DCA HOME/LIHTC Compliance Manual Questions and Answers

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Question 1: It appears with the wording of the manual that the agency is adopting the 2-month paystub requirement from HOME for the LIHTC program. Can we go over this and what point in the manual that it clearly notes what paystubs would be used?

A: Page 108 of the Manual states: “Types of Verification - DCA/GHFA looks for the following methods of verification, in order of preference:

1. Third-party verification documents that are prepared by third parties (HOME rules call these “source documents”.

Earned income.

• Employment or military pay. Two months of recent consecutive pay stubs brought in by the household (this is nonoptional for HOME units and must be gathered for persons who have been employed for two months or more, even if other documentation is gathered as well). The most recent pay stub must meet the 120-day/120-day lifespan requirement listed below. Military pay stubs are called Leave and Earnings Statements (LES).

• Information obtained from Equifax’s Work Number for Everyone service or other private or government database documentation.

• Verification of Employment (VOE) forms that are completed by the employer. If they will be using a VOE, the owner/agent must obtain the applicant/tenant’s consent for the release of information before contacting third parties.”

For additional clarification/guidance refer to pages 108, 109, 110 and 111 of the Manual.

Question 2: I just need some clarification on new business owners who haven't filed taxes yet. The manual states that the applicant can provide a schedule C in this case. Is schedule C synonymous with a profit & loss? Since taxes have not been filed, the applicant won't be able to provide a schedule C tax form. Also, for a 1099 employee, would we be able to use an employment verification in place of the profit & loss? Or is the profit & loss required for all applicants with new businesses?

A: Refer to pages 125, 126 and 127 of the Manual wherein it states that “Income from self-employment may be documented using last year’s tax return if the business owner has filed one. Alternatively, a resident can provide information to annualize income from net income for the current year’s business activity based on the number of full months in business, with the totals documented on a Schedule C (or form E or F, respectively, for net income from rental property (or a corporation), or a farm)" The applicant may obtain Schedule C and complete it with the YTD information that they already have.

Additionally, a 1099 does not necessarily mean that the person has their own business – it might simply mean they are a contracted employee and taxes are not taken from their payments.

Question 3: Can we still date stamp the paystubs of when received to start the 120-day rule?

A: Refer to Pages 110 and 111 of the Manual – Lifespan of Verifications – wherein it states:

LIHTC. Verifications must meet both of the following criteria for LIHTC households. 1. No older than 120 days on the date they are received. 2. Used for a certification effective within 120 days of receipt

HOME properties without LIHTC financing may use verifications that are up to 6 months old by the effective date of the certification.

For both LIHTC and HOME, if verifications are not date-stamped, the signature on a verification of employment, the pay date on a paystub, or another identifying date on the verification will be used to determine compliance with the LIHTC 120-day/120-day timelines. This may limit a verification's useful life.

Question 4: Does the state of GA have a preference on if they need a Release of Information for income/assets; would Georgia DCA prefer a Release of Information to accompany each source of income/asset, or if a blanket release is the preference?

A: DCA has no preference and believes this is a management company choice provided the Release is complete and all-encompassing in its verbiage.

Question 5: Should projected increases in pay reported on the VOE be calculated into the YTD figure?

A. Remember that the point of income verification is to **anticipate** future income. Page 118 of the Manual states: "Annual income, as defined by HUD, is the amount of income that is used to determine a household's eligibility for federal LIHTC and DCA/GHFA HOME Funds housing. Annual income is all amounts, monetary or not, that are received by any household member and amounts anticipated to be received from sources outside the household during the 12 months following income certification. Income is anticipated based on current circumstances annualized. Verifiable changes are taken into consideration."

Question 6: So, if the property is TC/Home can they still obtain a VOE instead of paystubs?

A. Page 108 of the Manual states the following: "Earned income.

• Employment or military pay. Two months of recent consecutive pay stubs brought in by the household (this is nonoptional for HOME units and must be gathered for persons who have been employed for two months or more, even if other documentation is gathered as well)."

HOME must have the 2 months of pay stubs but, if so desired, may have other documentation as well. Further clarification/guidance may be found on pages 108, 109 and 110 as it relates to Tax Credit units.

Question 7: Can you use this 6th year rule for "asset verification" rules only and not fully as Self-Cert? (Still verify income, but use the under $5k rule for assets like LIHTC files for assets)

A: Refer to page 114 of the manual regarding asset verification requirements for HOME units. "Assets - All assets must be verified at initial move-in and every 6th year of the HOME affordability period. For other years, an Under $5,000 Asset Certification form may be used instead of third-party verification."

Question 8: If the property is 100% LIHTC/HOME would the Self Certification apply?

A: The self-certification rule applies for all years for a Tax Credit property. The self-certification rule applies for all years for a HOME property except every 6th year of the Affordability Period. Refer to the LURA and the HOME Agreement for further guidance.

Question 9: Do ARRA properties fall under HOME or LIHTC rules?

A: Tax credit rules

Question 10: Is the new SS verification rule applicable to the new verification rule for SS applicable to SSI as well since SSI can change during the year?

A: No, SSI still needs to verify timely to move in.

Question 11: For properties that are 100% LIHTC with some HOME units, would the LIHTC only units be self-certs every year w/approval?

A: Yes. Tax credit units can use self cert. HOME can use self cert except every 6th year.

Question 12: When determining what year, we complete a full recert for HOME properties, do we count the first year? for example, if HOME loan closed in 2020 would the full recert year be 2025 or 2026?

A: Refer to the LURA – which defines the Affordability Period as "the period of the date of this agreement through the date that is 20 years after "project completion" as that term is defined in the

HOME Regulations." Further, The HOME Agreement states that the owner/borrower has been notified by GHFA of this date.

Question 13: For HOME properties, can work number be used to verify income instead of paystubs?

A: Not *instead* of pay stubs but in *addition* to paystubs if so desired. Page 108 of the manual states, "Employment or military pay. Two months of recent consecutive pay stubs brought in by the household (this is nonoptional for HOME units and must be gathered for persons who have been employed for two months or more, even if other documentation is gathered as well)"

Question 14: For LIHTC/HOME properties, how is the 6th year of the affordability period counted? Does the year the LURA is signed count as year one or is the next year the first year of the HOME affordability period?

A: Refer to the LURA – which defines the Affordability Period as "the period of the date of this agreement through the date that is 20 years after "project completion" as that term is defined in the HOME Regulations." Further, The HOME Agreement states that the owner/borrower has been notified by GHFA of this date.

Question 15: For a LIHTC/HOME property, when the earliest pay stub is stamped with a 'Received on Date' stamp, does the check date still need to be within 120 days of the effective date or does the received-on date have to be within 120 days?

A: Refer to Pages 110 and 111 of the Manual – Lifespan of Verifications – wherein it states:

"LIHTC. Verifications must meet both of the following criteria for LIHTC households. 1. No older than 120 days on the date they are received. 2. Used for a certification effective within 120 days of receipt

HOME properties without LIHTC financing may use verifications that are up to 6 months old by the effective date of the certification.

For both LIHTC and HOME, if verifications are not date-stamped, the signature on a verification of employment, the pay date on a paystub, or another identifying date on the verification will be used to determine compliance with the LIHTC 120-day/120-day timelines. This may limit a verification's useful life."

Question 16: Will anything change with the way we look at cash app, venmo? We currently ask for statements if they can provide them and treat them as savings account.

A: Refer to pages 142 and 143 of the Manual wherein it addresses Cash Apps and Digital Wallets that hold balances are also assets such as Venmo, PayPal, etc., as well as individual stores such as Starbucks which have cash-holding apps. However, apps such as Zelle simply facilitate the transfer of funds and are not considered an asset.

Question 17: Can you touch on onsite manager/non-revenue units on a RD/LIHTC property? Manager manages two LIHTC properties One is straight LIHTC. The other combines RD and TC, wherein she (Manager) lives on site. Does the new ruling require she be income qualified in this case? It is in a GA property.

A: Properties with a unit occupied by a full-time employee who is not income-qualified may treat the unit the same as a "common area" if the property requires the employee to live on-site. To meet the requirements of being designated a common area unit, the unit must benefit all rental units at the property and the employee occupying the unit must be full-time at the property. They cannot work for another property or properties. See manual pages 77-78 – Example: Employee to Multiple Properties - A manager runs two 100% LIHTC projects that are adjacent to each other, and a maintenance professional serves these two projects and another one that the company manages across town. As they are employed by multiple properties, neither employee is eligible for an employee common area unit. As there are no market units available, they must be LIHTC eligible if they reside at either of the projects.

Question 18: For HOME properties, Does DCA provide a 6th year schedule?

A: No. This is the owner's responsibility. As noted above, the HOME Agreement states that the owner/borrower has been notified by GHFA of the start of the Affordability Period. That said, with the start date, the 6-year schedule can easily be calculated.

Question 19: Are we allowed to have the screenshots from the webinar today?

A: The video of the compliance manual webinar is available on DCA's website.

Question 20: Are you required to get a bank stamp for Verification of Banking?

A: Printouts of statements should contain the financial institution's website URL on the bottom of the pages.

Question 21: For the self-certification are assets still verified?

A: In a self-certification, all items are self-certified by the resident/household members and not 3rd party verified.

Question 22: Would VA benefits count as a SS cola type income – so that we can use the annual letter to verify VA?

A: Yes

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