteria, and of what the consequences are for not promptly reporting income changes.

❖ **Rent Increase Requests and the Tenant Comment Notice:**

- As most of you are aware, we are continuously improving and updating our processes and procedures. With that in mind, we encourage you to re-familiarize yourself with HUD Handbook 4350.1, REV-1, Chapter 7 prior to submitting a request for a rent increase. One of the documents that most people forget to include is a copy of the “Notice to Tenants”. The guidance for the Notice to Tenants begins with Paragraph 7-5 and includes what should be in the notice as well as how it should be delivered.
- Not all properties are required to provide tenants with a 30-day comment period for a rent increase.
- Please note that the Notice to Tenants is not the same as the 30-day notice of rent increase that is required any time the tenant’s portion of the rent increases.

❖ **New SAVE System Help Desk Contact Number:**

- In an e-mail from HUD on June 21, 2007 it was noted that the telephone number in the manual in Appendix 2 of Handbook 4350.3 REV-1, *Occupancy Requirements of Subsidized Multifamily Housing Programs*, for questions and comments regarding secondary verification has been changed to 1-888-464-4218. Please update your systems to ensure the correct number is noted. This change will be included in the upcoming 4350.3 REV-1 Chg. 2.

❖ **Required Verbiage for Individual Verification Forms:**

- It has been fairly common this year to see that required verbiage is missing on the individual verification forms. Please review your forms and ensure that they contain the full and complete Title 18 verbiage that is listed on page 5-54 of the 4350.3 REV-1 Chg. 1. The guidance also states that the verification “Must clearly state in a prominent location that the applicant or tenant may not sign the consent if the form

does not clearly indicate who will provide the requested information and who will receive the information.” Also, ensure that the questions appearing on the forms are consistent with the requirements in Appendix 15 of Handbook 4350.3.

❖ **Requirements During the Move In Process:**

- When the 4350.3 REV-1 Chg.1 came out the requirement for a certification at move in from the tenant that the unit was received in “Decent, Safe and Sanitary condition” was removed. In the FAQ’s that were published on this topic, question #138 states that this requirement is mandated in the CFR, and that both the tenant and the owner/agent must certify to the condition of the living unit. Most properties are doing this by adding the “decent, safe, and sanitary” statement to the move in inspection form. Please review your move in process and ensure that you are obtaining this certification.

❖ **Signatures and Dates on Program Documentation:**

- Perhaps the most common findings this audit year are related to documents that are not fully complete. Too frequently we see documents that are not signed, or that are not dated, or a combination of the two. Forms such as the 9887 or 9887-A, move in inspections, initial notice of recertifications, 50059’s, and verifications are examples of the forms missing this information. Please be diligent about your internal Q/A programs to ensure that these types of oversights are not present in your files.

❖ **Lease Terms:**

- Remember that all initial lease terms must be for at least one year. For example, if the resident moves in on June 15, 2007 the lease term must be from at least June 15, 2007 through June 14, 2008. HUD Region X has indicated a preference for lease terms that run through the end of the month, i.e. June 15, 2007 through June 30, 2008. While this may not be a program requirement, we suggest this as a best practice.

❖ **Special Claims Submissions:**

- Since the issuance of the Special Claims Processing Guide in August 2006, there have been significant changes to the way that special claims are being reviewed and processed. Jennifer Rogers, at IHFA has become the sole auditor for all special claims and has noted some trends and common errors, as well as changes in procedure that need to be addressed:
 - When the submission of proof of marketing in accordance with the AFHMP is required, it has been noted that some owners/agents are not marketing to all those listed on the plan, or are not marketing as often as the plan states. Please ensure that if there are changes to be made to the plan, such as community contacts that no longer exist, that the plan is revised and submitted to HUD for approval. HUD Handbook 8025.1 REV-2 Chapter 4-8 contains specific information on modifying a plan. Please note that if marketing is not conducted according to the AFHMP, the claim could be subject to denial.
 - Part of the requirement for submitting a special claim for damages is that the replacement of the damaged items cannot have been paid through replacement reserves, or reimbursed from an insurance payment. We will soon be revising the

submission checklist to include a certification that reimbursement for the items has not and will not be requested from replacement reserves. This process will be subject to periodic quality reviews by IHFA to ensure compliance.

- One other aspect of the special claims process that we would like to call to your attention relates to collections from tenants. If the owner/agent receives monies from the tenant after a special claim is paid, that money must be reimbursed to HUD. This process will be subject to periodic quality reviews by IHFA to ensure compliance. In order to perform this review, we will be requesting copies of ledgers to determine if any monies were collected; and if so, whether or not they were reimbursed to HUD.

❖ **Medical Mileage Rate:**

- Please remember that if your tenants are elderly or disabled they can claim mileage and lodging for the transportation to and from medical treatments or the actual cost (e.g, bus fare etc) of the transportation as a medical expense if they track it properly. The IRS has a separate medical mileage rate published on their website at: <http://www.irs.gov/taxpros/article/0,,id=156624,00.html> which is twenty cents per mile for 2007.

If you have any questions or concerns regarding any of these reminders, please feel free to contact Steve Rehn at 208-331-4707 or e-mail at stevenr@ihfa.org.

Thank you all for your assistance during this busy audit season.