

Chapter 5

DETERMINING TENANT ELIGIBILITY FOUR STEPS

(These steps should be completed in this exact order)

1. **Complete Rental Application**
2. **Compare Income to LIHTC Limits**
3. **Verify all Annual Gross Income**
4. **Complete Tenant Income Certification**

**IF YOU ARE NOT USING THE REQUIRED OHFA FORMS,
THE FORMS YOU ARE USING ALONG WITH
JUSTIFICATION FOR THE USE OF THOSE FORMS MUST
BE SUBMITTED TO OHFA IN WRITING FOR APPROVAL.**

The required forms can be found in the appendices in the back of the book:

Employment Verification	Appendix F
Under 5K Asset Certification	Appendix D
Zero Income Certification	Appendix F
Student Verification	Appendix E
*Tenant Income Certification	Appendix G

*Rural Housing may use the Rural Housing TIC.

Effective 1-1-2008, all applicable re-certifications, must be completed within 120 days of the anniversary date of move-in.

Step 1: Complete Rental Application

A.) *Determine Household Eligibility/*

Who to count:

- Year-round occupants
- Members temporarily away (children away at school or family member working in another state on assignment)
- Children under joint custody
- Children temporarily absent due to foster home placement
- Children in the process of being adopted
- Unborn Children (self-certification)

Don't count:

- Live-in aides
- *Foster Children or Adults

**Effective 8-1-09, HUD states unearned income of foster child(ren) and all income from foster adult(s) is counted toward the total household income.*

B.) *Evaluate Annual Income*

Definition of Annual Income:

Annual income is the current (verifiable, document-able, guaranteed) income from all sources received by the head of household and each additional member of the household, including all income derived from assets. Use current circumstances unless there is documentation of an imminent change. Owners are not required to anticipate income for members of the household that are currently unemployed. However, owners should ask the appropriate questions regarding whether or not an unemployed household member is planning to seek employment. If a household is accepted as low-income and subsequently becomes over-income, the owner should be prepared to prove due diligence. If a person is actively seeking employment but is currently unemployed, the owner/mgmt is allowed to be more restrictive than the state and determine that household is not qualified. The IRS Notice 88-80 states that annual income should be determined in a manner consistent with HUD Section 8 income. The HUD Handbook 4350.3 REV-1 Change-3, Chapter 5 should be used to determine income. This

handbook can be found by going to:

<http://www.hud.gov/offices/adm/hudclips/handbooks/> click on “Housing Handbooks” and then on 4350.3 “Occupancy Requirements of Subsidized Multifamily Housing Programs”.

Income from the following MUST be counted:

1. **Regular Income:** (page 4-7 inclusions and exclusions)
 - The income of every person, age 18 or older, should be included in the income calculation.
 - The income of any minor who is considered the head of household, co-head, or spouse.
 - The non-employment income of household members under age 18.

2. **Asset Income:** (page 11-inclusions and exclusions)
 - Cash on Hand
 - Checking Account
 - Savings Account
 - Real Estate

Convert earned income to annual income as follows:

- Multiply hourly wages by the number of hours worked/year (2080 hours for full-time employment for a 40-hour work week).
- Multiply weekly wages by 52.
- Multiply bi-weekly wages by 26.
- Multiply semi-monthly wages by 24.
- Multiply monthly wages by 12.
- Multiply Overtime hours by rate given by employer.

To calculate an annual income amount for a household member with other than full-time employment, multiply:

- hourly wages by the number of hours the family member expects to work annually; or
- average weekly amounts by the number of weeks the family member expects to work.
- overtime hours that are verified by employer.

All Adult members, 18 and older, must sign an application and answer all required questions.

INCOME INCLUSIONS **24 CFR 5.609(b) and (c)**

- 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 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 operation by 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 paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursements 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 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 lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (e.g., Black Lung Sick benefits, Dependent Indemnity Compensation, payments to the widow of serviceman killed in action). See paragraph 13 under Income Exclusions for an exception to this paragraph.
- 5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation,
- 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 income to be included as income shall consist of:
 - i) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
 - 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 and child support payments, and regular contributions or gifts received from organizations or from persona not residing in the dwelling; and
- 8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.
- 9) The first \$480 of earned income of a full-time student, 18 years or older, who is not the head, spouse, or co-head.
- 10) Student financial assistance for students receiving Section 8 assistance (see #6 income exclusions).

INCOME EXCLUSIONS

- 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 paragraph (5) under Income Inclusions;
- 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 for the student receiving Section 8 assistance if recipient is over age 23 with dependant child(ren) or recipient is living with his or her parents who are receiving Section 8 assistance. See Income Inclusion #10.
- 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) Amounts received under training programs funded by HUD (e.g., training received under Section 3);
 - a) 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);
 - b) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
 - c) 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; or
 - d) 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. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);

Income Exclusions Cont'd

- 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; or
- 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 include assistance under any program to which the exclusions set forth in 24 CFR 5.609© 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 in distributed when necessary. The following is a list of income sources that qualify for the 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)(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 submarginal 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. L-94-540, 90 Stat. 2503-04);
 - h) The first \$2,000 of per capita share 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 interest 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);

Income Exclusions Cont'd

- j) Payments received from programs funded under Title V of the Older American 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 Main 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. 9858q);
 - 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. 95-43);
 - 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);
 - r) Any amount of crime victim compensation (under the Victims of Crime Acts) 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 crime against the applicant under the Victims of Crime Act (42 U.S.C. 2931).
 - s) Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).
- 17) Deferred Payments that are received in a lump sum or in monthly amounts from the Department of Veterans Affairs for disability benefits.

Evaluate Asset Income

The method of calculation depends on the value of the assets.

If Total Value of Assets Does Not Exceed \$5,000: Count the actual income from assets received by the household (i.e., interest, dividends, cash payments). Third-party verification is not required and the tenant would sign an Under \$5,000 Asset Verification Form (a sample form can be found in Appendix D) establishing the total value of assets and the expected asset income. This expected amount must be counted as income.

If Total Value of Assets is Greater Than \$5,000: The assets must be verified by third party verification and the amount counted as income would be the greater of actual income from assets (e.g., interest, dividends, cash payments) or imputed income from assets (total value of assets x current passbook rate). At the current time, the HUD passbook rate is **2.0%** (**NOTE: This amount is subject to change**).

GUIDELINES FOR DETERMINING VALUE OF ASSETS

Valuing Assets. In determining income from assets, owners must use the cash value of the asset (i.e., the amount the family would receive if the asset were converted to cash). Cash value is the market value of the asset minus reasonable costs that were or would be incurred in selling or converting the asset to cash. Expenses which may be deducted include:

- penalties for withdrawing funds before maturity;
- broker/legal fees assessed to sell or convert the asset to cash;
- settlement costs for real estate transactions.
- loans on the asset (for business loans, only subtract interest paid on, unless used for business expansion or capital improvement.

Note: Cash Value is found by subtracting costs and expenses from Market Value.

Value of Assets Owned Jointly. If assets are owned by more than one person, prorate the assets according to their percentage of ownership. If no percentage is specified or provided by State or local law, prorate the assets evenly among all owners.

Value of Assets Disposed of For Less Than Fair Market Value.

- Count the asset for two years from date of disposal on the certification or recertification, including assets put into non-revocable trusts.

Use the following procedures in determining the value of disposed assets:

- If the fair market value of the disposed asset exceeds the gross amount the family received by more than \$1,000, include the difference between the cash value and the amounts received. If the difference is less than \$1,000, ignore it.
- Do NOT consider assets disposed of for less than fair market value as a result of a foreclosure, bankruptcy, or a divorce or separation settlement.

EXAMPLE OF ASSET DISPOSED OF FOR LESS THAN FAIR MARKET VALUE: Mrs. Smith had \$8,000 in the bank. She decided to give half of it to her daughter and to keep the other half. The fair market value of the disposed asset is \$4,000, which exceeds the amount she received by more than \$1,000. Therefore, the owner is required to count the \$4,000 she gave to her daughter as an asset for a period of two years. The other \$4,000 is still in the bank and the owner will count it as a current asset.

EXAMPLE OF ASSET DISPOSED OF FOR LESS THAN FAIR MARKET VALUE: Mr. Grant had a stamp collection valued at \$995 which he gave to his son. Since the fair market value of the stamp collection is less than \$1000, this would not be considered an asset disposed of for less than fair market value because its value is less than \$1,000.

Rental Property Income: Determine cash value of rental property and consider rental income as asset income. (To avoid double counting)

1. Determine cash value of property.
2. Determine asset income. (Verify amount owner receives from tenant and subtract expenses incurred as part of operations. Expenses include: insurance, taxes, mortgage interest, utility bills etc.)

ASSET INCLUSIONS AND EXCLUSIONS

ASSETS INCLUDE:

1. Cash held in savings and six month balance in checking accounts, safety deposit boxes, homes, etc.
2. Stocks, bonds, saving certificates, money market funds and money market accounts.
3. Equity in real property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset.
4. Revocable trusts. The cash value of trusts that are available to the household.
5. IRA, Keogh and similar retirement savings accounts, even though withdrawal would result in a penalty.
6. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
7. Cash value of life insurance policies. Assets which, although owned by more than one person, allow unrestricted access by the applicant.
8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.
9. Personal property held as investments such as gems, jewelry, coin collections, antique cars, etc.
10. Assets disposed of for less than fair market value during two years preceding certification or recertification.
11. A mortgage or deed of trust held by the applicant.

ASSETS DO NOT INCLUDE:

1. Necessary personal property, except as noted in #9 above.
2. Interest in Indian trust lands.
3. Assets that are a part of an active business or farming operation.
NOTE: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant's/tenant's main occupation.
4. Assets not accessible to the family and which provide no income for the family.
5. Vehicles especially equipped for the handicapped.
6. Equity in the cooperative unit in which the family lives.
7. Term life insurance policies (i.e. where there is no cash value)
8. Assets held in the applicant's name but which are actually owned by someone else;
 - a. Assets and any earned income that is accrued or paid to the benefit of someone else;
 - b. A situation wherein another person is responsible for income taxes incurred on income generated by the assets; or
 - c. If the applicant is responsible for disbursing someone else's money, such as in the case of having the Power of Attorney, but the money is not his/hers and no benefit is received.

SAMPLE ASSET WORKSHEET

House Not Rented or Sold Yet

Asset:	Value:	Imputed Income: (value x 2.0%)	Actual Income:
Checking Account (verify avg. last 6 mos.)	\$225		\$0
Savings Account (verify current mo.)	\$2,500		\$125
House:			
market value	\$65,000		
mortgage bal.	- 20,000		
expenses	<u>- 6,500</u>		
cash value =	\$38,500	\$38,500	\$0
<hr/>			
TOTAL (add higher total to gross income)	\$41,225	\$824.50 USE	\$125

NOTES:

SAMPLE ASSET WORKSHEET House Rented

Asset:	Value:	Imputed Income: (value x 2.0%)	Actual Income:
Checking Account (verify avg. last 6 mos.)	\$225		\$0
Savings Account (verify current mo.)	\$2,500		\$125
House rent amount: (\$700 mo. x 12) \$8,400 expenses: (mortgage interest, taxes, water, - and trash) <u>\$3,200</u>			
Asset Income = \$5,200	\$38,500 (previous page calculation)		\$5,200
<hr/>			
TOTAL (add higher total to gross income)	\$41,225	\$824.50	\$5,325 USE

NOTES:

D.) Student Households

OHFA has adopted the National Council of State Housing Agencies (NCSHA) Recommended Best Practices in Compliance Monitoring which addresses the student issues as follows:

- Consider a single person household ineligible if he or she is a full-time student at the time of initial occupancy or will be at any time during the certification period. (unless the individual meets one of the student exceptions described below);
- Consider a household of students eligible if it includes at least one part-time student or meets one of the student exceptions described below;
- Consider a household containing full-time students and at least one child (who is not a full-time student) an eligible household;
- Consider TANF an acceptable Title IV program exception.

NOTE: Effective 1-1-06, OHFA will consider children enrolled in grades K-12 as full-time students.

IRC 152(f)(2) defines, in part, a “student” as an individual, who during each of 5 calendar months during the calendar year in which the taxable year of the taxpayer begins, is a full-time student at an educational organization described in IRC 170(b)(1)(A)(ii) or is pursuing a full-time course of institutional on-farm training under the supervision of an accredited agent of an educational organization described in the IRC 170(b)(1)(A)(ii) or of a state or political subdivision of a state. Treas. Reg. 1.151-3(b) further provided that the five calendar months needs not be consecutive. For example, Susie attends college full-time from Jan 10, 2007 to May 5, 2007. According to the IRS, Susie is considered a student who is not eligible for the tax credit program in the year 2007 unless she can meet one of the exceptions below.

A household comprised entirely of full-time students is not eligible unless the household meets one of the following 5 exceptions:

EXCEPTIONS:

1. all household members are full-time students, and such students are eligible to file a joint tax return;

2. the household consists of all single parents and their children, and such parents and children are not dependents of another individual other than a parent of such children;
3. at least one member of the household receives assistance under Title IV of the Social Security Act (i.e., AFDC or TANF assistance); or
4. at least one member of the household is enrolled in a job training program receiving assistance under the Job Training Partnership Act (known as the Workforce Investment Act), or similar federal, state, or local law. See Income Exclusion 16f.
5. at least one member of the household was previously under the care and placement of a foster care program under Title IV of the Social Security Act.

The rental application must ask if all household members are full-time students. If “yes” is checked, the tenant will need to certify to the fact that one of the above exceptions applies to their household situation (a copy of this certification can be found in Appendix E). It is required that a lease provision be utilized that requires residents to notify management of any changes in the student status. NOTE: verification must be provided and placed in the tenant file to verify the exception that is being claimed. **See Appendix E – Certification of Student Eligibility.**

E.) Felony Question

The Rental Application must ask if anyone in the household has ever been convicted of a felony. The Chapter 36 Rules state that the Owner shall not house a convicted felon for a certain number of years. In some cases, a felon may be barred from a tax credit site permanently. Please see Chapter 36 Rules, section 330:36-6-1(6) and 330:36-6-1(7). The felony question must be asked at initial certification and recertification.

F.) Sign a Release and Consent Form

All adult household members age 18 and over must sign the Tenant Release and Consent Form. A sample release and consent form can be found in Appendix C. OHFA wants all verification forms signed, if possible. If a signature can not be obtained for a specific verification form, as a last resort, a copy of this Tenant Release and Consent Form can be attached to the verification form and sent to the third party for verification.

Step 2: Compare Income to LIHTC Income Limits

After receiving the information from the application in Step 1, is the household potentially eligible?

If the answer is yes,

Compare household income to LIHTC income limits which are published annually, by counties and MSA's, and by household size.

Please verify that your income limits are **correct** and **up-to-date**.
THIS IS YOUR RESPONSIBILITY!

Step 3: Verify all Annual Gross Income

Basic Methods

- Third-party written (preferred) verifications should take place between the third party and the owner — the prospective resident should not provide any documentation. It is acceptable for third parties to fax verifications to owners. Note: The fax should show evidence of the date and where the fax came from.
- Firsthand Verification is documentation from the applicant/resident. Forms of verification include: Check stubs (4 to 6), certified copies of tax returns (signed by applicant), bank statements, and copies of legal documents (e.g., court awarded child support payments, etc.). **If the employment**

verification is not fully completed by the employer, you must attach a clarification form.

*No W-2's unless applicant has had same employer for 2 yrs and increases are projected.

NOTE: Firsthand verification can be used only after you have documented all attempts at third party verification and attach to the file.

- Oral (telephone verification) may be used only if written verifications are not obtainable. The owner must complete, sign and date a form identifying the third-party oral source.

Section 8 Voucher Holders

If the resident is a Section 8 Voucher holder, you can provide a statement from the PHA, certifying the names of the residents and that those particular residents income(s) are below the LIHTC Median Income Limits, and below the required Section 8 income limits. This only relieves you of the obligation of verifying income, all other required documentation must be in the resident file. **Effective October 1, 2008 OHFA will not accept the PHA income verification statement for an initial certification, this form will be accepted only at recertification.**

The sample verification forms can be found in Appendix F.

The forms that must be in a Section 8 file if using the PHA statement:

1. Application
2. Under \$5,000 Asset Cert (if applicable)
3. Tenant Income Certification
4. Lease and Section 42 Language

When renting to a Section 8 household, you must **FIRST** qualify the household for the tax credit program and **THEN** request an inspection date.

⇒ **Effective June 1, 1999--OHFA will no longer accept the HUD Forms 50058 or 50059 as Tenant Income Certifications, you must use a separate Tenant Income Cert (TIC) approved by OHFA. (OHFA accepts the Rural Housing Certification in place of the TIC found in Appendix G)**

Verifications must be dated within 120 days prior to the effective date of the Tenant Income Certification.

- Time period for the 120 days begins once the verification is received in your office. Be sure to date stamp the verification.

NOTE: OHFA does not require verification forms to be notarized. A notary does not verify that the information is true and correct. By requiring this practice, an extra monetary burden may be placed upon the applicant/resident.

SOURCE OF INCOME	ACCEPTABLE METHODS FOR VERIFICATION		FIRST-HAND DOCUMENTATION
	THIRD -PARTY		
	Written	Oral	
Employment	Verification Forms or letter from employer	Telephone or in-person contact with employer, specifying amount to be paid, by pay period, including anticipated raises, bonuses, etc.	Paycheck stubs (4-6 showing gross pay per period and frequency). W-2 forms if other sources unavailable and employee has had same employer 2 yrs. and pay can be forecasted Accurately.
Self-Employment, Tips, etc.	N/A	N/A	Notarized statements, affidavits or tax returns signed by applicant showing amount earned and employment period.
Income Maintenance Payments, Benefits, Income other than Earnings (Including Welfare, Social Security, SSI, Unemployment, etc.	Verification Forms or letter from Source (i.e. Award Letter)	Telephone or in-person contact with source, specifying amount of payments, deductions, if any (Medicare premiums, etc.)	Recent check stub or bank deposit slip with date, amount, and period involved, and deductions, if any (Medicare premiums, etc.).
Court ordered alimony or child support.	N/A	N/A	A copy of separation or settlement agreement or divorce decree stating the amount and type of payment schedule AND a verification from applicant. (found in Appendix F)
Alimony or child support	Letter from person	N/A	verification from applicant (found in Appendix F)
Recurring contributions and gifts	Notarized statement or affidavit signed by the person giving the assistance or a letter from a bank, attorney, or trustee administering the contribution	N/A	Affidavit from applicant (found in Appendix F)

ACCEPTABLE METHODS FOR VERIFICATION			
SOURCE OF INCOME	THIRD –PARTY		FIRST-HAND DOCUMENTATION
	Written	Oral	
Net Business Income	N/A	N/A	Certified Form 1040, Schedules C, E, or F, accountant's calculation of depreciation Expense (straight-line method) Audited or un-audited financial statements, loan application listing business income from the preceding 12 months or applicant's notarized statement or affidavit at to net Income realized during Previous years
Dividends or Interest Income, including Savings Accounts	Verification Form or letter from accountant, attorney, real estate broker, the buyer, or financial instit.	Telephone or in-person contact with source (but banks are not likely to provide this orally)	Copies of current statements, passbooks, CDS, etc., or Form 1099 from the institution, if amount is not expected to change over the next 12 months (preferable to verification from financial institution when fee would be charged to applicant)
Value of Real Property	Real estate broker's opinion based on sales price of comparable properties	N/A	Record of tax assessed value (if tax authority uses approximate market value)
Income from Sale of Real Property (Installment Sale, etc.)	Verification Form or letter from an accountant, real estate agent, or other source stating interest due for next twelve months	Telephone or in-person contact with an accountant, real estate agent, or other source including amortization table	Copy of the amortization schedule, with sufficient information to determine the amount of interest to be earned during the next 12 Months
Assets Disposed of for Less than Fair Market Value	NA	N/A	Certification signed by owner that states type of asset disposed, date disposed, amount received, market value at time of disposition

Step 4: Obtain Tenant Income Certification (TIC)

USE ONLY OHFA APPROVED FORMS (unless otherwise authorized by OHFA)

- The TIC in Appendix G is REQUIRED (OHFA accepts the Rural Housing Certification) **Effective 1-1-2008, all Rural Housing TIC's must be completed within 120 days of the anniversary date of move-in.**
- The TIC must be signed by the Head of Household, all household members age 18 or older, and the owner or a member of the management staff.
- The Initial TIC should be effective the date of move-in and signed no more than 5 days prior.

Annual Recertification

Effective 1-1-2009, OHFA will eliminate the annual recertification requirement for 100% tax credit properties. This provision waives the annual recertification requirement under the low-income housing tax credit regulation. This rule will not apply to mixed income properties with tax credit buildings mixed with market buildings. **The properties in which this provision of elimination will apply will still be required to obtain annually the felony and student status of each household as these rules continue to be applicable.**

The following is a guide for those properties that must continue to recertify:

1. The effective date of the tenant income certification (TIC) is the date of move-in or initial certification. The recertification is due on the anniversary of the effective date. The effective date can be no more than 120 days prior to the anniversary date of the actual move-in or initial certification.

2. Complete the same four steps below that were used in determining Tenant Eligibility.
 1. Complete Rental Application.
 2. Compare Income to LIHTC Income Limits (Don't forget the 140% or Available Unit Rule Chap. 3, Page 8).
 3. Verify all Annual Gross Income.
 4. Complete Tenant Income Certification.
3. Start early enough to allow time to verify all income.
4. If an owner sends timely notices informing the household that the annual recertification is due, but the household does not provide the certification and supporting documentation prior to vacating the unit, the vacant unit will not be considered out of compliance. Please note these units and attach copies of notices, when submitting unit data reports to OHFA.
5. If a recertification is discovered late, the owner may retroactively recertify the household as to the occupancy and income earned as of the retro date forward 12 months. The effective date of the TIC will be the retroactive verification date. (Please note if a pattern of late recertifications performed retroactively is detected, the IRS will be notified.) Remember that the signature dates on any form must always be dated the present day. **DO NOT EVER BACKDATE.** You may date a form the current day and write the "true and correct as of" with the date next to it but be sure that the income is verified back to that date. For the retroactive recertification, the signature date will always be after the TIC effective date.

A sample 120 day, 90 day, 60 day, and 30 day notice can be found in Appendix K.

Recertification Examples:

- Example 1:
 - Resident moves-in on 4-20-05, next recert due 4-20-06
 - TIC is discovered late on 8-20-06
 - Resident was retro-actively recertified on 8-21-06 back to 4-20-06.
 - Next recert is due no more than 120 days before 4-20-07

- Example 2:
 - Resident moves-in on 4-20-05
 - TIC is discovered late on 8-20-06
 - Resident was recertified on 8-21-06 (as of 8-21-06)
 - Next recert is due no more than 120 days before 4-20-07

Note: This unit will be reported to the IRS as being out of compliance from 4-20-06 until 8-21-06.

- Example 3:
 - Resident moves-in on 5-20-05, TIC is due 5-20-06
 - Interim for another program is completed on 9-1-05, TIC is due 5-20-06
 - Interim is completed on 2-1-06, next TIC is due 5-20-07
 - Note: Recert is always due no more than 120 days before anniversary date of move-in

REMINDER: Be sure to obtain the “felony” and “student” question at recertification.