

FILES AND FORMS

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Files and Forms – Updated Forms

Updated CTCAC Forms

- In April of 2022, CTCAC released updated versions of all CTCAC required forms
 - Minor grammatical changes in July 2022 to some forms
- As of January 1, 2023, failure to use the updated forms will result in a finding of noncompliance
- Forms on the Website are in a fillable .pdf format
 - If you need the original Excel Version of the Forms, please contact Pa Kou Yang at pakou.yang@treasurer.ca.gov
 - Word Versions of the Forms are no longer available

Files and Forms – Updated Forms

- TIC and THIF Forms were not changed to new format
- With the changes, previously granted approval to changes of the forms are no longer valid
 - Going forward, CTCAC will not approve additional changes to be made
 - Owners may add a “Supplemental Information Form” to the file to ask any additional questions, if needed

Files and Forms – Updated Forms

Allowed Exceptions:

CTCAC will continue to allow the following HUD Forms to be used in place of the CTCAC form to allow consistency in projects with HUD subsidy and prevent duplication

- Verification of Employment Form
- Live-in Aide Verification Form
- HUD VAWA Lease Rider
- The Work Number Verification of Employment (*replaces VOE as needed*)
- The addition of a management logo, HUD logo or the fine print Fair Housing language
 - Does not require CTCAC approval

Files and Forms – Updated Forms

- Starting January 1, 2023, use of non-standard CTCAC forms will be noted as a violation and subject to a standard correction period
- Fines may be assessed if Owner chooses to continue using non-standard forms after the correction period has been established

Files and Forms – Maximum Rent

Maximum Gross Rent:

The maximum gross rent is the tenant paid portion of the rent plus the utility allowance (*excluding telephone and cable*) and any other mandatory charges

- Must not exceed the current Tax Credit maximum rent limit
 - HUD publishes rent limits for each county in California annually
 - Rent limits based on project Placed in Service Date, Federal Set-Aside, county and number of bedrooms in unit

Files and Forms – Maximum Rent

- Mandatory charges - must be counted as part of the maximum gross rent
 - Includes charges for any mandatory amenities and/or services such as: garages, carports, storage , washer/dryer hook-up, renter's insurance, internet, cable television, meals, laundry, housekeeping
 - Note: Garages, carports, storage, washers & dryers cannot be charged to the tenant even if they are an “optional” charge if they are included in eligible basis
- Allowable Fees and Charges - are excluded from maximum gross rent
 - Customary fees normally charged such as: damage deposits, cleaning deposits, pet deposits, credit deposits, etc.

Files and Forms – Maximum Rent

Subsidy – maximum gross rent does not include any payments made to the owner to subsidize the tenant's rent

- Includes Section 8 or any comparable federal, state, or local government rental assistance program to a unit or its occupants
 - Does not include payments from a church, social organization, or other non-profit entity (*non- government*)
- Additionally, the maximum gross rent may exceed the Federal Set-Aside Tax Credit limits as long as the household is receiving at least \$1 in any federal, state or county government agency subsidy

Files and Forms – Maximum Rent

Example:

The maximum allowable tax credit gross rent for a unit is \$900. The maximum Section 8 rent is \$1250. At the most recent HUD recertification, they determined that the tenant's income has increased and HUD reduced the amount of HUD Rent subsidy for the tenant to \$10. The owner may charge the tenant up to \$1240 in rent even though the amount is above the tax credit limit, since the household is still receiving at least \$1 in subsidy assistance.

Files and Forms – Income Verification

Verification of Income

- 3rd party verification required for all wage earners & salaried employees
 - VOE's from 3rd party vendors such as The Work Number, Equifax, E-Verify, etc., are acceptable
 - Telephone clarifications for minor issues or items left blank
 - Significant changes must be third party verified
 - Conflicting information between VOE and pay stubs

Files and Forms – Income Verification

- Award Letters, statements, payment history acceptable for other income sources
- See Section VII of CTCAC's Compliance Manual for verification requirements for other income sources

Don't have ALL the info...DON'T MOVE THEM IN!!

Files and Forms

Verification Timeline

Guidance for obtaining Verification of Employment (VOE)

For new Move-ins and recertifications where the household is currently employed, the following guidance should be used in obtaining a VOE:

- Three reasonable attempts
 - Minimum of 5 days between each attempt
- Attempts need to be documented
 - Fax, receipt, dated email confirmation, returned envelopes, etc.

Files and Forms

Verification Timeline

- 3 months of current and consecutive paystubs
 - Required at initial move-in only
 - If at 1st recert, a VOE is not able to be obtained, paystubs may be used after attempts have been made to get VOE
 - If it is a new job at 1st recertification, verification of start date is required
 - Recently started a job (*less than 3 months paystubs*)
 - 75% paystub threshold test must be used

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Negative Verification

Required by CTCAC when:

- An application, TICQ, etc. in the move-in file or recertification shows that applicant has two jobs, but only one verification is included in the file
- Tenant has a new employment at 1st recertification
 - Phone Clarifications will not be accepted to verify a tenant is no longer employed at one of the jobs

Files and Forms

Questionable Documentation

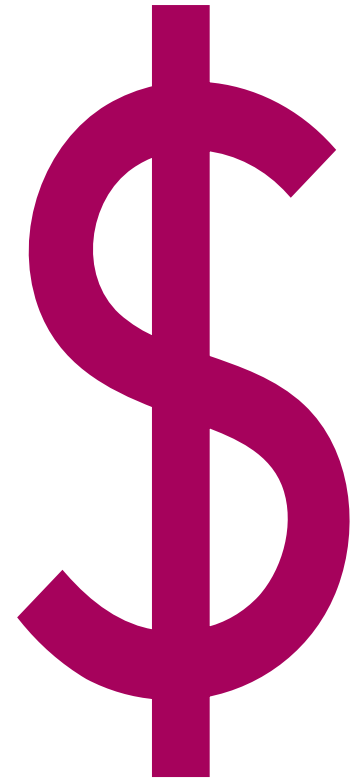
If during an audit CTCAC is unable to determine income eligibility for any reason, the Findings Letter may request additional documentation be provided. Examples are:

- Tax Return, W-2's, or any 1099 Forms
- Most Current Paystub
- Clarification on the disposal of an asset
- Negative Verification of Employment

Files and Forms

Calculating Assets

- To Calculate Assets for Income Eligibility, the IRS says to follow the guidance laid out in HUD 4350 Chapter 5
- HUD 4350 Chapter 5, Rev. 4 provides guidance that the owner should compare the “cash value” or what the earnings would be if converted to cash and the “imputed value” using the current HUD Passbook rate
 - HUD 4350 gives general guidance on how to do this for some assets, but is vague on details for other types of assets



Files and Forms – Calculating Assets

- The IRS requires that household assets over \$5000 must be third party verified
 - Verifications of Deposit, Bank Statements, and Award Letters are acceptable methods of verification
- Total household assets under \$5000 may use the Under \$5000 Asset Certification form
 - One form per person with individual assets or one form per household with joint assets
 - CTCAC does not require bank statements in addition to the Under \$5000 Asset Certification
 - If the Under \$5000 Asset Certification is used for households that have assets over \$5000, CTCAC will require the form to be removed

Files and Forms – Calculating Assets

In 2023, CTCAC added a section to the Online Compliance Manual showing how CTCAC staff calculate several of the different types of assets most commonly seen at LIHTC properties

- This is the methodology CTCAC staff will use to calculate assets
- If an owner/investor/management company requires a more restrictive calculation method for determining asset value – is it not a violation for CTCAC if a different method is used
 - If the different methodologies conflict in a way that the CTCAC method puts the household as over-income but the management method doesn't, we may request further clarification

Files and
Forms
Calculating
Assets

Compliance
Manual

Section VII – Part 7.2

- (D) – New Section on Asset Calculations
 - (1) Savings Account
 - (2) Checking Account
 - (3) Certificate of Deposit (CD)
 - (4) IRA/401K/Money Market Accounts
 - (5) Mobile Payment Service Apps
 - (6) Stocks
 - (7) Cryptocurrency
 - (8) Trust

Files and Forms – Calculating Assets

Savings Account: To determine the cash value of a savings account, take the current value of the account and multiply it by the interest rate given by the financial institution and compare it to the HUD Passbook rate

Example: Savings Account Balance: \$14,523

- Interest From Financial Institution: 2.4%
- $\$14,523 \times 2.4\% = \text{Cash Value of } \348.55
- $\$14,523 \times .06\% \text{ Passbook} = \text{Imputed Value of } \8.71

CTCAC would add the Cash Value of \$348.55 to the total household income

Files and Forms – Calculating Assets

Checking Account: To determine the cash value of a checking account, take the 6 month average of the account and multiply it by the interest rate (if any) given by the financial institution and compare it to the HUD Passbook rate

Example: Checking Account 6 month average: \$5,185.67

Interest From Financial Institution: .04%

$\$5,185.67 \times .04\% = \text{Cash Value of } \2.07

$\$5,185.67 \times .06\% \text{ Passbook} = \text{Imputed Value of } \3.11

CTCAC would add the Imputed Value of \$3.11 to the total household income

Please note: for households with assets over \$5000 where the third party verification from the financial institution for the checking account does not show a 6 month average, the average noted by the institution (generally 3 months) may be used instead.

Files and Forms – Calculating Assets

Certificate of Deposit (CD): To determine the cash value of a Certificate of Deposit, take the current value of the account and multiply it by the interest rate given by the financial institution and compare it to the HUD Passbook rate

Example: CD Balance: \$24,879.11

Interest From Financial Institution: 3.2%

$\$24,879.11 \times 3.2\% = \text{Cash Value of } \796.13

$\$24,879.11 \times .06\% \text{ Passbook} = \text{Imputed Value of } \14.93

CTCAC would add the Cash Value of \$796.13 to the household income

Files and Forms – Calculating Assets

IRA/401K/Money Market Accounts: To determine the cash value of accounts such as retirement, 401K, and money market accounts, you will need to deduct any pre-payment penalties or fees. Interest is not generally included with these types of accounts, so CTCAC will use the average rate of return or the percentage change in value over a 3 month period to determine the earnings potential

Example: 401K Account Balance: \$56,275.52

Pre-Payment Penalty of 10%: \$5627.55

Balance – Pre-Payment Penalty: \$50,647.97

Average rate of return for the last 3 months: .62%

$\$50,647.97 \times .62\% = \text{Cash Value of } \314.02

$\$50,647.97 \times .06\% \text{ Passbook} = \text{Imputed Value of } \30.39

CTCAC will add the Cash Value of \$314.02 to the household income

Files and Forms – Calculating Assets

Mobile Payment Service Apps: CTCAC will treat any held balances in mobile payment service apps like Venmo, Zelle, Paypal, and Ca\$hApp like a savings account with a zero percent interest. For households with assets over \$5000 use the HUD Passbook rate of .06% to determine the value of the asset

- A screenshot/printout in the file is only needed if the total household assets are over \$5000
- If assets are under \$5000, it just needs to be noted on the Under \$5000 Asset Certification

Example: PayPal Account Balance: \$7,863

$\$7,863 \times .06\% \text{ Passbook} = \text{Imputed Value of } \4.72

CTCAC would add the Imputed Value of \$4.72 to the household income

Files and Forms – Calculating Assets

Stocks: To determine the value of held stocks, CTCAC will take the current value of the stock and multiply it by the average change in the stock value over the last 3 months

Example: Value of Stock: \$12,503.64

Average change in value for the last 3 months: 1.6%

$\$12,503.64 \times 1.6\% = \text{Cash Value of } \200.06

$\$12,503.64 \times .06\% \text{ Passbook} = \text{Imputed Value of } \7.50

CTCAC will add the Cash Value of \$200.06 to the household income

Files and Forms – Calculating Assets

Cryptocurrency: Cryptocurrency values are highly volatile. To determine the value of Cryptocurrency like Bitcoin, Ethereum, LiteCoin, etc. in units where the total household assets are over \$5000, CTCAC will require a printout of the current balance and the average percentage fluctuation over the last 3 month period. If the household's total assets are under \$5000, CTCAC will allow the HUD passbook rate of .06% to be used on the current value of the cryptocurrency instead of a 3 month average

Example: Current value of Cryptocurrency: \$17,126.37

Average change in value for the last 3 months: 3.6%

$\$17,126.37 \times 3.6\% = \text{Cash Value of } \616.55

$\$17,126.37 \times .06\% \text{ Passbook} = \text{Imputed Value of } \10.28

CTCAC will add the Cash Value of \$616.55 to the household income

Files and Forms – Calculating Assets

Trust: Per HUD 4350, the asset value of a Trust is only determined if the trust is revocable

- Asset income from a nonrevocable Trust is excluded from household income calculations
- If a resident is receiving regular payments from a trust, those payments would be considered income and the remaining value of the trust would not be calculated for asset purposes
- If the resident holds a trust and is not receiving payments, the asset value of the trust is the total amount that the resident could withdraw from the trust.

Files and Forms – Calculating Assets

Trust: As the funds in the trust may accrue interest, if a definitive rate (such as with a savings account) is stated, CTCAC will use that interest rate to determine the value of the trust.

- If no definitive interest rate is stated (*funds are in stocks, etc.*) then CTCAC will use the average rate of return or the percentage change in value over a 3 month period to determine the earnings potential

Example: Trust Account Balance: \$212,852

Interest From Financial Institution: 1.8%

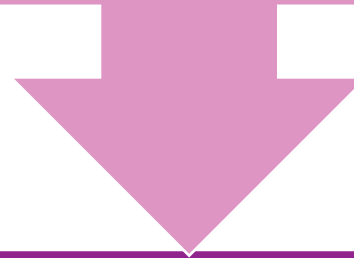
$\$212,852 \times 1.8\% = \text{Cash Value of } \$3,831.34$

$\$212,852 \times .06\% \text{ Passbook} = \text{Imputed Value of } \127.71

CTCAC will add the Cash Value of \$3831.34 to the household income

Files and Forms Calculating Assets

For all assets that use an average change in the rate of return or change in value, if the change results in a negative number, then zero (0%) would be the multiplying factor not the negative number



As multiplying by zero would equal zero, the amount used for the cash value of the asset would be the amount determined by the HUD Passbook Rate

Files and Forms

Asset Change in Value



FOR ASSETS LIKE STOCKS OR CRYPTOCURRENCY THAT OFTEN DO NOT HAVE AN INTEREST RATE, DEFINED RATE OF RETURN, OR THE PERCENTAGE CHANGE ON THE AWARD OR VERIFICATION DOCUMENTATION, **CTCAC** STAFF WILL DETERMINE THE ASSET CHANGE IN VALUE AND USE THAT CHANGE TO DETERMINE THE EARNINGS VALUE OF THE ASSET



CALCULATION – DETERMINE THE DIFFERENCE BETWEEN THE TWO NUMBERS, DIVIDE THE DIFFERENCE BY THE ORIGINAL NUMBER, AND THEN MULTIPLY BY 100

Files and Forms – Asset Change in Value

Example: Leslie Lee owns 250 shares of stock in Gap Clothing. The current value of the stock is \$10.28 a share. Management looked up the stock's history and 3 months ago, the value of the stock was \$9.53. Management needs to determine the projected value of the stock for income eligibility purposes.

Current Value: \$10.28

Prior Value: \$9.53

Difference: \$0.75

To determine the percentage change of the asset:

Difference $.75 / 10.28 = .073$

Multiply by 100 = Change in asset value is 7.3%

Files and Forms – Asset Change in Value

To determine the projected value of the stock for asset income purposes, multiply the current value by the change in value.

$\$10.28 \times 7.3\% = \text{Cash Value of } \0.75

$\$10.28 \times .06\% \text{ Passbook} = \text{Imputed Value of } \0.01

Remember: *These calculations are for households with total assets over \$5000. If the households assets are under \$5000, you would only need to note the stock on the Under \$5000 Asset Certification*

Files and Forms – Electronic Signatures

Prior to 2016

- CTCAC did not allow Electronic Signatures on any forms

2016 to 2019

- CTCAC allowed Electronic Signatures on the Application only

2020

- As a response to the COVID-19 Pandemic, CTCAC allowed electronic signatures on all CTCAC Forms but limited the vendor to DocuSign

Files and Forms – Electronic Signatures

2021+

- CTCAC will allow electronic signatures on any CTCAC forms from any licensed third-party vendor that verifies identity
 - Should have capability for tenant to draw their signature by using a stylus, mouse, or finger
 - Additional documentation may be requested if CTCAC auditor determines there are “red flags” in the file that indicate the signature was not completed by the tenant

Files and Forms

Electronic Storage



Files and Forms – Electronic Storage

On February 3, 2022, the California Tax Credit Allocation Committee (CTCAC) released the 2022 Compliance Monitoring Guidance Memo that required in order to maintain efficiency, reduce waste, and keep up with changing technological innovation, CTCAC will require that all projects in the CTCAC portfolio create and store an electronic **copy** of the resident file for all households at a property. The requirement went into effect on February 1, 2022, with a completion date of December 31, 2023.

- Several concerns were brought to CTCAC's attention and on September 29, 2022, CTCAC issued updated guidance which created a more refined scope of documentation required and added additional time for properties meeting certain requirements

Files and Forms – Electronic Storage

- CTCAC is requiring a **COPY** of the files be stored electronically
 - The owner will determine where the files are to be stored (cloud, hard drive, etc.)
- CTCAC is **NOT** requiring that all owners/management agents change to fully electronic files
 - Owners that choose to change to electronic files rather than have paper files onsite, may do so
 - CTCAC will need to know the Name and CTCAC # for properties that intend to go fully electronic by December 31, 2024

Files and Forms – Electronic Storage

For 100% Tax Credit Properties – Recertification Requirements

CTCAC will require an electronic copy of:

- the initial move-in certification
- 1st recertification
- the most recent recertification available at the time an electronic copy is made

Annually thereafter, as the household recertifies, the recertification should be saved and added in an electronic format to the file

- If at any time, CTCAC needs to review the recertifications that weren't electronically created, an electronic copy of the paper recertification must then be created and submitted to CTCAC for review

Files and Forms – Electronic Storage

For Mixed Use Properties with conventional market units

The IRS and Section 42 require the 140% Next Available Unit Rule (NAUR) to be tracked annually, therefore it is not possible to reduce the requirement of scanning every recertification for the household

Files and Forms – Electronic Storage

The initial timeline of 23 months (February 2022 – December 2023) to complete the scanning of files will be modified to the following:

1. For 100% Tax Credit Properties with 160 or less LIHTC units – the initial deadline will remain December 31, 2023
2. For large 100% Tax Credit Properties with greater than 161 LIHTC Units or Mixed-Use properties with conventional and tax credit units – the deadline will be extended to December 31, 2024

Files and Forms – Electronic Storage

To ease the burden of scanning, the items required to be scanned will be reduced from the entire file to the following:

- Initial Application
- Initial/Move-in Lease and Lease Addendums
- Any lease addendums signed later than initial move-in
- Required Recertifications (*as noted previously*)
- Correspondence between the owner/management agent and the tenant
 - Specific correspondence regarding work orders, recertification dates, and tenant concerns
 - CTCAC does not need copies of notices given to all residents

Files and Forms – Electronic Storage

- The requirement of creating an electronic copy of the resident file applies only to existing residents who were in place or moved into the property on or after February 1, 2022
- CTCAC does not need electronic copies of households that vacated the property prior to that date or households that vacate before the due date

Q & A