



The Power of Our Voices



Frequent File Findings

CTCAC AUDITS

CTCAC monitors projects on 2 cycles:

- Projects in the current 15 Year Federal Credit Period are monitored every 3 years – IRS is involved
- Projects in the Extended Use Compliance Period are monitored every 5 years
 - IRS is not involved

CTCAC AUDITS

Monitoring Audits include:

- File Audit
 - Review Files for Income Eligibility
 - Review Files for Rent Restriction
- Physical Audit
 - Check units for safe, habitable and good condition
 - Verify site and service amenities

CTCAC AUDITS

Most Frequent File Findings:

- Electronic Signatures
- Missing Section 42 Language
- Incomplete / Incorrect Forms
- Missing Pay Stubs
- Missing Recertifications

ELECTRONIC SIGNATURES

- CTCAC will only allow electronic signatures on the Application
- All other CTCAC Forms or CTCAC required forms (including the initial Lease and the TIC) must have wet signatures

TIPS – ELECTRONIC SIGNATURES

TIPS

- Make sure that there is a copy of the lease and all of the required TCAC forms with a wet signature for both the tenant(s) and management in the file
- Whenever possible – avoid using copies

MISSING SECTION 42 LANGUAGE

- All tenants be notified of the requirements of the IRS Section 42 Tax Credit Program.
- Usually noted either in the Lease or as a separate Lease Addendum

MISSING SECTION 42 LANGUAGE

Needs to outline the rules or restrictions of the LIHTC Program, including:

- Income Eligibility
- Rent Restriction
- Student Rules / Exceptions
- Unit Inspections
- Totem Pole Rule

MISSING SECTION 42 LANGUAGE

- The CTCAC Good Cause Eviction Lease Rider is not a substitute for the Section 42 Language requirement
- A general “Affordable Housing” Addendum that does not reference Section 42 will not be accepted

TIPS – MISSING SECTION 42 LANGUAGE

TIPS

- Work with your owner to make sure that language regarding the LIHTC Section 42 Program is available
 - Determine if it will be added to the lease or as a separate lease addendum
- Make sure that it is incorporated into your template lease or addendum packets

INCOMPLETE OR INCORRECT FORMS

Forms most commonly Incomplete:

- Supplemental Information Form (SIF)
 - Page 3 of the TIC - Demographic Data
 - All Household information needs to be completed even if the tenant is choosing not to disclose
- Child / Spousal Information Form
 - Follow the prompts over the check boxes
- VOE
 - Use a telephone clarification for the items that have been left blank

PART IX. SUPPLEMENTAL INFORMATION FORM

The California Tax Credit Allocation Committee (CTCAC) requests the following information in order to comply with the Housing and Economic Recovery Act (HERA) of 2008, which requires all Low Income Housing Tax Credit (LIHTC) properties to collect and submit to the U.S. Department of Housing and Urban Development (HUD), certain demographic and economic information on tenants residing in LIHTC financed properties. Although the CTCAC would appreciate receiving this information, you may choose not to furnish it. You will not be discriminated against on the basis of this information, or on whether or not you choose to furnish it. If you do not wish to furnish this information, please check the box at the bottom of the page and initial.

Enter both Ethnicity and Race codes for each household member (see below for codes).

TENANT DEMOGRAPHIC PROFILE						
HH Mbr #	Last Name	First Name	Middle Initial	Race	Ethnicity	Disabled
1						
2						
3						
4						
5						
6						
7						

The Following Race Codes should be used:

- 1 – White – A person having origins in any of the original people of Europe, the Middle East or North Africa.
- 2 – Black/African American – A person having origins in any of the black racial groups of Africa. Terms such as “Haitian” or “Negro” apply to this category.
- 3 – American Indian/Alaska Native – A person having origins in any of the original peoples of North and South America (including Central America), and who maintain tribal affiliation or community attachment.
- 4 – Asian – A person having origins in any of the original peoples of the Far East, Southeast Asia, or the Indian subcontinent:
 - 4a – Asian India 4e – Korean
 - 4b – Chinese 4f – Vietnamese
 - 4c – Filipino 4g – Other Asian
 - 4d – Japanese
- 5 – Native Hawaiian/Other Pacific Islander – A person having origins in any of the original peoples of Hawaii, Guam, Samoa, or other Pacific Islands:
 - 5a – Native Hawaiian 5c – Samoan
 - 5b – Guamanian or Chamorro 5d – Other Pacific Islander
- 6 – Other
- 7 – Did not respond. (Please initial below)

A. Do you receive child support and/or spousal support?

Yes

Go to B

No

Go to C.1

B. I receive:

1. Payment amount \$ _____

2. Frequency _____

3. Name(s) of Recipient(s) _____

4. Name of source _____

Complete multiple affidavit forms if there are multiple sources.

5. Go to C.1

C. 1. Have you been awarded child or spousal support by court order?

Yes

Go to C.2

No

Sign Form

TIPS – INCOMPLETE OR INCORRECT FORMS

TIPS

- Be familiar with the common mistakes that are made
- Review all forms after the tenant has signed them
 - Review before the tenant leaves the office
- Check for simple errors
 - Missed lines
 - Missed dates

MISSING PAY STUBS

Since 2004, CTCAC has required 3 months' of current and consecutive paystubs for wage earners at initial move-in.

- There is no CTCAC requirement to get paystubs at 1st recertification
- If you cannot get the VOE at 1st, you *may* use paystubs in lieu after 3 documented attempts
 - Be Careful! If the tenant signed a zero Income Cert at move-in you need to verify hire date
 - Only do when cannot get VOE. Repeated patterns of just getting the paystubs looks like a lack of due diligence – could trigger larger audit sample or 100% audit

MISSING PAY STUBS

For tenants that recently started a job and do not have 3 months worth of paystubs:

- A Hire letter will only be acceptable for non-commission salary wages.
 - Needs to state annual salary and that there will not be commission or bonuses in addition to salary
 - Not acceptable for hourly or salary + commission wages

New Pay Stub Policy – 75%

For tenants that recently started a job and do not have 3 months worth of paystubs (non-salary):

- CTCAC “test” newly employed individual’s income against 75% of the income limit
 - If the total household income is less than 75% of the income limit, then CTCAC will accept alternative documentation

New Pay Stub Policy – 75%

- Completed Verification of Employment (VOE)
- Pay-Stubs
 - All pay-stubs available, from the time of hire through move-in date or as close to the move-in date as possible
 - Must have at least one pay-stub for a full pay period
 - A single pay-stub for a partial period will not be accepted

New Pay Stub Policy – 75%

- Pay stubs with a partial pay period should be excluded from calculation determination
- If the household is over the 75% threshold, it is up to the owner if they want to continue to collect paystubs, and test the household's income again when 3 months worth of paystubs are available
 - During an audit, CTCAC may require additional information to determine if the household was eligible.
 - IF that additional documentation shows the household was not eligible at move-in, it would be reported to the IRS on Form 8823

TIPS – PAY STUBS

TIPS

- Let applicants/tenants know when they apply about the paystub requirement
- Have a chart with the 75% threshold limits
- Have a company policy for households with new employment that are above the 75% threshold

MISSING RECERTIFICATION

For 100% Tax Credit Properties:

- CTCAC requires a full income and asset certification at move in and 1st recertification
- Subsequent Recertifications may either be full or short-form (THIF)
- The Move-in, 1st Recertification, and Current Recertification must be in the file
 - Other years may be archived out, but need to be available on site

MISSING RECERTIFICATION

For Mixed Income Tax Credit Properties:

- CTCAC requires a full income and asset certification at move in and ALL recertifications
 - Recertifications must be done on anniversary date
- The Move-in, 1st Recertification, and all other Recertifications must be in the file
 - You may not archive out any certification years
 - Next Available Unit Rule must be tracked and followed

TIPS – MISSING RECERTIFICATIONS

TIPS

- Periodically audit your files to make sure that all required documentation is in the files
- For 100% properties that want to “archive” information – make sure that the recertifications that are removed are kept somewhere easily accessible
- For Mixed Income Properties – don’t remove any of the recertifications for the file



General TIPS to help stay in Compliance

Application

- Did you have the applicant update the information on the application?
- Were all changes initialed?
- Make sure to review:
 - landlord references
 - did applicants owned or rented at their previous residences
 - student status

Certification Process

Based on the information provided at initial and/or recertification interview:

- Did you send and receive all proper income verifications?
- Are Tax Returns needed for the file? Did you receive completed federal income taxes with any and all W-2's and 1099's (if applicable)? Are they signed and dated?
- Did you read the tax returns?

Certification Process

- If the reported NCV of all assets is at or more than \$5000 did you send and receive all necessary asset verifications?
- Are bank statements needed for the file?
- At Recertification, did you double check the previous year's file?
- Did you discover unreported income and/or assets?



QUESTIONS?