# Contents

## Introduction

- [Rent Up Process](#) .................................................................................................................. 1-1

## Rent Up Process

- [Affirmative Fair Housing Marketing Plan](#) ........................................................................ 2-1
- [Advertising](#) ................................................................................................................... 2-1
- [Rent Worksheet](#) ............................................................................................................... 2-6
- [Tenant Selection Plan](#) ..................................................................................................... 2-7
- [Waiting List Procedures](#) .................................................................................................. 2-7
- [Tenant Application](#) .......................................................................................................... 2-8
- [Lease and Addendums](#) ..................................................................................................... 2-8
- [Required/Prohibited Lease Terms](#) .................................................................................. 2-9
- [Other Documents to Submit for City Staff Review](#) ......................................................... 2-11
- [Initial Reporting Process](#) ................................................................................................ 2-11

## Income Certification

- [Determining Household Size](#) .......................................................................................... 3-1
- [Initial Certification Timing](#) ............................................................................................. 3-2
- [Income Recertification Timing](#) ........................................................................................ 3-2
- [Income Verifications](#) ....................................................................................................... 3-2
- [Types of Income](#) ............................................................................................................. 3-3
  - [Employment Income](#) .................................................................................................... 3-3
  - [Zero/Sporadic Income](#) .................................................................................................. 3-5
  - [Self-Employment](#) ......................................................................................................... 3-6
  - [Income from Assets](#) ..................................................................................................... 3-6
  - [Social Security and Other Benefits](#) ............................................................................. 3-7
  - [Payments in Lieu of Earnings](#) ....................................................................................... 3-8
  - [Welfare Assistance](#) ...................................................................................................... 3-8
  - [Periodic Allowances](#) .................................................................................................... 3-9
  - [Military Pay](#) ................................................................................................................ 3-9
  - [Income Exclusions](#) ...................................................................................................... 3-10
  - [Income from Minors](#) .................................................................................................... 3-10
Introduction

The City of Cedar Rapids monitors and enforces the long term compliance of rental projects that have received HOME, CDBG, and CDBG-DR funds. This monitoring guide was created to provide necessary information in order for the project to be successful throughout the affordability period. It should act as a guide for owners and property managers for projects funded with HOME, CDBG, and CDBG-DR funds through the City of Cedar Rapids. The information in this guide has been compiled from multiple HUD guidebooks including *Compliance in HOME Rental Projects: A Guide for Property Owners* and *Technical Guide for Determining Income and Allowances for the HOME Program*. Excerpts of these guides as well as a list of other resources are included in the appendix.

Affordability Period

The length of the affordability period is determined by the agreement put in place between the City of Cedar Rapids and the funding recipient. The start of the affordability varies depending on the type of funding received.

Determining the Start of the Affordability Period

**HOME**: Date the project was closed out by the City in HUD’s reporting system

**CDBG**: Date the project was closed out by the City in HUD’s reporting system

**CDBG-DR**: Issuance date of the Temporary Certificate of Occupancy

For HOME and CDBG funded projects, the affordability period begins on the date of the project’s closeout in HUD’s reporting system. In order to close out a project in the reporting system, all funds must have been expended, a final inspection and monitoring completed, and all beneficiaries must be reported on the monthly reporting form provided by the City of Cedar Rapids.

Prior to the start of the affordability period, City staff will schedule a technical assistance session to review the requirements throughout the affordability period. This technical assistance session will cover rent up documentation, income certification process, and reporting requirements. This information is also covered in detail in this guide.
Agreements
The written agreement between the City of Cedar Rapids and the funding recipient lays out all of the requirements of the project. The agreement includes certain provisions that must be followed to ensure compliance with the programs. The provisions include the funding type, funding amount, total number of affordable units, the rent limits, income limits, monitoring and reporting requirements. The written agreement will also be enforced with a deed restriction or restrictive covenant.

Deed Restriction and Restrictive Covenants
Deed restrictions or restrictive covenants are placed on the properties for the term of the affordability period. This ensures that the affordability requirements stay in place regardless of a change in property ownership or early payoff of the mortgage. At the end of the affordability period when all compliance requirements have been met the deed restriction or restrictive covenant will be released.
Rent Up Process

Approximately 6 months before the anticipated rent-up date, the owner/property manager should reach out to City staff to begin the rent up document review process. All documents must be approved by the City prior to handing out applications or taking names on a waiting list. The following documents must be submitted for review:

- Affirmative Fair Housing Marketing Plan
- Rent Worksheet
- Tenant Selection Plan
- Waiting List Procedure
- Tenant Application
- Lease and all addendums
- Move-in/Move-out forms
- Tenant Rules and Regulations
- Any other forms given to the tenant at move-in.

Any form or document provided to the tenant must be approved by the City. This process can take approximately 4 months so best practice would be to begin this process at 6 months prior to rent up.

Affirmative Fair Housing Marketing Plan

The Affirmative Marketing procedures ensure that special outreach and advertising efforts are made to communicate the availability of HOME/CDBG-assisted housing to those groups or individuals least likely to apply. Affirmative Marketing should be made part of the property’s overall marketing activities. The Affirmative Fair Housing Marketing Plan (AFHMP) is a format for the owner/property manager to show the City how it will achieve its affirmative marketing procedures.

The AFHMP must be completed for any property with 5 or more affordable units. The plan will outline your strategies to achieve affirmative marketing as well as assist the owner/property manager in determining which groups or individuals are least likely to apply. The AFHMP must be approved by City staff at least 90 days prior to rent up to allow for the required 90 days of advertising. A local best practice is to submit the AFHMP to City staff 4 months prior to rent up to allow time for review and any corrections that must be made. Once the plan has been approved the owner/property manager can begin marketing the units.
Advertising

All signs and published materials must contain the Equal Housing Opportunity logo, slogan, or statement. When determining the size of the logo that should be used in the advertisement, refer to the chart below from the Fair Housing Regulations.

<table>
<thead>
<tr>
<th>Size of Advertisement</th>
<th>Size of logotype in inches</th>
</tr>
</thead>
<tbody>
<tr>
<td>1/2 page or larger</td>
<td>2x2</td>
</tr>
<tr>
<td>1/8 page up to 1/2 page</td>
<td>1x1</td>
</tr>
<tr>
<td>4 column inches to 1/8 page</td>
<td>1/2 x 1/2</td>
</tr>
<tr>
<td>Less than 4 column inches</td>
<td>Do not use</td>
</tr>
</tbody>
</table>

If other logos are used in the advertisement, the Equal Housing Opportunity logo should be the size of the largest logo.

Determining Groups Least Likely to Apply

After reviewing the demographic information for the Census Tract, Housing Market Area, and Expanded Housing Market Area, determine which groups are least likely to apply for a unit. To determine which groups are least likely to apply, identify the targeted populations with at least 1% or greater presence. Consider the following questions when determining which groups are least likely to apply:

- Which group(s) are disproportionately lower in percentage in the census tract compared to the Housing Market Area or Expanded Housing Market Area?
- Which group(s) are disproportionately lower in percentage compared to other groups in the area?
- Are there additional minority groups that are missing from the list?

*If diversity is almost non-existent and targeted population groups have less than 1% population in all demographics, attempts should still be made to attract targeted groups through special outreach.

Once you have answered the questions above, you should be able to determine the groups least likely to apply.
How to complete the Affirmative Fair Housing Marketing Plan

Page 1

1a. Enter the Project Name & Address
1b. Enter the Project Contract Number (This number is the City’s grant number and will be provided to you by City staff)
1c. List the total number of units
1d. Census Tract
   1. Go to the American Fact Finder website: www.factfinder.census.gov
   2. To determine the Census Tract of the property, scroll down the page until the “Address Search” section. Click “Enter a Street Address”
   3. Enter the property address and click “Go”
   4. Under “Geography Name” (1st column) look for the Census Tract #. Once you have determined this number you can begin to gather the rest of the census data.

1e. Housing Market Area: Cedar Rapids, Iowa
    Expanded Housing Market Area: Linn County, Iowa
1f. Managing Agent Information
1g. Owner/Developer Information
1h. Check who will be responsible for marketing.
1i. Who will be the contact person for the AFHMP?
2a. Plan Type (Initial or Updated)
   Date of First Approved AFHMP: (Leave blank if you are completing the initial plan)
   Reason(s) for current update: (Leave blank if you are completing the initial plan)
2b. HUD Approved Occupancy of the Project: Check all boxes unless the project has targeted population approved by HUD.
2c. Date of Initial Occupancy: This date should be your anticipated rent up date and must be at least 90 days after the date of the approved AFHMP.
2d. Enter the date advertising will begin (this date must be at least 90 days prior to the anticipated rent up date)
   For existing projects, select below the reason advertising will be used (Leave blank if you are completed the initial plan)
How to complete the Affirmative Fair Housing Marketing Plan

Page 2

3a. Complete Worksheet 1

1. Project’s Residents – For AFHMP Updates Only
   a. Fill in the percentages of each demographic according to the information obtained from project residents.
   b. This information should be requested at time of application and tracked based on who rents up.

2. Project’s Applicants – For AFHMP Updates Only
   a. Fill in the percentages of each demographic according to the information obtained from project applicants.
   b. This information should be requested at time of application and tracked for both anyone who fills out an application and anyone on the waiting list.

3. Census Tract
   a. Determined by the project address. See below

4. Housing Market Area
   a. Cedar Rapids. See below

5. Expanded Housing Market Area
   a. Linn County. See below

Demographic Characteristics

1. Go back to the main page. (www.factfinder2.census.gov)
2. Click on “General Demographic Characteristics (2010 Census, DP-1)” under Popular Tables.
3. Click on “Add/Remove Geographies” to select the Census Tract, Housing Market Area, and Expanded Housing Market Area.
4. Housing Market Area – Enter the City and State. Click “Go”. Select “Cedar Rapids city, Iowa”.
5. Expanded Market Area – Enter the County and State. Click “Go”. Select “Linn County, Iowa”.
6. Census Tract – Click on the drop down menu “Select a Geographic type” and select “Census Tract – 140”. Click on the drop down menu “Select a State” and select “Iowa”. Click on the drop menu “Select a county” and select “Linn”. Select the correct Census Tract as determined above and click “Add to your selections”.
7. Click “Show Table”
8. For each Geography (Linn County, Cedar Rapids, and Census Tract #) follow the directions below:
   a. Scroll down until the section “Race”, under “One Race” you will see the races listed, fill in the corresponding percentages on Worksheet 1.
   b. Scroll down to the section “Hispanic or Latino” and enter the percentage for “Hispanic of Latino (of any race)”.
   c. Scroll down to the section “Households by Type” and enter the percentage for “Households with individuals under 18 years” for “Families with Children under the age of 18”.
9. Click on the “Advanced Search” button to go back to your search options. Click on “Topics”. Click on “People”. Click on “Disability”. Click on “Disability”.
   a. Select the table “Disability Characteristics – S1810”
   b. Using “Total civilian noninstitutionalized population” (top row) enter the corresponding percentages for each geography.

3b. Targeted Marketing Activity

1. From the information gathered on worksheet 1, select the demographic groups least likely to apply.

How to complete the Affirmative Fair Housing Marketing Plan

Page 2

4b. Proposed Marketing Activities: Community Contacts – Complete Worksheet 3
   1. List each of the targeted populations selected in 3b in each box of the left column
   2. List a community contact that is specific to this group. Do not use a generic contact.
   3. List the contact person, their address, phone number, previous experience with the group, approximate date of
      contact, and the role they will play in assisting with the affirmative marketing in the 2nd column.

4c. Proposed Marketing Activities: Methods of Advertising – Complete Worksheet 4
   1. List your top 3 Targeted Populations along the top row
   2. List the methods of advertising used for each targeted populations in the corresponding columns for each
      targeted population.

Page 3

5a. Check the location(s) where your Fair Housing Poster will be displayed
5b. Check the location(s) where your Affirmative Fair Housing Marketing Plan will be located.
5c. Check the location(s) where your Project Site Sign.
   1. The sign must contain the Equal Housing Opportunity logo, slogan, or statement
   2. List the size of the Project Site Sign
   3. List the size of the Equal Housing Opportunity logo, slogan, or statement

6. Evaluation of Marketing Activities: Explain how you are going to evaluate your marketing activities.
   1. How often will you review your demographics?
   2. How will you make decisions about future marketing?
   3. How will you determine if you have been successful?

Page 4

7a. List the positions (not names) will be responsible for affirmative marketing. If you list names the plan will need to be
    updated in the event of personnel changes.
7b. Answer the Staff Training and Assessment questions
7c. Answer the Tenant Selection Training questions
7d. Describe/list the training provided to staff. Provide copies of training material.

Page 5

8. Provide any additional comments or information about the property.
9. Sign and date. Type your name and list your title and name of the company.
Rent Worksheet

All rental projects receiving HOME/CDBG funds must have rents at or below the program rents issued by HUD annually. These rents are available in the Cedar Rapids Housing Services office upon request. City staff updates the rent limits and emails them to all owners and property managers.

At rent up, you must complete a rent worksheet, provided by Cedar Rapids Housing Services, and submit it for review. The rents must be approved prior to advertising the rent amounts for the units. To complete the rent worksheet you will need to use the current rent limits (This varies depending on the type of funding received) and the current utility allowances for the correct unit type (multi-family, row house/garden apartment, duplex, single family detached). City staff will provide the rent limits and utility allowances to the owner/manager during the rent up process.

How to complete the Rent Worksheet

1. Fill in the property name and address at the top of the rent worksheet
2. Determine the correct unit type for the Allowances for Tenant-Furnished Utilities and Other Services. Unit Types include:
   a. Multi-Family
   b. Duplex
   c. Row House/Garden Apartment
   d. Detached Single Family
3. On the rent worksheet, fill in the utility allowances (based on the bedroom size) for all utilities paid by the tenant.
   
   Example: A tenant pays electric and gas at a multi-family 2 bedroom apartment complex. The utility allowances are circled in red.

4. Fill in the correct Rent Limit from the provided HUD Issued Income Limits. The form will auto-calculate the Chargeable Rent Allowed.
5. Enter the rent you would like to charge for the unit. The rent you can charge must be at or below the Chargeable Rent Allowed.
6. Fill in the Prepared By and Title and Date portion of the form
Tenant Selection Plan

You are required to submit a tenant selection plan describing your methods and procedures for taking applications and screening tenants. The Tenant Selection Plan must include the following elements:

- Must identify criteria that will be used to select tenants. This criteria must be objective and related solely to program qualifications and the ability to pay the rent and abide by the terms of the lease. Examples of common Tenant Selection Plan Criteria include:
  - Household Income
  - Housing History
  - Credit History
  - Criminal Record
- The criteria must be applied consistently to all applications in accordance with fair housing laws.
- Tenant selection should prohibit bias in the selection process.
- Tenant selection can give preference to persons with special needs.
- The Tenant Selection Plan must state that the owner/property manager will promptly notify an applicant in writing if he/she has been rejected and will explain the grounds for the rejection.
- The HOME/CDBG requirements should be clearly stated and explain how they affect tenants and tenant selection.
  - How vacant units will be filled
  - HOME/CDBG unit occupancy requirements
    - A minimum of 51% of the units must be rented to low-to-moderate income household.
    - The affordable units must be households at or below 80% AMI.
    - If a low to moderate income household goes over the income, the next available, comparable unit must be rented to a low to moderate income household. The over-income household’s rent must increase to market rate when the lease allows.
    - If a low to moderate income household moves out of their unit, the unit must be rented to a low to moderate income household.
  - Nondiscrimination policies and the affirmative marketing procedures including accessibility requirements.
  - Marketing strategies for accessible units
  - Tenant selection records that must be maintained

The tenant selection criteria must be approved by City staff prior to handing out applications/taking applications for units. Allow a minimum of 30 days for review and approval.

Waiting List Procedures

Owners/property managers must maintain a written waiting list in chronological order, to the extent practicable. The waiting list procedures will describe how the process is maintained and how applicants are selected from the waiting list. This procedure can be included in the tenant selection policy. The waiting list procedure must be approved by City staff prior to placing names on a waiting list. Allow a minimum of 30 days for review and approval.
**Tenant Application**
The tenant application is key to being able to properly apply the tenant selection procedures and for accurate calculation of the household’s income.

The application should also inform tenants of the source documentation that is required in order to verify income and assets. A “yes” or “no” style checklist is helpful to ensure that all sources of income and assets are considered by the applicant. See the Income Calculation section for more information regarding income and asset calculation requirements.

The tenant application must be approved by City staff prior to handing out or taking applications. Allow a minimum of 30 days for review and approval.

**Lease and Addendums**
The lease should be a document that protects both the owner/property manager and the tenant. Leases and all addendums must be submitted and approved by City staff. Allow a minimum of 30 days for review and approval.

**Terminating the Lease**
Owners/Managers can only terminate the tenancy or refuse to renew the lease of a tenant in a HOME/CDBG assisted unit for good cause. Good cause includes:

- Serious or repeated violations of the terms and conditions of the lease
- Violation of applicable Federal, state, or local law
- Completion of the tenancy period for transitional housing
- Other good cause, as defined by the law

When a good cause exists, the owner/manager may terminate or refuse to renew tenancy by:

- Serving written notice at least 30 days before the termination of tenancy.
- Documenting the property files with a copy of the 30 day notice provided

An increase in tenant income is NOT considered good cause and an owner/manager cannot terminate or refuse to renew a lease because a tenant is over-income.
**Required/Prohibited Lease Terms**

In order to aid in this protection, HUD spells out Required Lease Provisions which *must* be included in all HOME/CDBG leases as well as Prohibited Lease Provisions which *must not* be included in HOME/CDBG leases.

Along with the required and prohibited lease provisions HOME imposes several requirements to protect tenants’ rights:

- Owners must execute a written lease
- Lease terms must be for at least one (1) year unless mutually agreed upon by the owner/manager and the tenant.
  - If the tenant has requested a short lease term, this must be documented in writing with a lease addendum. The addendum must show that the tenant was offered a 12 month lease as well as a short lease term.
- Leases must clearly state that the owner/manager reserves the right to adjust tenant rents in accordance with HOME/CDBG rent limits

Owners/managers should have written procedures in place that address the following situations:

- Disputes between individual tenants or households
- Tenant grievances against management

*Note – City staff reviews and approves the lease in regard to HOME/CDBG regulations only! It is highly recommended that the owner/property manager has an attorney review all legal documents.*
<table>
<thead>
<tr>
<th><strong>Prohibited Lease Provisions</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Agreement to be sued</strong></td>
<td>Agreement by the tenant to be sued, to admit guilt or to a judgment in favor of the owner in a lawsuit brought in connection with the lease.</td>
</tr>
<tr>
<td><strong>Agreement regarding seizure of property</strong></td>
<td>Agreement by the tenant that the owner may seize or sell personal property of household members without notice to the tenant and a court decision on the right of the parties. This provision does not apply to disposition of personal property left by a tenant who has vacated a property.</td>
</tr>
<tr>
<td><strong>Excusing owner from responsibility</strong></td>
<td>Agreement by the tenant not to hold the owner or the owner’s agents legally responsible for any action or failure to act, whether intentional or negligent.</td>
</tr>
<tr>
<td><strong>Waiver of notice</strong></td>
<td>Agreement of the tenant that the owner may institute a lawsuit without notice to the tenant</td>
</tr>
<tr>
<td><strong>Waiver of legal proceedings</strong></td>
<td>Agreement of the tenant that the owner may evict the tenant or household members without instituting a civil court proceeding in which the tenant has the opportunity to present a defense, or before a court decision on the rights of the parties.</td>
</tr>
<tr>
<td><strong>Waiver of a jury trial</strong></td>
<td>Agreement by the tenant to waive any right to a trial by jury</td>
</tr>
<tr>
<td><strong>Waiver of right to appeal court decision</strong></td>
<td>Agreement by the tenant to waive the tenant’s right to appeal or to otherwise challenge in court a court decision in connection with the lease</td>
</tr>
<tr>
<td><strong>Agreement to pay legal costs, regardless of outcome</strong></td>
<td>Agreement by the tenant to pay attorney’s fees or other legal costs, even if the tenant wins in a court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Required Lease Provisions</strong></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Income Eligibility/Annual Income Recertification</strong></td>
<td>Owner retains the right to recertify the tenant’s HOME/CDBG income-eligibility on an annual basis. The tenant’s failure to cooperate in the income recertification process constitutes a violation of the lease. Deliberately providing false information can result in the termination of the lease.</td>
</tr>
<tr>
<td><strong>Rent Restrictions/Rent Increases</strong></td>
<td>Rents are subject to the rent restrictions of the HOME/CDBG Program. Owner/property manager retains the right to adjust rents, in accordance with the 65% rent limits. The rents for tenants whose incomes go over the 65% rent limit for units they occupy will be increased. Terms for rent increases must be included in the lease (i.e. how frequently the rent can be increased, when increases can be made, how much written notice must the tenant receive)</td>
</tr>
<tr>
<td><strong>Lease Renewal</strong></td>
<td>Owner may choose not to renew a tenant’s lease for good cause, and definition of good cause. A written notice at least 30 days before the tenant must vacate the unit.</td>
</tr>
<tr>
<td><strong>Lease Term</strong></td>
<td>The lease term must be at least 1 year unless the tenant and owner mutually agree upon a short term. The mutual agreement must show the terms the tenant was offered and be signed by the tenant and owner.</td>
</tr>
<tr>
<td><strong>Annual Unit Inspection</strong></td>
<td>Owner retains the right to inspect and to permit City staff and HUD to inspect HOME/CDBG assisted units during the affordability period. A minimum of 24 hour notice will be provided to the tenant of the inspection date and time.</td>
</tr>
<tr>
<td><strong>Accessible Units</strong></td>
<td>Owners may choose to include a provision in the lease of a tenant that occupies, but does not have need for, an accessible unit. This provision would give the owner the right to ask the tenant to move into a comparable non-accessible unit, should the accessible units be needed by a person with a disability.</td>
</tr>
<tr>
<td><strong>Lead Warning Statement, for properties built prior to 1978</strong></td>
<td>Confirm that the owner has complied with lead based paint notification requirements.</td>
</tr>
</tbody>
</table>
Other documents to submit for City Staff review

The following documents must be submitted for review prior to signing a lease with any household:

- Move In/Move Out form
- Tenant Rules and Regulations
- Any other form provided to the tenant at move-in, examples:
  - Welcome letter
  - Lead paint documentation, if applicable

Allow a minimum of 30 days for City staff review and approval.

Initial Reporting Process

Once an applicant has been approved for the unit and moved-in, it is time to begin the monthly reporting requirements. Each month you are required to provide the following documents to City staff:

- Monthly Report
- Annual Tenant Certification Form for all new tenants and recertifications
- Leases and addendums for new tenants and lease renewals

The documents above are due within 15 days of the end of the reporting month (ex. January Monthly Report is due by February 15th). If the 15th falls on a weekend or holiday, the reports are due the next business day. The Monthly Report and Annual Tenant Certification Form will be emailed to you after all of the rent-up documents have been approved. The following documents are to be submitted electronically each month:

- Monthly Report spreadsheet – as an Excel format
- Annual Tenant Certification spreadsheet – as an Excel format
- Lease(s) or lease renewal(s) for all new move-ins and recertifications during the reporting period

The monthly report will be submitted each month and provides a snapshot to City staff of all affordable units on the property. The Annual Tenant Certification Form will be submitted for all new tenants and annual recertifications. See Chapter 3 Reporting Requirements for more information regarding the reporting process.
Income Certification

The Section 8 Part 5 definition of annual income is the gross amount of income of all adult household members that is anticipated to be received during the coming 12 month period. Income calculations are not all the same. Any time you are unsure of the best way to proceed with the calculation, contact Cedar Rapids Housing Services for assistance.

Income Certification/Re-certification

A well designed application will address all income and asset sources. A “yes” or “no” checklist format best establishes that a household is providing a definite answer to each question. There is not specific application packet that is required but examples can be provided upon request.

Determining Household Size

Besides the obvious members, household members may include:

- Children under joint custody who will be in the unit at least 50% of the time
- Children away in foster care who will be returning to the household
- Dependent students away at school
- Members temporarily in a hospital or nursing home
- Children being adopted
- Any person on active military duty who leaves a spouse or dependent in the unit.
- A future spouse or roommate

The following individuals must be excluded from the household size for the income determination:

- Foster children
- Foster adults
- Live-in attendants/aides for the disabled
- Children of live-in aides
- Children under joint custody who will be in the unit less than 50% of the time
- Unborn children

The head of household is the person who would be the main point of contact for the lease. This person will be the one that is listed on the reporting forms submitted each month. The head of household must be determined at the time of application by the household. If more than 1 person completes an application as the applicant, the household members must determine in writing who will be considered the head of household.
**Initial Certification Timing**
The initial income certification can begin no earlier than 6 months prior to the Receipt of Assistance. Income certifications are good for 12 months from the Effective Date of Certification. The Effective Date of Certification is the same as the lease start date or receipt of assistance. This is the date the income certification is effective.

**Income Re-certification Timing**
Income must be recertified annually. Income re-certifications should be effective on each tenant’s “anniversary date” (one year from the start of assistance or last recertification date). Most income re-certifications will begin approximately 60-90 days prior to the “anniversary date”.

Beginning the income re-certification 60-90 days prior to the “anniversary date” allows the owner/manager and tenant to know whether they still qualify for the affordable unit prior to signing a lease renewal. An income certification must be completed at least annually. The income recertification process should begin with a written notification to the tenant. The written notification should include an application and a list of the items to be submitted.

**Income Verifications**
All income must be verified using source documentation dated no older than 60 days from the Income Certification Completion Date. Acceptable source documentation includes wage statements, interest statements, and unemployment statements. Third party verification of income is also considered to be a source document.

**Unacceptable Documentation for Income Calculation**
Except in special circumstances

- Last year’s tax return or W-2’s
- Written statements from the household
- Documents older than 60 days

Owners/property managers must determine the source documentation that will be used to verify income and assets. The use of a different type of source documentation should have a memo explaining why the source was used. There are exceptions to the income source documentation rules. There may be cases where you must use “unacceptable source documentation” in order to verify income.
Types of Income
Annual income is comprised of three broad types of income:

- Earned income – employment, self-employment, & military pay
- Unearned income – benefit income, alimony/child support & gift income
- Asset Income

HUD has defined 8 specific types of income that apply to the HOME program.

1. Employment
2. Self-Employment
3. Income from Assets
4. Social Security and Other Benefits
5. Payments in Lieu of Earnings
6. Welfare Assistance
7. Periodic Allowances (Child Support, Gifts, etc.)
8. Military Pay

How do we Count Household Members’ Income?

<table>
<thead>
<tr>
<th>Members</th>
<th>Earned Income (employment, self-employment, military pay)</th>
<th>Unearned Income (benefit income, alimony/child support, gift income)</th>
<th>Assets</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head, Spouse, Co-head</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Other Adult</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Dependents</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Child Under 18</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>- Minor Foster Child</td>
<td>NO</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Adult Full-time Student</td>
<td>YES (up to $480 per year)</td>
<td>YES</td>
<td></td>
</tr>
<tr>
<td>(not Head, Spouse)</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Temporarily Absent</td>
<td>YES</td>
<td>YES</td>
<td>YES</td>
</tr>
<tr>
<td>Member</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Permanently Living in a</td>
<td>Household Decision – Only counted if part of the household</td>
<td>Household Decision – Only counted if part of the household</td>
<td></td>
</tr>
<tr>
<td>Hospital or Nursing</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Home</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

All income must be verified with source documentation or verification from the employer. Once the income has been verified you will need to annualize the income. When annualizing income, it is important to determine the frequency of pay first. By reviewing multiple pay stubs, you will be able to determine the frequency of pay. The difference between bi-weekly (paid every 2 weeks) and semi-monthly (paid 2 times per month) can be the most difficult payment cycle to recognize.
The more paystubs you review the easier this is to determine. Typically a payment cycle that is semi-monthly will be paid on the same 2 days every month. If it is not clear what the payment cycle is, contact the household member or the employer.

When calculating income, you want to anticipate the most the household could make over the next 12 months. In order to determine the maximum the owner could make over the next 12 months is to calculate the income at least 2 ways: year to date and average gross wages. When using pay stubs you will average the gross wages on at least 2 months of pay stubs. To calculate the annual wages using the year to date (YTD), annualize the YTD amounts listed on the most recent pay stub.

Averaging Gross Wages

John Smith provided 2 months of pay stubs. John is paid bi-weekly.

<table>
<thead>
<tr>
<th>Pay Date</th>
<th>Gross Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 20</td>
<td>$900</td>
</tr>
<tr>
<td>June 3</td>
<td>$750</td>
</tr>
<tr>
<td>June 17</td>
<td>$825</td>
</tr>
<tr>
<td>July 1</td>
<td>$765</td>
</tr>
</tbody>
</table>

1. Add wages: 
   $900 + $750 + $825 + $765 = $3,240
2. Divide by # of pay periods: $3,240/4
3. Multiply by total pay periods per year: 
   $810 x 26 = $21,060

Averaging Year to Date (YTD)

On the July 1st paystub from John Smith the Gross YTD pay was $12,026. John is paid bi-weekly.

1. Determine the total number of pay periods to date: 14 pay periods
2. Divide the gross YTD by the number of pay periods: $12,026/14 = $859
3. Multiply by total pay periods per year: 
   $859 x 26 = $22,334

Compare the Average Gross Wages and the Average YTD. Choose the higher annual income.

Gross Annual Wage: $22,334

Third party verification forms are an acceptable method for verifying income and assets. The third party verification forms must be comparable to the forms HUD offers. These verification forms must be approved by City staff prior to use to ensure all of the correct information is being requested. When obtaining a third party verification form from the employer, use the highest anticipated income calculation provided. When ranges of hours are provided by the employer, you should use the highest number provided.

Employee hours vary each week

An employment verification indicates that a household member is paid $10.00 per hour and works 30-35 hours per week.

<table>
<thead>
<tr>
<th>Hourly Rate</th>
<th>$10.00 per hour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Hours worked per week</td>
<td>35 hours (used the higher number)</td>
</tr>
</tbody>
</table>

35 hours x $10.00 = $350.00
$350.00 x 52 weeks = $18,200.00 – TOTAL ANNUAL INCOME
If known, pay raises must be included in the income calculation. Pay raises will be known from a third party verification form or from the change in pay rate being listed on the pay stub. If the employer indicates on a third party verification form that the employee will receive a pay raise within the upcoming 12 months, you must include this in the income calculation from the time the employer estimates the pay raise going into effect.

While reviewing the paystubs you may also see a change in pay rate. This could be an indication of a pay raise. If a change in pay has occurred, use the new hourly rate to annualize income. In this instance you will still need to perform at least 2 calculations and use the larger annualized income.

A change in hourly pay

While reviewing an applicant’s paystubs you notice that on the 2 most recent pay stubs, it appears that the applicant received a pay raise.

<table>
<thead>
<tr>
<th>Pay Date</th>
<th>Hourly Rate</th>
<th>Hours Worked</th>
<th>Gross Wages</th>
</tr>
</thead>
<tbody>
<tr>
<td>May 20</td>
<td>$11.25</td>
<td>80</td>
<td>$900</td>
</tr>
<tr>
<td>June 3</td>
<td>$11.25</td>
<td>76</td>
<td>$855</td>
</tr>
<tr>
<td>June 17</td>
<td>$12.50</td>
<td>74</td>
<td>$925</td>
</tr>
<tr>
<td>July 1</td>
<td>$12.50</td>
<td>80</td>
<td>$1000</td>
</tr>
</tbody>
</table>

Perform 2 calculations –
Average June 17 & July 1 paystubs
$925 + $1,000 = $1,925/2 = $962.50
Average Hours Worked
80 + 76 + 74 + 80 = 310/4 = 77.5

Multiple by the total # of pay periods
$962.50 x 26 = $25,025
77.5 x $12.50 x 26 = $25,187.50

Total Annual Income = $25,187.50

The highest total income calculation should be used after examining all reasonable perspectives. If the highest total income calculation results in the income limit being exceeded when other calculations indicate the household may qualify, the household is over-income and does not qualify for an affordable unit. For more information about over-income households, see “Households Over the Income Limit” section later in this chapter.

Zero/Sporadic Income
For households with sporadic income, such as seasonal employment, teachers, etc., look at 12 months’ worth of income in order to determine the anticipated annual gross income. If 12 months worth of pay stubs is not available, verification from the employer stating what the anticipated income is for the upcoming 12 months is acceptable.
For households with individuals who have recently left their job or are moving so they will be leaving their current employment, you will want to use their previous employment earnings to calculate the anticipated gross income. The only exception to this is if a tenant provides a written statement that they do not plan to search for employment. (Note – you may also want to document how the tenant plans to pay for rent, utilities, etc. unless it is clear to the owner/manager how rent, utilities, etc. will be paid).

**Self-Employment**

The net income from the 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 the 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 the operation by the family.

All self-employment income must be reported even if the applicant claims that they do not make a profit or do not earn enough to file taxes. In order to verify self-employment, you will review the following documents:

- Current profit and loss statement for the year
- Previous year’s taxes or last year’s profit and loss statements if tax documents are unavailable

**Income from Assets**

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 (b)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement 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 the value of such assets based on the current passbook savings rate, as determined by HUD.

Income from assets includes any income, interest, or dividends earned off of assets. The most common form of interest is from a savings account but there are many other forms of income earned on assets discussed in the “Assets” section of this chapter.

If the household has over $5,000 in assets, a percentage of the total assets could be counted towards the household’s income. This percentage is called the passbook rate. HUD has determined that each local entity will set the passbook rate based on the federal rate. Cedar Rapids Housing Services has determined that the rate used will be set July 1st each year by averaging the passbook rates over the previous 12 months.

The City will update the passbook rate annually on July 1st.
When performing the income calculation, the income from assets that is used in the calculation is the greater of the income earned or the passbook rate. This number will be added to the annual gross income from the household.

Social Security and Other Benefits
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 a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount.

Social security and other benefit income that is received on a regular basis is annualized similar to all other forms of income. The source documentation obtained from household members for these benefits must be current, meaning dated within the last 60 days. The source documentation must be from the agency providing the benefit.

Social Security and Supplement Security Income (SSI) Benefits
✓ Count gross amounts BEFORE Medicare or garnishments are taken out
✓ Delayed SS and SSI payments are not counted as income
✓ Count AFTER adjustments for past overpayments
✓ Watch for Cost of Living Adjustments each year (typically in October beginning December 1st)

Social Security Overpayment
The gross payment amount is $750. However, due to an overpayment John Smith will only receive $700 beginning February 1st until the adjustment is complete (August 1st).

John Smith will be moving into the unit on May 1st.
1. Determine how many months will be at the adjusted payment:
   May-July: 3 x $700 = $2,100
2. Determine how many months will be at the gross payment:
   August-April: 9 x $750 = $6,750
3. Add the payments together: = $8,850

When performing the income calculation, the income from assets that is used in the calculation is the greater of the income earned or the passbook rate. This number will be added to the annual gross income from the household.

Social Security Delayed Payment
The gross payment amount is $890. However, due to a delayed payment Jane Doe is receiving an overpayment of $90 until September 1st.

Jane Doe will be moving into the unit on May 1st.

$800 x 12 = $9,600

When a delayed payment is being paid out, there is no need to include this delayed payment in the calculation. Use the amount the household member will receive once the delayed benefits are paid out.
Payments in Lieu of Earnings

Payments in lieu of earnings, such as unemployment and disability compensation, worker’s compensation, and severance pay. These payments must be annualized unless a future job can be verified. The future employment must be verified from the employer; the household member cannot self-certify this information.

Payments in Lieu of Earnings

A verification of unemployment benefits indicates that the household member will receive $160 per week for 30 weeks. No future job has been secured.

\[ $160 \times 52 = \$8,320 \text{ per year} \]

Welfare Assistance

Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income only to the extent such payments

- Qualify as assistance under the TANF program definition at 45 CFR 260.31; and
- Are not otherwise excluded under paragraph (c) of this section

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:

- The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
- 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.

Welfare assistance received by the household must be counted as income. Food stamps and Family Investment Program (FIP) (also known as TANF) are often listed on the same welfare benefit statements; however, food stamps are not counted as income.
Child support income can be difficult to calculate due to some cases with inconsistent payments or no payments. Typically the court ordered amount of child support should be counted as the household’s income. In cases where it is clear that the payment history is inconsistent and the household member has not received the court ordered amount, use an average of the payments. In the tenant file, you must justify why an amount other than the court ordered amount was used.

**Child Support**

Marcia is court ordered to receive $800 per month in child support payments. Marcia has received the following payments over the past 12 months:

<table>
<thead>
<tr>
<th>Month</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>$700</td>
</tr>
<tr>
<td>Feb</td>
<td>$650</td>
</tr>
<tr>
<td>Mar</td>
<td>$650</td>
</tr>
<tr>
<td>Apr</td>
<td>$200</td>
</tr>
<tr>
<td>May</td>
<td>$0</td>
</tr>
<tr>
<td>Jun</td>
<td>$500</td>
</tr>
<tr>
<td>Jul</td>
<td>$800</td>
</tr>
<tr>
<td>Aug</td>
<td>$700</td>
</tr>
<tr>
<td>Sep</td>
<td>$200</td>
</tr>
<tr>
<td>Oct</td>
<td>$0</td>
</tr>
<tr>
<td>Nov</td>
<td>$0</td>
</tr>
<tr>
<td>Dec</td>
<td>$0</td>
</tr>
</tbody>
</table>

Due to the inconsistent payment amounts, average 12 months’ worth of payments.

\[
\text{Total Annual Income} = \frac{700 + 650 + 650 + 200 + 0 + 500 + 800 + 700 + 200 + 0 + 0 + 0}{12} = 700 + 200 + 0 + 0 + 0 = \$4,400
\]

**Child Support**

Matt is court ordered to receive $800 per month in child support payments. Matt has received the following payments over the past 12 months:

<table>
<thead>
<tr>
<th>Month</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Jan</td>
<td>$800</td>
</tr>
<tr>
<td>Feb</td>
<td>$800</td>
</tr>
<tr>
<td>Mar</td>
<td>$800</td>
</tr>
<tr>
<td>Apr</td>
<td>$800</td>
</tr>
<tr>
<td>May</td>
<td>$800</td>
</tr>
<tr>
<td>Jun</td>
<td>$800</td>
</tr>
<tr>
<td>Jul</td>
<td>$800</td>
</tr>
<tr>
<td>Aug</td>
<td>$800</td>
</tr>
<tr>
<td>Sep</td>
<td>$200</td>
</tr>
<tr>
<td>Oct</td>
<td>$0</td>
</tr>
<tr>
<td>Nov</td>
<td>$0</td>
</tr>
<tr>
<td>Dec</td>
<td>$0</td>
</tr>
</tbody>
</table>

Because Matt had previously been receiving the court ordered amount, we would assume he would begin receiving this amount in the future. Use the court ordered amount.

\[800 \times 12 \text{ months} = \$9,600 \text{ per year}\]

**Military Pay**

All regular pay, special pay and allowances of a member of the Armed Forces, except the special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

 Military members who are assigned out of town must be considered as temporarily absent and still counted as a household member. Their income must also be included in the income calculation. The exception to this is if the household member is serving in the Armed Forces and exposed to hostile fire. The hostile fire pay will be excluded from the income calculation. This will be labeled on the pay stubs.
**Income Exclusions**
HUD provides a list income that is excluded from the Section 8 Part 5 income calculation.

**Income from Minors**
Income from employment of children (including foster children) under the age of 18 years

If children under the age of 18 (including foster children) are employed, their income is excluded from the household annual gross income. Once a child turns 18, you will begin to count any income earned. This does not include income from Social Security, Child Support, etc. received on behalf of the minor.

**Payments for Foster Children/Adults**
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)

Foster children and foster adults are not counted as household members when determining income. Because they are not counted as household members, any payments received for the care of the foster children or foster adults is excluded from the income calculation.

**Lump-sum Payments**
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

Lump-sum payments are one time payments (not recurring). These are not anticipated to be continuing income, but are typically included as assets to account for them.

**Monies received for Medical Expenses**
Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member

Often people receive reimbursement through health spending accounts, but can also be payments received specifically for medical expenses.
Live-in Aide Income

Income of a live-in aide

A live-in aide is defined as a person who resides with one or more elderly persons, or near-elderly persons, or persons with disabilities, and who:

✓ Is determined to be essential to the care and well-being of the persons;
✓ Is not obligated for the support of the persons;
✓ Would not be living in the unit except to provide the necessary supportive services.

Student Financial Assistance

The full amount of student financial assistance paid directly to the student or to the educational institution

Student financial assistance is excluded from income. This includes assistance paid to the school on behalf of the student and assistance paid directly to the student. The assistance received in excess of the cost of tuition is counted as income.

Student financial assistance includes:

✓ Pell Grants and other programs funded by the Higher Education Act of 1965
✓ Assistance from private sources (parents, grandparents, etc.)
✓ Assistance from an institute of higher learning (scholarships, etc.)

Student Financial Assistance

Chad’s grandparents give him $10,000 per year for tuition and other school expenses. The cost of tuition is $6,500 per year.

| Student Financial Assistance | $10,000 |
| Tuition                     | $ 6,500 |
| Income Counted              | $ 3,500 |

Armed Forces – Hostile Fire Pay

The special pay to a family member serving in the Armed Forces who is exposed to hostile

As stated in the “Income Inclusions” section, all Armed Forces pay is included except special pay to a household member who is exposed to hostile fire. This pay will be listed separately and called “hostile fire” on the Leave and Earnings Statements (LES).
Nonrecurring income must be documented with a statement from the household member and/or person giving the gift. While a gift is excluded from income, it should be included as an asset. Many times this can be seen in a checking or savings account.

Reparation payments
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

Government Training Programs
✓ Amounts received under training programs funded by HUD
✓ 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)
✓ Amounts received by a participant in other publicly assisted programs which 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
✓ 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 PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time
✓ 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 resident management staff. 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

The income excluded must fall into one of the categories listed above in order for it to be excluded.
**Income from a full-time student**
Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household and spouse)

The head of household’s income and spouse’s income are always counted in full. Any other adult full-time student’s income in excess of $480 will not be counted.

**Adoption Assistance**
Adoption assistance payments in excess of $480 per adopted child

Payments received for adoption assistance in excess of $480 per adopted child are excluded.

**Deferred Periodic Payments**
Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts

As stated in the “Income Inclusion” section in this chapter, deferred payments included in the monthly SSI or Social Security benefits payment or as a lump sum are excluded from the household income.

**Refunds/Rebates of Property Taxes**
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

**Medical Cost Assistance**
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

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 includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to PHAs and housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.
Types of Assets

Income earned from assets must be included in the income calculation. The most common asset calculations are:

- Checking accounts use a 6 month average
- Savings accounts use the current balance
- Retirement accounts use the vested balance
- Stocks, bonds, cd’s, etc. use the cash value

Each year around July 1\textsuperscript{st} the City updates the current passbook rate based on the national interest rate as determined by the FDIC. For assets totaling over $5,000, a percentage (the current passbook rate) of the balance is counted towards the Gross Annual Income. For assets below $5,000, the interest earned is counted towards the Gross Annual Income. City staff provides a Verification Summary Form to use as a method to track a household’s income and assets.

The form will add all of the income earned and provide a total as well as determine the percent AMI of the household. This form is not a requirement of the program; however, if you choose not to use this form you must use a comparable form to track this information.
Helpful Tricks for Assets

- Use 6 month average for checking accounts
- Use current balance for savings accounts
- Most credit unions require savings accounts
- All accounts must be listed even if there is a $0 balance or no activity
- Briefly review bank statements for additional accounts or deposits into/from other accounts
- Check pay stubs or tax returns for direct deposits into checking/savings accounts and retirement accounts
- A bank verification form can be used but the bank MUST provide the 6 month average for the checking account.
- Use the vested balance for retirement
- If a retirement account, 401(k), pension, or similar asset account receives statements quarterly, these statements are acceptable as source documentation if it can be verified that the statement used is the most recent statement available.

Cash, Checking and Savings

Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use the average 6-month balance. Assets held in foreign countries are considered assets.

- For savings accounts, use the current balance
- For checking accounts, use a 6 month average

Prepaid Cards

Many employers and other agencies now provide prepaid cards instead of paper checks or direct deposit. Prepaid cards must be counted as an asset. The Consumer Financial Protection Bureau (CFPB) has created a chart to assist in determining if the card is a prepaid card (see Appendix). Once it has been verified that the card is a prepaid card it should be treated the same as a savings account. Balances can typically be obtained from:

- An ATM
- An online account
- Paper statements

The verification must be dated within 60 days of the income certification completion date and identify the account and the account holder.
Revocable Trust
Cash value of revocable trusts available to the applicant.

The cash value of a revocable trust that is available to the household must be included in the asset calculation. Irrevocable trusts are generally not counted as an asset because the household does not have access.

Revocable vs. Irrevocable Trust

Revocable Trust: The trust is accessible to the household. The household can cash it in or change the terms.

Irrevocable Trust: The trust cannot be changed and is generally not accessible to the household.

Equity in Property
Equity in rental 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 all reasonable costs (ex. broker fees) that would be incurred in selling the asset. Under HOME, equity in the family’s primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.

The equity in property owned by the household must be included as an asset as well as any rental income earned from a rental property. Use the chart below to assist with determining the equity and income.

<table>
<thead>
<tr>
<th>Value</th>
<th>Annual Income</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fair Market Value</td>
<td>Annual rental payments</td>
</tr>
<tr>
<td>-Outstanding mortgage principal</td>
<td>-Annual mortgage interest payments</td>
</tr>
<tr>
<td>-Cost to sell</td>
<td>-Other allowed expenses</td>
</tr>
</tbody>
</table>

Cash Value (Asset)          Annual Net Income

Stocks, Bonds, etc.
Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts.

The cash value of stocks, bonds, treasury bills, certificates of deposits (CDs), mutual funds, and money market accounts are included in the asset calculation. The chart below will help you determine the different values. For savings bonds, visit [www.savingsbonds.gov](http://www.savingsbonds.gov) to calculate bonds.

<table>
<thead>
<tr>
<th>Stocks</th>
<th>CDs &amp; Money Markets</th>
<th>Savings Bonds</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Value</td>
<td># shares x price/share</td>
<td>Current Balance</td>
</tr>
<tr>
<td>Cash Value</td>
<td>Market Value – cost to sell</td>
<td>Market Value – fees</td>
</tr>
<tr>
<td>Actual Income</td>
<td>Annual Dividends x # shares</td>
<td>Interest Rate x Market Value</td>
</tr>
</tbody>
</table>
IRA, 401K, Annuities, KEOGH, Retirement Accounts
Individual retirement, 401(K), and KEOGH accounts (even though withdrawal would result in a penalty). Retirement and pension funds.

Always review paystubs for retirement and investment accounts.

The amount included in the asset calculation for an IRA, 401K, annuity, KEOGH, and retirement accounts is the amount that can be withdrawn by the household even if there is a penalty for withdrawal.

Life Insurance
Cash value of life insurance policies available to the individual before death (ex. surrender value of a whole life or universal life policy)

The cash value of life insurance policies available to the household before death must be included. This is typically the surrender value of a whole life policy or a universal life policy. Term life insurance is not counted as there is no cash value available to the individual before death.

Personal Property
Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.

A household member may hold personal property that has great value but unless they intend to sell it at some point, it is not counted as an asset. Generally personal property is not counted as an asset. The intent is the crucial difference. If the asset is being held as an investment, then a value must be assigned to the property. This can be an appraisal.

Lump sum and One-time Receipts
Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim’s restitution, insurance settlements and other amounts not intended as periodic payments.

Typically, these assets are verified when they are deposited into another asset (ex. checking and savings account). If a lump sum or one time receipt of an asset occurs and the full amount is not distributed into another verifiable asset, it is important to determine what was done with the asset to ensure that it is not an asset disposed of for less than fair market value.
Mortgage, Deeds of Trust
Mortgages or deeds of trust held by an applicant.

This type of asset inclusion is rare. This is a situation where the applicant is acting like a bank and they are the ones the people who live in the house pay their mortgage payments to (ex. contract sale). To verify this asset, an amortization schedule is needed for the mortgage in order to determine how much of the payment is interest versus principal. The cash value and market value are the principal balance on the loan as of the effective date of certification. The income is the interest payments that will be received for 12 months from the Effective Date of Certification.

Asset Exclusions
1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars, and vehicles specially equipped for persons with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual’s name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Term life insurance policies (ex. where there is no cash value)
7. Assets that are part of an active business. “Business” does not include rental of properties that are held as an investment and not a main occupation.

Completing the Income Summary Form
When performing the income calculation, an Income Summary Form must be completed. The City provides a form to use. You must use the form provided or a comparable form. The Income Summary Form will be updated at least annually as the income limits and passbook rate change. An updated form will be emailed by City Staff as these changes take place.

Begin by completing the Certification Completion Date, Head of Household name and Household Size. The Certification Completion Date is the date the income certification was completed. This is typically not the same as the Effective Date of Certification which will be the same as the lease start date.
The Income section summarizes the income for the entire household. Complete all columns for each income source.

- **Household Member** – list the first name of the household member who receives the income. This should match the name on the source documentation provided.
- **Income Source** – the company name or the name of the person paying the household member.
- **Gross Amount** – the annualized gross pay.
- **Calculation** – enter the income calculation used. When reviewing this form, City staff/HUD should be able to determine how the gross amount was calculated.
- **Verified** – place an “x” in this cell once the income has been verified with source documentation. This source documentation must be included in the household file.

<table>
<thead>
<tr>
<th>Household Member</th>
<th>Income Source</th>
<th>Gross Amount</th>
<th>Calculation</th>
<th>Verified</th>
</tr>
</thead>
<tbody>
<tr>
<td>John</td>
<td>Nordstrom</td>
<td>$22,334.00</td>
<td>($12,026/14) x 26</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>$22,334.00</strong></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The Assets section summarizes all assets for the entire household. Complete all columns for each asset source.

- **Household Member** – list the first name of the household member who owns the asset. This should match the name on the source documentation provided.
- **Account Type** – what type of asset is it? (checking, savings, 401(k), etc.)
- **Account #** - List a portion of the account number for confidentiality purposes. The City lists the last 3 numbers as the example below shows.
- **Actual Value** – the value that is counted as an asset as described in the previous sections.
- **Interest Earned** – the interest or income earned off of the asset.
- **Source & Calculation** – Enter the asset source and calculation used to determine the actual value. See below for an example.
- **Verified** – place an “x” in this cell once the income has been verified with source documentation. This source documentation must be included in the household file.

<table>
<thead>
<tr>
<th>Household Member</th>
<th>Account Type</th>
<th>Account #</th>
<th>Actual Value</th>
<th>Interest Earned</th>
<th>Source &amp; Calculation</th>
<th>Verified</th>
</tr>
</thead>
<tbody>
<tr>
<td>John</td>
<td>Checking</td>
<td>xxxx123</td>
<td>$120.00</td>
<td>$0.00</td>
<td>Veridian: 100 + 250 + 5 + 500 + 65 = 970/6</td>
<td>x</td>
</tr>
<tr>
<td>John</td>
<td>Savings</td>
<td>xxxx456</td>
<td>$5.00</td>
<td>$0.15</td>
<td>Veridian: Balance 11/30/15</td>
<td>x</td>
</tr>
<tr>
<td>John</td>
<td>401(k)</td>
<td>xxxxxxx855</td>
<td>$500.00</td>
<td>$0.00</td>
<td>Principal: Balance 11/30/15</td>
<td>x</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Asset Total / Total Income Earned</strong></td>
<td></td>
<td><strong>$625.00</strong></td>
<td>$0.15</td>
<td>.06% of Asset Total</td>
<td>$0.00</td>
<td></td>
</tr>
</tbody>
</table>
Once the Income and Asset sections are completed, the form will calculate the Total Annual Income and complete this line at the top of the form as well as the Percent of AMI. This information can be used when completing the monthly reporting forms.

**Over-Income Households**

If a household is over-income at income recertification the property will be temporarily out of compliance until the correct unit mix is restored. There are specific steps that must be taken in order to bring the property back in to compliance. As long as it is evident that the owner/manager is taking the correct steps to restore the correct unit mix, being temporarily out of compliance is acceptable.

It is important to begin all income re-certifications 60-90 days prior to the anniversary date to allow time to give the household a 30 day notice of rent increase if applicable.

---

**Over-income Households**

1. **Notify the tenant that they no longer qualify under HUD’s income limits.**
2. **Give the tenant a 30 day notice of rent increase. The rent must increase to market rate.**
3. **Any vacant units in the property must become LMI in order to restore the correct number of LMI units.**
4. **The next available unit must be rented to a LMI household in order to restore the correct number of LMI units. Until this time the property is temporarily out of compliance.**
5. **Submit to City staff the following documents:**
   - A copy of the 30 day notice of rent increase
   - A memo explaining the steps being taken to restore the correct unit mix.
Reporting Requirements

All owners/property managers are required to report on HOME/CDBG assisted projects on a monthly basis beginning at the start of the affordability period. City issued reporting forms must be used. The monthly reporting requirements include:

- Monthly Report
- Annual Tenant Certification Form
- Lease and all addendums for new households and any lease renewals

The monthly reporting documents are required to be submitted to City staff within 15 days of the end of the reporting month (i.e. the January Monthly Report must be submitted by February 15th). If the 15th falls on a weekend or holiday, the Monthly Report will be due the following business day.

Annual Tenant Certification Form

The Annual Tenant Certification Form is completed for all households residing in affordable units. The information documented on the Annual Tenant Certification Form should match the information on the Monthly Report and household file. The Annual Tenant Certification Form provides more detailed information about the household.

The Annual Tenant Certification Spreadsheet is submitted anytime there is a new move-in or an income recertification. The spreadsheet will be submitted with the Monthly Report and any leases/lease...
addendums. The reporting documentation is due by the 15th of the month for the reporting period. The Annual Tenant Certification Form should be submitted at an Excel Spreadsheet, not a PDF. This allows City Staff to obtain necessary reporting information for HUD or IEDA as requested without reaching out to the owner/property manager to obtain the information.

The Annual Tenant Certification Form has 5 sections:

- Unit Information
- Rent Information
- Income Certification
- Household Information
- Certification

The Unit Information Section will be completed with the required information about the unit and the current lease holder. Fill in the following information about the unit

- Address
- Unit Number
- Unit Size
- Head of Household Name – Head of Household only
- Lease dates – Format as start date – end date (ex. 1/1/16 – 12/31/16)
  - If a unit is rented month-to-month use MTM as the lease end date (ex. 1/1/16 – MTM)
- Utilities paid by household
  - This should be consistent for all units
  - This must match the lease and rent worksheet submitted at lease up

The Rent Information provides a breakdown of the total rent for the unit. List the Rent Paid by Household and Rent Paid by Subsidy. The Monthly Rent Amount will auto calculate.

Select the Subsidy Type:

- Section 8 – Receiving assistance from the Cedar Rapids Section 8 office
- Other – Receiving another form of rent assistance
- None – no rent assistance
The Income Certification section contains the household income information. Based on the income certification that has been completed fill in the Annual Gross Income, Number in Household, % Median Income, and Effective Date of Certification. The Effective Date of Certification should be the same as the lease start date because the income is effective when the assistance begins (when the lease starts).

<table>
<thead>
<tr>
<th>Income Certification</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Annual Gross Income</strong></td>
</tr>
<tr>
<td><strong>Number in Household</strong></td>
</tr>
<tr>
<td><strong>Effective Date of Certification</strong></td>
</tr>
<tr>
<td><strong>% Median Income</strong></td>
</tr>
<tr>
<td>1 - 0-30%</td>
</tr>
<tr>
<td>2 - 30-50%</td>
</tr>
<tr>
<td>3 - 50-60%</td>
</tr>
<tr>
<td>4 - 60-80%</td>
</tr>
<tr>
<td>5 - Over 80%</td>
</tr>
</tbody>
</table>

Most of the information in the Household Information section should be based off of the Head of Household only. The exception is the Type of Household and Special Needs. All of the categories listed are required for HUD reporting purposes. These should be questions asked of households on the application.

<table>
<thead>
<tr>
<th>Household Information</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Type of Household</strong></td>
</tr>
<tr>
<td>1 - Single/non-Elderly</td>
</tr>
<tr>
<td>2 - Elderly</td>
</tr>
<tr>
<td>3 - Related/single parent</td>
</tr>
<tr>
<td><strong>4 - Related/two parent</strong></td>
</tr>
<tr>
<td>5 - Other</td>
</tr>
<tr>
<td><strong>Special Needs:</strong></td>
</tr>
<tr>
<td>0 - None</td>
</tr>
<tr>
<td>1 - Handicapped</td>
</tr>
<tr>
<td>2 - Alcohol/Drug Dependency</td>
</tr>
<tr>
<td>3 - AIDS</td>
</tr>
<tr>
<td>4 - Domestic Violence</td>
</tr>
<tr>
<td>5 - Homeless</td>
</tr>
<tr>
<td><strong>Head of Household Race:</strong></td>
</tr>
<tr>
<td>11 - White</td>
</tr>
<tr>
<td>12 - Black/African American</td>
</tr>
<tr>
<td>13 - Asian</td>
</tr>
<tr>
<td>14 - American Indian/Alaskan Native</td>
</tr>
<tr>
<td>15 - Nat Haw/Other Pacific Islander</td>
</tr>
<tr>
<td><strong>16 - Am Ind/Alaskan Native &amp; White</strong></td>
</tr>
<tr>
<td>17 - Asian &amp; White</td>
</tr>
<tr>
<td>18 - Black/African Am &amp; White</td>
</tr>
<tr>
<td>19 - Am Ind/Alaskan Nat&amp;Black/Af Am</td>
</tr>
<tr>
<td>20 - Other Multi-Racial</td>
</tr>
<tr>
<td><strong>Head of Household Ethnicity:</strong></td>
</tr>
<tr>
<td>Hispanic</td>
</tr>
<tr>
<td><strong>x Non-Hispanic</strong></td>
</tr>
<tr>
<td><strong>Female Head of Household?</strong></td>
</tr>
<tr>
<td>Yes</td>
</tr>
<tr>
<td><strong>x No</strong></td>
</tr>
</tbody>
</table>
Below is additional information on the 5 categories under Household Information.

**Type of Household**

- Single/Non-Elderly – Single person household under the age of 62
- Elderly – Household age 62 or older
- Related/Single Parent – Single parent with one or more dependents in the household
- Related/Two Parent – Two parents in the household with one or more dependents (the parents do not need to be married for this category)
- Other – if a household does not fit into any of the categories above, select “Other” (ex. multiple adult roommates, married couple with no children, etc.)

**Special Needs**

- Choose one or more categories as required. Many of these categories will be based off of the targeted population required for projects.
- If a household/project does not fall into any particular category, select “None”

**Female Head of Household**

- The household must determine who the Head of Household is. This should be a question asked of the household on the application.
- If the chosen Head of Household is female, select “Yes”.
- If the chosen Head of Household is male, select “No”.

**Race**

- The race selected should be based off of the Head of Household only!
- The household must select the race they identify with. This must be a question asked on the application.
- Select one category only. If a particular multi-racial combination is not listed, select “Other Multi-Racial”
- If a household chooses not to answer this question, select “Other Multi-Racial”.

**Ethnicity**

- The ethnicity should be based off of the Head of Household only!
- The household must select their ethnicity. This must be a question on the application.

At the bottom of the Annual Tenant Certification Form is the Certification section. Fill in the name of the person completing the form and the date completed. The date completed is the date the income certification was completed. By completing this section you are certifying that there is documentation in the household’s file for the information listed on the Annual Tenant Certification Form.

```
I certify that I have on file documentation for the tenant information that is shown.
Amanda Rabey __________________________ 12/30/2015
Name of Person Completing Form __________________________ Date Completed
```
The Annual Tenant Certification Spreadsheet should contain a separate tab for each affordable unit in the project. This should be emailed as an Excel Spreadsheet, not a PDF each month (as required). As an affordable unit becomes market rate, it can be removed from the spreadsheet and replaced with the new affordable unit.

A copy of the Annual Tenant Certification should be kept in the household’s file with the annual income certification. Included with this form in the file should be the household’s application, the Income Summary Form (or a comparable form) and all source documentation for the household.

**Monthly Report**

The monthly report provides an overview of all affordable units in the property. The property is required to have at least 51% of the units rented to low-to-moderate income individuals. The purpose of the monthly report is to ensure occupancy requirements.

The Monthly Report Spreadsheet must be submitted each month regardless of whether or not there were any new move-ins or income recertifications. The report is due by the 15th of the month for the reporting period. The Monthly Report should be submitted as an Excel spreadsheet, not a PDF. This allows City Staff to obtain necessary reporting information for HUD or IEDA as requested without reaching out the owner/property manager to obtain the information. Also, as the income and rent limits change, City Staff will update this information and send the updated form by email.

The Monthly Report has 5 sections:

- Property Information
- Unit Information
- Lease Information
- Monthly Rent
- Income Information

Each Month, the Property Information section will be updated to change the reporting period and date submitted. The 3 highlighted sections below are the only sections that will need to be completed in this section. The other lines are completed by City Staff and come from the Program Agreement.
The Unit Information section will have a line for each affordable unit. All of the information entered in these lines will match the information on the Annual Tenant Certification Form and the household’s file. For each unit you will enter the following information:

- Head of Household Name – Head of Household only. The household must determine who the head of household will be.
- Unit # - Unit numbers should be listed in numerical order.
- Unit Size

<table>
<thead>
<tr>
<th>Unit Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Head of Household Name</td>
</tr>
<tr>
<td>John Smith</td>
</tr>
<tr>
<td>Jane Black</td>
</tr>
</tbody>
</table>

The Lease Information Section contains the lease dates and the household paid utilities. The lease dates should be formatted as Start Date – End Date (ex. 1/1/2016-12/31/2016). If a unit is rented month to month, use MTM as the lease end date (ex. 11/1/2014-MTM). If the unit has been vacated during the month, enter the date vacated by the household.

<table>
<thead>
<tr>
<th>Lease Information</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lease Dates (start date-end date)</td>
</tr>
<tr>
<td>1/1/2016-12/31/2016</td>
</tr>
<tr>
<td>11/1/2014-MTM</td>
</tr>
</tbody>
</table>

The Monthly Rent section shows the maximum rent allowed for the unit as well as the current rent. The maximum rent is determined from the bedroom size and the household paid utilities. This is calculated on the Rent Worksheet tab of the Monthly Report Spreadsheet. The Total Rent is total monthly rent for the unit including the household paid rent and any subsidies (Section 8, etc.).

<table>
<thead>
<tr>
<th>Monthly Rent</th>
</tr>
</thead>
<tbody>
<tr>
<td>Maximum Rent Allowed - 65% Rent Limit</td>
</tr>
<tr>
<td>$1,191</td>
</tr>
<tr>
<td>$990</td>
</tr>
</tbody>
</table>

The Income Information section is household specific information. Fill in the Household Size, Gross Annual Income, and Effective Date of Certification. This information should match what is completed on the Annual Tenant Certification form. The % Median Income will auto fill based on the Household Size and Gross Annual Income.
Other Monthly Report Documentation

For all new move-ins, the full lease must be submitted to City staff with the Annual Tenant Certification Form. This includes all lease addendums. At an income recertification/lease renewal, City staff will need to see any signed lease extensions or new leases. If the household does not sign a new lease and the lease continues month to month, only the Annual Tenant Certification Form is submitted.

Risk Analysis – Reporting

Reporting is a large part of the risk analysis that is performed on all projects during the affordability period. Throughout the year the risk status of the property is monitored as monthly reports are submitted. The higher the risk status the more frequent monitoring visits and/or technical assistance visits will occur.

<table>
<thead>
<tr>
<th>Documentation Deadlines*</th>
<th>Low Risk</th>
<th>Moderate Risk</th>
<th>High Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td>0-2 late documents</td>
<td>3-5 late documents</td>
<td>6+ late documents</td>
<td></td>
</tr>
<tr>
<td>0-3 unrelated errors</td>
<td>4+ unrelated errors</td>
<td>Uncorrected Errors</td>
<td></td>
</tr>
<tr>
<td>Errors corrected on time</td>
<td>Errors corrected late</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Program Violations</th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>No violations</td>
<td>1 violation</td>
<td>2+ violations</td>
<td></td>
</tr>
</tbody>
</table>

*If you are unable to meet a deadline, send an email requesting an extension. If the extension is approved, this will not count as a missed deadline. Extensions must be requested and approved prior to the deadline.

When completing and submitting monthly reports, it is important to remember that the information on the report must be complete and accurate in order to have no effect on your risk status. The key areas that affect the risk status include:

- Late reports
- Late corrections
- Errors – Mainly typographic errors or information not matching on the reports
- Program violations – items that would be considered a finding at a monitoring visit.

In order to improve your risk status, you must demonstrate that the error(s) are no longer being made on a consistent basis and follow through with any steps required to remedy the situation.
Common Errors on Monthly Reports

There are many types of errors on the monthly reports that have an impact on the property’s risk status. Typographic errors are the most common type of error on the monthly reports but there are also other types of errors that impact the risk status.

Typos

✓ Compare the Monthly Report to other documents being submitted (Annual Tenant Certifications Forms, lease, etc.)
✓ All corresponding sections should match
✓ Review reports to make sure there are no issues before submitting

Missing/late income re-certifications

✓ Income certifications must be completed within 12 months of the lease start date/Effective Date of Certification
✓ Begin income recertifications 60 days prior to the deadline to allow time to gather information from the household

Submitting reports late

✓ Monthly reports are due on or before the 15th of the month
✓ Begin working on and submit the monthly reports prior to the due date
✓ Reports can be submitted as early as the 1st of the month following the reporting period
Annual Monitoring

City staff is required to perform a site visit at least annually for each property throughout the affordability period. The City has determined that all projects will be monitored using HOME regulations. This site visit must include a review of records and files retained on-site and a physical inspection of the property and a sample of units in the property. The number of units chosen for the monitoring visit is determined by the total number of affordable units in the building.

<table>
<thead>
<tr>
<th># of Units</th>
<th># of units to monitor</th>
</tr>
</thead>
<tbody>
<tr>
<td>1-4</td>
<td>All units</td>
</tr>
<tr>
<td>5-20</td>
<td>4 units</td>
</tr>
<tr>
<td>21+</td>
<td>20% in each building</td>
</tr>
</tbody>
</table>

Risk Analysis

Effective January 2016, City staff implemented a new monitoring process to include a risk analysis (a HOME program requirement). This new risk analysis takes an in-depth look at the project to determine the current risk level. The monitoring plan each year will be based on each project’s current risk status. All projects falling into the High Risk status will be monitored twice that year. The 1st monitoring visit will consist of the full monitoring requirements (20% of units, no less than 4 – file and unit inspections). For High Risk properties, the 2nd monitoring visit will be scheduled approximately 6 months after the initial visit. The visit may include file inspections or unit inspections as needed.

The risk analysis is based on the following criteria:

<table>
<thead>
<tr>
<th></th>
<th>Low Risk</th>
<th>Moderate Risk</th>
<th>High Risk</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Documentation</strong></td>
<td>0-2 late documents</td>
<td>3-5 late documents</td>
<td>6+ late documents</td>
</tr>
<tr>
<td><strong>Deadlines</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Errors on</strong></td>
<td>0-3 unrelated errors</td>
<td>4+ unrelated errors</td>
<td>Uncorrected Errors</td>
</tr>
<tr>
<td><strong>documentation</strong></td>
<td>Errors corrected on time</td>
<td>Errors corrected late</td>
<td></td>
</tr>
<tr>
<td><strong>Program Violations</strong></td>
<td>No violations</td>
<td>1 violation</td>
<td>2+ violations</td>
</tr>
<tr>
<td><strong>Previous</strong></td>
<td>No findings &amp; 0-2 unrelated concerns, corrected on time and not uncorrected 1 re-inspection, less than 50% units re-inspected</td>
<td>1 finding &amp; 3 unrelated concerns, corrected late or uncorrected 1 re-inspection, 50% or more units re-inspected</td>
<td>2+ findings &amp; 4+ unrelated concerns, corrected late, uncorrected 2+ re-inspections</td>
</tr>
<tr>
<td><strong>Monitoring</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Other</strong></td>
<td>Non-responsive to City correspondence New to monitoring Key staff turnover</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Stipulations</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

* If you are unable to meet a deadline, send an email requesting an extension. If the extension is approved, this will not count as a missed deadline. Extensions must be requested and approved prior to the deadline.
Low Risk Monitoring
Monitoring will occur 1 time per year and include file review and unit inspections.

To remain at Low Risk:

✓ Continue to follow the guidelines listed above
✓ Errors are not repeated
✓ Current Monitoring doesn’t uncover the same issues as the previous visit

Moderate Risk Monitoring
Monitoring visits will be semi-annually (1 full monitoring with file review and site inspections & at least 1 check-in that could include file review or technical assistance/training).

Potential Remedies Required
✓ Technical Assistance/Training Session(s)
✓ Create a plan for area causing an issue
✓ Additional file reviews

When a property moves from low to moderate risk, the owner and property management company will receive an email explaining that the property is now at a moderate risk. The reason for the status change will be explained in the email. The property will remain at a moderate risk until after the next upcoming monitoring when the status will be re-evaluated. If the status doesn’t improve or worsens, the property will move to High Risk.

To move to Low Risk:
✓ Current Monitoring has improved and consistently meets Low Risk guidelines

High Risk Monitoring
Monitoring visits will be performed more frequently and a plan may be required to document the steps that will be taken to improve the properties risk status. Technical Assistance/Training sessions may be required.

Potential Remedies Required
✓ Create a plan for area causing an issue
✓ Additional file reviews
✓ Technical Assistance/Training Session(s)
✓ Frequent check-in with City staff
✓ Additional reporting requirements for owner/property manager
✓ Submitting Rent Roll for property with Monthly Report
✓ Full monitoring performed every 6 months

When a property moves from moderate to high risk, the owner and property management company will receive an email explaining that the property is now at high risk. The reason for the status change will be explained in the email including what the new monitoring will include. The property will remain at high risk until after the next monitoring when the status will be re-evaluated.
To move to Low Risk:
- Current Monitoring improved and consistently meets Low Risk guidelines
- If improvement has occurred but not enough to be at Low Risk the property will remain at High Risk.
- If High Risk continues past 1 year, the number of units monitored will increase.

In order to improve the property’s risk status, the owner/manager must show that the errors have been resolved and that all steps required to remedy the situation have been taken. Within 30 days following the notification of the risk status change, City staff will notify the owner/manager of the remedies needed to resolve the change in risk status.

**Annual Monitoring Site Visit**

After the risk analysis has been performed, City staff will begin sending out scheduling letters with a date and time for the monitoring visit. The visit will vary from 1-4 days depending on the number of units required for monitoring.

The Monitoring Scheduling Letter will list the date(s) and time of the visit, the units selected for the file review and unit inspections (the same units are selected for the file review and unit inspections) and a list of other documents that must be available for review at the monitoring visit.

City staff will specify when the unit inspections will occur to allow the owner/property manager time to post the inspection notice. Inspection notice requirements include:

- At least a 24 hour notice provided to the tenant
- Animal(s) must be under the tenant’s control (not just locked in a room or garage as city staff must have access to the entire unit during the inspection) or removed from the unit for the inspection.
- Any units with known illnesses or infestations will be rescheduled
  - If a property is currently being treated for bed bugs or any other infestation, the inspections will be postponed until the treatment has been completed. In order to reschedule the inspections, City staff will request documentation from a pest control company showing that the infestation has been resolved.
- City staff must be accompanied by the owner or property manager during the inspections

Many of these requirements have been put in place for the safety of your staff and ours. At the unit inspections the owner/property manager must be in the unit for the entire inspection. City staff is prohibited from being in any unit alone.
During the file review portion of the monitoring visit, City staff will review a sample of unit files as well as the following documents:

- A current rent roll for the properties
- Tenant files for the requested units
- Fair housing policy
- Equal opportunity policy
- Tenant selection criteria
- Waiting list procedure
- Application
- A lease template (blank lease) and any documents provided to a tenant at lease up
- A copy of the monitoring unit inspection notice given to tenants

The owner/property manager should be available for any questions that arise during the file review. City staff will use a checklist (that will be provided to the owner prior to the visit) to ensure all regulations and program requirements are being followed.

Financial Documentation is another item reviewed for each property. The following information will be requested for the owner/property manager prior to the monitoring visit.

1. A 3rd party compilation audit performed by an accountant who has no other involvement with your organization.
2. A current security deposit account statement. The purpose of this account is strictly to hold security deposits for current tenants with the intention of returning the deposit (less any tenant damages) after tenancy.
3. A current replacement reserve account statement. The purpose of the reserve account statement is to ensure that there is no co-mingling of security deposits, operating expenses, and reserve accounts. These accounts should all be separate.

There are two types of reserve accounts that are best practices for rental property owners. These reserve accounts include:

- A replacement reserve account – to be used for common area replacement and tenant damage.
- An operating reserve account – to be used in cases of prolonged vacancies.

The City only requires a replacement reserve account but we strongly recommend having an operating reserve account. Having both types of reserve accounts ensures added financial stability throughout the life of the property.

The end of each monitoring visit will include a review of the property’s current risk status. City staff will review any issues that have put the property in a higher risk status. This also will be the opportunity for any technical assistance that is necessary.

Within 30 days of the monitoring visit, City staff will send out the Monitoring Results Letter which details any concerns and findings from the visit. All corrections are due within 30 days of the date on the letter. For all inspection issues, City staff must come out and re-inspect the unit to ensure the issue has been resolved.
Inspections

The Housing Services Office follows Housing Quality Standards (HQS) and Cedar Rapids Housing Code for all Inspections. HQS requires that each DWELLING UNIT must have a minimum of a living room, kitchen area, bathroom and one living/sleeping room for every two family members.

Living Room
All dwellings must have a living room. A living room can be considered a sleeping room if it meets the sleeping room requirements below. Note – If the unit is an efficiency, consider the living room present.

Minimum Requirements
✓ One (1) window
✓ Two (2) outlets or one (1) outlet and one (1) permanently installed light fixture

Bathroom
The bathroom and toilet room must provide privacy and shall not constitute the only passageway to a hall or other space or to the exterior. A door and interior locking device shall be provided for all common or shared bathrooms and toilet rooms in a multiple dwelling.

Minimum Requirements
✓ Flush toilet
✓ Fixed basin (lavatory) with a sink trap and hot and cold water
✓ Shower or tub with hot and cold water
✓ An operable window or fan vented to the outside
✓ One (1) permanently installed light fixture.
✓ One (1) GFCI protected electrical outlet.

Kitchen
Refrigerators, stoves and ranges must be in safe working condition. The oven must heat and all burners on the stove or range must work and have all knobs must be present. The stove or range must be free of hazardous gas hook-ups, gas leaks, or electrical hazards.

Minimum Requirements
✓ One (1) outlet and one (1) permanently installed light fixture
✓ Oven and a stove or range*
✓ Refrigerator
✓ Sink with hot and cold water
✓ Suitable space for storage, preparation, and serving of food
✓ Facilities for sanitary disposal of food wastes
✓ All outlets within 3 feet of a water source must be a GFCI protected electrical outlet.

* Microwave ovens can be substituted for an over and a stove or range if the tenant agrees and microwave ovens are furnished to both subsidized and unsubsidized tenants in the same building or on the premises. Hot plates are not acceptable substitutes.
**Living/Sleeping Room(s)**
The living/sleeping room must have two outlets and one light or if there is no light, at least two outlets, of one which is a switched outlet. This room must have an operable window large enough to be used as an emergency exit. Smoke detectors are required in each bedroom or sleeping room.

**Minimum Requirements**
- Two (2) outlets or one (1) outlet and one (1) permanently installed light fixture
- Smoke detector (see below for additional requirements)

**Ceiling, Walls, Floors, Windows**
Ceilings, walls, floors, and windows must be in good condition. There cannot be any large cracks or peeling and/or chipped paint or plaster. Floors must be free of all tripping hazards. Windows must open and close properly, cannot have cracked, broken or missing panes, and if accessible from the outside, must be lockable.

Screens must be on every door, window, and other outside opening required for ventilation of habitable rooms, food preparation areas, food service areas, or any are where food for human consumption is processed, manufactured, packaged or stored. Screens must be tightly fitting with a minimum of 16 mesh per inch (16 mesh per 25 mm).

**Porches, Balconies, Decks, Stairs**
Porches, balconies, and decks that are more than 30 inches above ground must have a hand rail that is 36” in height. All stairs (interior or exterior) with four or more steps including the landing must have a handrail no less than 30 inches and no more than 42 inches in height. Where handrails are required, they must stretch the entire length of the stairs. Handrails are required 30” to grade. Grade is the bottom of the staircase. Interior stairways must have a switched light at the top and bottom of the stairs to ensure adequate visibility.

**Smoke Detector(s)**
Smoke detectors must be present and functioning within 15’ of each bedroom or sleeping room, in each bedroom and on each level of the unit, including basements. Unfinished attics do not require smoke detectors. Smoke detectors must be mounted on the ceiling at least 4 inches from the wall or on the wall no less than 4 inches but no more than 12 inches below the ceiling.

All replacement smoke detectors must be dual sensor type. When replacing a defective smoke detector, it must be replaced with the same type of smoke detector. Dual sensor smoke alarms are smoke alarms which use two different detection methods for identifying fires: photoelectric and ionization. Photoelectric sensors are very good at detecting slow, smoldering fires like fires which start in mattresses, couches, carpeting, and drapes. An ionization sensor can detect a sudden burst of flame like a grease fire.
**Fire Extinguishers**

Single family rental units must have one (1) 1A10BC minimum rated fire extinguisher provided in a properly mounted readily accessible location, preferably near an exit and near the kitchen.

Multi-family structures must provide one (1) 1A10BC minimum rated fire extinguisher in a properly mounted readily accessible location, preferably near an exit and near the kitchen or for structures with common corridors the owner may provide one (1) 2A10BC fire extinguisher on each occupied level within 75 feet of each dwelling unit, properly mounted in a readily accessible location.

Multi-family laundry & mechanical rooms must have one (1) 2A10BC fire extinguisher provided in a properly mounted readily accessible location positioned within 75 feet of and on the same level as each laundry or mechanical room (including boiler rooms) that is shared by 2 or more dwelling units.

**Site and Neighborhood**

The site and neighborhood must be free from conditions that could endanger the health, life, and/or safety of residents. The unit must be free of insect or rodent infestation.

**Premises Identification**

Buildings must have approved address numbers in a position to be plainly legible and visible from the street or road fronting the property. In addition, address numbers must also be located in an approved location along alleys. The approved location along the alley is typically a garage or fence. If a garage or fence is not present, the numbers should be placed on the rear of the home. All address numbers must contrast the background and be Arabic numerals or alphabet letters. From 0 - 99 ft. from the street numbers shall be a minimum of 4 inches (102 mm) high with a minimum stroke width of 0.5 inch (12.7 mm). For each additional 100 ft. from the street, the number shall increase by an additional 2 inches 5 height. Measurements to determine the minimum number size shall be measured from the approved address location to the center line of the street for which the premises is addressed. Where access is by means of a private road and the building cannot be viewed from the public way, a monument, pole or other sign or means shall be used to identify the structure with address numbers not less than 6 inch height. Address numbers must be maintained.

**Pets, Service Animals, and Companion Animals**

Units with animal(s) must have the animal(s) under the tenant’s control (not just locked in a room or garage as city staff must have access to the entire unit during the inspection) or removed from the unit for the inspection.
Most Common Fail Conditions
- Missing or Nonfunctioning smoke detectors
- Missing or cracked electrical switch plate and outlet covers
- Burners on kitchen stove/range not operating as designed
- Cracked and/or broken window panes
- Windows not functioning correctly
- Leaking faucets/plumbing
- Inoperable bath fan
- Carpet and vinyl conditions – safety issues
- Railings on four or more steps not present
- Holes in screens large enough to allow insects

Lead Paint
**IMPORTANT** If the unit was built before 1978 and the program participant has children under the age of six (6), no defective or peeling paint surfaces are allowed on either the interior or exterior of the building. If the rental unit has chipped or peeling paint, it must be removed using safe work practices, and some repairs may require a clearance test.

Lead-Based Paint Requirements
**Disclosure**
Disclose known lead-based paint hazards to ALL potential residents prior to execution of a lease. A copy must be kept in the file and will be reviewed during the monitoring visit. Specific knowledge includes items such as:
- LBP Inspection Report
- Visual Risk Assessment Report
- Clearance Test Results and/or the Report

The owner must also provide ALL prospective families with a copy of Protect Your Family From Lead in Your Home or Lead Paint, How To Protect Iowa Families.
- Contact the Iowa Dept. of Public Health at 800-972-2026 for a brochure.

**Lead Remediation**
- When necessary, perform paint stabilization to correct deteriorated paint
- Conduct lead hazard reduction activities when required by Housing Services
- Complete 8-hr. LSWP class when required by Housing Services.
- Perform all work in accordance with HUD prescribed safe work practices and conduct clearance activities when required

**Pre-renovation Notification**
Each time such an activity is performed, notify tenants about the conduct of lead hazard reduction activities and clearance (if required)
- A copy of this must be furnished to Housing Services.
Closeout Process

In order to close out the affordability period, the following steps must be followed:

1. Complete a final monitoring visit
2. Correct any concerns or findings from the monitoring visit
3. Submit a final monthly reporting form through the last day of affordability period

The project must continue to rent to the correct number of affordable units until an official affordability period close out letter has been received. A letter will not be sent until all of the steps above have been completed.

Final Monitoring Visit
A final monitoring visit will be performed within the last year of the affordability period. If the property is at a Moderate or High Risk status, an additional visit may be required to ensure that the property is at Low Risk prior to the end of the affordability period. All findings and concerns must be resolved prior to the affordability period close out.

Final Reporting Documents
In order to close out the affordability period, a final monthly report must be submitted through the last day of the affordability period. For example, if the affordability period ends on July 7th a July report will need to be submitted for July 1-7. The affordability period cannot be closed out until the final report has been received and reviewed for accuracy.

Affordability Closeout
After all of the closeout steps have been completed and it has been determined that there are no outstanding compliance issues; the affordability period can be closed out. City staff will issue an affordability closeout letter stating that all of the terms of the agreement have been met and the affordability period is closed out.

Record Retention
After the affordability period closeout, the owner must retain all documentation for the project for a minimum of 5 years from the affordability closeout date.