

South Carolina Housing Trust Fund

Compliance Monitoring Manual

Supportive Housing Group Home Program Multifamily Rental Housing 2006



Administered by:

The South Carolina State Housing Finance and Development Authority

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South Carolina State Housing Finance and Development Authority

Mission Statement

The mission of the South Carolina State Housing Finance and Development Authority (“the Authority) is to promote and provide safe, decent, and affordable housing for the citizens of South Carolina

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SECTION 1: OVERVIEW OF THE SC HOUSING TRUST FUND PROGRAM

The South Carolina Housing Trust Fund (HTF) is a state funded program designed to provide financial assistance in the development and preservation of safe, decent, sanitary and affordable housing for low-income households within the State of South Carolina. The Housing Trust Fund accelerates the state's response to the production of affordable housing through innovative financing used by the nonprofit and private sectors. It builds partnerships among government, qualified nonprofits, for profits, and those in need of affordable housing. It strives to maximize the utilization of federal, state and/or other housing assistance programs in leveraging other public and private resources. Compliance monitoring is utilized to ensure participants of the Group Home, Multifamily Rental Housing, and Supportive (Transitional) Housing operates in compliance with the guidelines of each program.

Compliance Monitoring

The Compliance Monitoring Section has the responsibility of periodically monitoring all Housing Trust Fund properties during the twenty year (20) compliance period to ensure all Applicants/Owners are maintaining all properties in accordance with Uniform Physical Condition Standards (UPCS) and adhering to rent and income restrictions for the entire twenty (20) year compliance period.

For Compliance Monitoring purposes, the terms Applicant, Sponsor and Owner are used in the manual as a method of identifying all persons, partnership, entities, firms, or corporations that have an ownership interest in the real property acquired or improved with Housing Trust Fund award(s).

Compliance monitoring by the Authority does not, in any way relieve the Applicant/Owner of its obligation to adhere to Program guidelines during the commitment period.

If during the Compliance Monitoring review the Authority determines that an Applicant/Owner exhibits inadequate program controls, expends funds improperly, or exhibits non-compliance, the following actions may be taken:

- Impose limitations on Applicant's/Owner's participation in HTF
- Require the Applicant/Owner to submit additional information to determine the reason for the non-compliance and develop a corrective action plan
- Require the Applicant/Owner to reimburse the Authority for all proceeds improperly expended; or
- Terminate the Funding Agreement; demand full and complete repayment of all proceeds owed to the HTF and disqualify the Applicant/Owner and all other persons or organizations involved in the development from all Authority programs.

Contained in **Exhibit 4** is a listing of all property records required and must be made available during the on-site Compliance Monitoring Review.

SECTION 2: GENERAL HOUSING TRUST FUND DEFINITIONS

Annual Income: The total anticipated income from all sources received by the household, including all net income to be received from assets.

Applicant: An approved nonprofit organization that submits an original application on behalf of a low or very low-income beneficiary for Housing Trust Fund consideration.

Audit: Complete and current financial statements that have been audited by a Certified Public Accountant (CPA) licensed by the South Carolina Board of Accountancy. Current means not more than twelve (12) months from date the audit was performed.

Authority: The South Carolina State Housing Finance and Development Authority.

Board: The Board of Commissioners of the South Carolina State Housing Finance and Development Authority.

Commitment Period: The time period beginning with the date on which the Board approves an award and ending as defined in each individual Funding Agreement.

Compliance Period: The time period of twenty (20) years that Housing Trust Fund program restrictions are in effect regarding income and housing occupancy. The compliance period begins on the date the promissory note and mortgage are executed. If the development is sold prior to the end of the compliance period, the amount of the Trust Fund Award becomes due and payable.

Conversion: The changing of a non-residential building into a qualified residential building.

Deferred Forgivable Loan: A forgivable loan. This type of award is available only to projects which are one hundred percent (100%) owned by the nonprofit entities. The award is forgiven after twenty (20) years if the Sponsor meets all Housing Trust Fund compliance and monitoring requirements.

Elderly: Defined as those beneficiaries which are fifty-five (55) years of age or older.

Funding Agreement: The written contract between the South Carolina State Housing Finance and Development Authority and the Sponsor, the terms and conditions of the Housing Trust Fund award, states the award amount, the development's purpose, and the targeted income population the development will serve.

HUD: The United States Department of Housing and Urban Development.

Low-Income: Income which is at or below eighty percent (80%) of the median income for the area, as determined by HUD, with adjustments for family size.

Nonprofit: A corporation exempt from income tax under section 501 (c) (3) or 501 (c) (4) of the Internal Revenue Code of 1986, as amended, and registered with the South Carolina Secretary of State.

Operating Reserves: Operating reserves are funded initially from development costs and replenished, when used, from operating cash flow. Operating reserves must be maintained at the required level throughout the affordability period, as follows:

Less than ten (10) units: Three (3) months of projected operating expenses
Ten (10) or more units: Six (6) months of projected operating expenses

Ownership Entity (Owners): All persons, partnerships, entities, firms, or corporations that have an ownership interest in the real property acquired or improved with a Housing Trust Fund award.

Project: The one or more residential buildings, the site on which the building(s) are located, and any functionally related facilities.

Rehabilitation: The improvement made to an existing structure.

Replacement Reserves: Developments are required to establish and make annual contributions to replacement reserves, as follows:

New Construction: Two hundred fifty dollars (\$250.00) per unit, per year
Rehabilitation or Conversion: Three hundred dollars (\$300.00) per unit, per year

Rent Roll: Each HTF project consisting of more than one unit must, at a minimum, have a rent roll to identify the Unit Number, Move-In Date, Resident Name (or vacant), Number of Bedrooms, Utility Allowance, Rent (include all subsidies), Income (restricted units only), percentage of Area Median Income and Number in Household.

Shelter Housing: A housing unit in which an occupant may reside less than thirty (30) consecutive days.

Special Needs Population: A group of individuals that have a similar type disability or classification. For Housing Trust Fund purposes, these populations are the elderly, the mentally disabled and the physically disabled.

Sponsor: An approved nonprofit organization that submits an original application for Housing Trust Fund consideration.

Target Population: The group of individuals the project will serve, i.e. abuse victims, veterans, homeless, etc.

Transitional Housing: Housing that is designed to provide housing and appropriate supportive services to persons including (but not limited to) de-institutionalized individuals with disabilities, homeless individuals with disabilities and homeless families with children. Its purpose must facilitate the movement of individuals and families to independent living within a set time period.

Very Low-Income Household: Income, which is at or below fifty percent (50%) of the median income for the area, as determined by HUD, with adjustments for family size.

SECTION 3: BENEFICIARY INCOME REQUIREMENTS

A. Supportive Housing

Income Targeting, Rents and Eligible Beneficiaries: The units must serve beneficiaries at or below fifty percent (50%) of area median income. The rents to be charged for units are based on the target tenant population specified in the application, i.e. low-income or very low-income household; rents may not exceed fifty percent (50%) of the fair market rent for the development county.

Applicants are required to maintain a tenant listing (rent roll) identifying the unit, tenant's name, move in date, bedroom size and rent charged (paid by tenant). Documentation should also be available identifying vacant units, if any and a "Waiting List" of prospective tenants, if applicable.

Income and rent data is updated by county annually and may be obtained from the SCSHFDA website at www.schousing.com

Supportive Housing beneficiaries must qualify as very low-income with gross annual incomes that are at or below fifty percent (50%) of area median income. The Applicant/Owner must determine the household income by examining and verifying source documents indicating annual income (e.g., wage statement, interest statement, and unemployment compensation statement). The "Certification of Total Household Income" and "Verification of Employment" forms must be completed and available for review. (See Exhibits 1 & 2) For existing properties, beneficiary's income qualification documentation must not be more than 90 days old, from the tenant/resident date of application.

When subsidies other than HTF are included in a Supportive Housing project, alternative forms of income documentation will be considered. If a sponsor wishes to use an alternative method, this should have been noted in a letter accompanying the application, with documentation provided outlining the alternative method and kept on file for review.

B. Group Home Program

Income Targeting, Rents and Eligible Beneficiaries: For the Group Home Program, beneficiary data must indicate that each tenant/resident is considered to be low-income occupant with a gross annual income at or below fifty percent (50%) of area median income as indicated by the HTF incomes, for the County in which the property is located. Also, eligible beneficiaries must qualify as disabled. Household income will be determined by examining and verifying source (income) documents on file.

Applicants are required to maintain a tenant listing (rent roll) identifying the unit, tenant's name, move in date, bedroom size and rent charged (paid by tenant). Documentation should also be available identifying vacant units, if any and a "Waiting List" of perspective tenants, if applicable.

All sources of income for each household member must be identified and properly documented. Beneficiaries of group homes will be considered as a one-person household for the purpose of income qualification. The "Certification of Total Household Income" and "Verification of Employment" forms must be completed and available for review. (See Exhibits 1 & 2) For existing properties, beneficiary's income qualification documentation must not be more than 90 days old, from the tenant/resident date of application. **The total anticipated annual household income must not exceed fifty percent (50%) of the area median income for the county.**

C. Multifamily Rental Housing

Income Targeting, Rents and Eligible Beneficiaries: Multifamily Rental Housing program beneficiary data must indicate that the tenant/resident is considered, based on their income, to be low-income Households with gross annual incomes that do not exceed eighty percent (80%) of area median income as applicable. Applicants/Owners must determine the household income by examining and verifying source documents indicating annual income (e.g., wage statement, interest statement, and unemployment compensation statement). Other source documents for income determination can be found in this manual in the “Computing Annual Income” section.

Applicants are required to maintain a tenant listing (rent roll) identifying the unit, tenant’s name, move in date, bedroom size and rent charged (paid by tenant). Documentation should also be available identifying vacant units, if any and a “Waiting List” of perspective tenants, if applicable.

All sources of income for each individual household member must be identified and documented. For existing properties, the “Certification of Total Household Income” and “Verification of Employment” forms must be completed and available for review. The tenant’s income verification data must not be more than 90 days old, on date of application for residency. **(See Exhibits 1 and 2)** The total anticipated annual household income must not exceed the required income limit for the targeted unit, which may represent eighty percent (80%) or fifty percent (50%) of the area median income for the county as applicable. Applicants/Owners are responsible for ensuring all forms of income are identified and documented.

SECTION 4: COMPUTING ANNUAL INCOME

Annual Income for Supportive Housing, Group Home Program and Multifamily Rental housing is all income amounts which go to the family head or spouse (even if temporarily absent) or to any other family member; or are anticipated to be received from a source outside the family during the 12-month period following certification or annual re-certification. **(See 24 CFR Exhibit 5-1: Income Inclusions and Exclusions.)**

A. Types of Annual income (includes, but is not limited to):

- gross income, the full amount before any payroll deductions, of wages and salaries;
- overtime pay;
- commissions;
- fees;
- tips;
- bonuses, and other compensation for personal services;
- the net income from the operation of a business or profession;
- interest, dividends, and other net income of any kind from real or personal property;
- the full amount of periodic payments 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 payment for the delayed start of a periodic payment other than Supplemental Security Income;

- payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay; welfare assistance;
- periodic and determinable allowances, such as alimony and child support payments;
- regular contributions or gifts received from persons not residing in the dwelling;
- all regular pay, special pay and allowances of a member of the Armed Forces (other than pay for hazardous duty).

B. Zero Income Reporting

Beneficiaries, who report zero income for each program, must certify to such on the “Certification of Zero Income” form (**See Exhibit 3**). Additionally, any household member that is eighteen (18) years of age or older and reports \$0 income for the twelve (12) months preceding the date of application submission must certify to such on the “Certification of Zero Income” form. Every household member that is Eighteen (18) years of age or older and is not a full-time student, must report their income.

Tenant’s income must be recertified annually upon lease renewal. HTF definitions of income will apply. Rents and income limits are adjusted periodically. Updated rents and income limit may be obtained from the Authority’s website at www.schousing.com.

SECTION 5: METHODS OF INCOME VERIFICATION

Three methods of income verification, in descending order of acceptability are third-party verification, review of documents (second party), and family certification (first party).

A. Third-Party Verification: Third-party verifications are sent directly to and from the verifying source. The applicant or resident does not handle the verification other than to sign the verification authorizing the release of information. The following describes methods for obtaining third-party verification:

- 1. Written:** The owner must obtain written third-party verification whenever possible. The owner may use the Verification of Employment form (**Exhibit 2**), or an alternative form approved by the Authority.
- 2. Electronic:** The owner may obtain third-party verification by facsimile, e-mail, or Internet, if adequate efforts are made to ensure that the sender is a valid third-party source.
- 3. Facsimile:** In order to be considered acceptable verifications, faxes must be completely legible; date stamped and must include the signature, signature date, name, job title, and fax and phone numbers of the person providing the verification. Faxes received on thermal paper should be immediately copied to plain white bond paper to accommodate record retention requirements.
- 4. E-mail:** Electronic mail must contain the name of an appropriate individual and firm to be considered reliable.
- 5. Internet:** Computer generated internet site printouts are considered third-party verifications **if** the owner is able to view web-based information on the computer screen. A printout should contain pertinent information including information that identifies the transmission source.

6. Verbal: A verbal verification is acceptable to the Authority only as a last resort when written verification is not possible prior to move-in. To document the file, a record of the conversation must be completed and placed in the applicant's file by management. The record must contain all information that would ordinarily be found on a written verification, including: the third-party's name, position and contact information; information reported by the third party; name of the person who conducted the telephone interview; and the date and time of the phone call.

B. Second Party Verification: If third-party verification is not available, owners must document the applicant or resident's file to explain why third-party verification is not available. The documentation must include: either (a) a written record in the file explaining why third-party verification was not possible or a copy of the date-stamped original request that was sent to the third-party; or (b) written notes or documentation indicating follow-up efforts to reach the third-party to obtain verification **AND** a written record to the file indicating that the request has been outstanding for two weeks or more without a response from the third party. The owner may then use a review of documents submitted by the applicant or resident as a verification method. Copies of the reviewed documentation must be placed in the applicant or resident's file. In order for the documentation to be considered acceptable and valid, the documents must be unaltered originals, be current (dated within 90 days prior to the effective date of the certification) and contain sufficient information or cover a sufficient period of time to verify with accuracy. For example, owners should not accept less than four to six weeks of current, consecutive pay stubs to document employment income. Actual paychecks would not be considered acceptable and valid verifications since only net income, after deductions, is shown.

C. First Party Verification: As a last resort, when all other methods of verification prove unsuccessful a notarized resident self-affidavit may be used as verification. Notarized resident self-affidavits may also be used to supplement another method of verification. An example of this would be to confirm an amount indicated in a court-ordered child support decree that is not dated within 90 days prior to the effective date of the certification.

D. Application of Verification Methods for Specific Income Types: Questions may arise about acceptable alternatives when management encounters roadblocks in the verification process. The purpose of the verification methods outlined above is to give management the ability to move beyond obstacles, without compromising the validity of the determination of household eligibility.

SECTION 6: UNIFORM PHYSICAL CONDITION STANDARDS

Sponsors/management are responsible for maintaining the property in compliance with Uniform Physical Condition Standards (UPCS) and should routinely inspect the units to ensure that tenants are maintaining the unit in accordance with the lease and that all needed repairs have been reported.

As part of the compliance review the Authority will conduct an internal and external inspection of each unit selected for a compliance review and an external inspection of the entire project.

SECTION 7: REPLACEMENT RESERVES

A tool utilized by the Authority to assist property owners (and Applicants) in maintaining the property in compliance with Uniform Physical Condition Standards is the requirement that owners are to maintain (1) Replacement Reserves and (2) Operating Reserves for each property in the HTF program. Developments are required to establish and make annual contributions to replacement reserves, as follows:

New Construction: Two hundred fifty dollars (\$250.00) per unit, per year

Rehabilitation or Conversion: Three hundred dollars (\$300.00) per unit, per year

**Annual contributions are made from operating cash flow and are cumulative.*

SECTION 8: OPERATING RESERVES

Operating reserves are funded initially from development costs and replenished, when used, from operating cash flow. Operating reserves must be maintained at the required level throughout the affordability period, as follows:

Less than ten (10) units: Three (3) months of projected operating expenses

Ten (10) or more units: Six (6) months of projected operating expenses

The latest professional audit statement indicating the balance of the Replacement Reserves and Operating Reserves account must be made available to the Compliance Monitoring Officer during the review process.

SECTION 9: PERFORMANCE DEFICIENCIES AND MISAPPROPRIATION OF FUNDS

If during the Compliance Monitoring review the Authority determines that an Applicant/Owner exhibits inadequate program controls, expends funds improperly, or exhibits non-compliance, the following actions may be taken:

- Impose limitations on Applicant's/Owner's participation in HTF
- Require the Applicant/Owner to submit additional information to determine the reason for the non-compliance and develop a corrective action plan
- Require the Applicant/Owner to reimburse the Authority for all proceeds improperly expended; or
- Terminate the Funding Agreement; demand full and complete repayment of all proceeds owed to the HTF and disqualify the Applicant/Owner and all other persons or organizations involved in the development from further HTF participation.

EXHIBIT 1

Certification of Total Household Income

Date: _____

Participant Name: _____

Project Address: _____

City: _____ State: **S.C.** Zip: _____

ALL PERSONS WHO INTEND TO OCCUPY THE HOUSING UNIT AND THEIR ANTICIPATED INCOMES MUST BE LISTED BELOW:

	Occupants	Relationship	Age	Sex	Total Anticipated Annual Income
1		Head of Household		M / F	\$
2				M / F	\$
3				M / F	\$
4				M / F	\$
5				M / F	\$
6				M / F	\$
7				M / F	\$
The Total Anticipated Annual Household Income is:					\$
The targeted income percentage stated in your Application for the above listed household is:					%
The development county area median income adjusted for household size is: This is obtained from the Exhibit for Income based on Family Size					\$

I/We have provided verification of all anticipated Annual Income and other information necessary to satisfy the requirements for occupancy for each person named herein. I/We certify that the statements and all information herein are true and complete to the best of my/our knowledge and are given under the penalty of perjury.

I/We agree that the household income, household composition and other eligibility requirements shall be conditions of this occupancy and that failure or refusal to comply with a request for information with respect thereto shall be deemed a violation of conditions. I/We will assist in obtaining any information or documents required in verifying the statements certified herein.

The Certification of Total Household Income is to be made part of the agreement entered into by the Participant and the Occupant(s).

Head of Household Signature

Head of Household Signature

EXHIBIT 2 Verification of Employment

Date: _____

This form is to be signed by the potential beneficiary and mailed to their employer by the Participant. This form should not be hand delivered by the potential beneficiary.

TO: (Name and address of Employer)

FROM: (Name, address & social security # of Beneficiary)

I have applied for housing assistance from _____ (name of the Participant). Please provide the salary and employment verification requested below.

Signature of Beneficiary

EMPLOYER:

Is the beneficiary currently employed by you? YES / NO Position: _____

Dates of employment: _____

Probability of continued employment: YES / NO

_____ Full Time _____ Part Time

Hours per week: _____ Hours per year: _____

Basic Pay: \$ _____/hour

Basic Pay: \$ _____/per year

Overtime Pay: \$ _____/hour

Overtime Hours per week: _____ per year: _____

Commission: \$ _____/month

\$ _____/year

Bonus/Other: \$ _____/month

\$ _____/year

Employer Signature

Date

Telephone Number

The above information is confidential. Thank you for your cooperation. Please return this form directly to:

EXHIBIT 3

South Carolina Housing Trust Fund Certification of Zero Income

Name of Beneficiary	
Property Address	
City, State, Zip	

I am currently unemployed and do not receive unemployment benefits or any other form of compensation.

I swear that the above statements are true and accurate to the best of my knowledge.

Signature of Beneficiary

Date

Exhibit 4

Records Required for Compliance Monitoring Review

1. Current Rent Roll (to include identifying all vacant units)
2. Current Waiting List
3. Resident Selection Criteria
4. Tenant Files (to include qualifying source documents)
5. Replacement Reserves account balance information (if required)
6. Operating Reserves account balance information (if required)