

**THE HOME PROGRAM COMPLIANCE CHEATSHEET:**  
*A QUICK GUIDE TO RENTAL COMPLIANCE*

ANNUAL AFFORDABILITY REVIEW

The purpose of the Annual Affordability Review (a.k.a. Rent Roll Review) is to determine an owner's / management's compliance with the two key principles of the HOME Program:

1. Tenants are **income** eligible,
2. Tenants are charged eligible **rent**.

Everything else stems from these principles.

Applying these principles, the county asks five questions when reviewing the rent roll:

1. Did management report the correct number of HOME units?
2. Did management report the correct number of High and Low units?
3. Did management report the correct number of Restricted units?
4. Are rents within HOME Program limits?
5. Are tenant incomes within HOME Program limits?

Question: Why would the county review five criteria when it was just stated there are two principles?

Answer: Limits for Tenant Rent and Income are divided into two categories. These include high and low rent and 50% and 60% area median income (AMI). Additionally, loan documents may stipulate further restrictions on rent and income.

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Example: A newly constructed apartment complex has 100 1-bedroom units, 20 of which are HOME units. Loan documents stipulate 10 units are to be occupied by tenants with incomes at or below 60% AMI, 6 units at 50% AMI and the remaining 4 units at 30% AMI. The High HOME rent is \$1000. The Low HOME rent is \$800

Question: How many High HOME units and Low HOME units are in this project? What is the maximum rent that can be charged in each designation (disregarding applicable tenant subsidy and utility costs)? Are there any other restrictions management should be aware of, and if so, what are they?

Answer: There are 16 High HOME units and 4 Low HOME units (20 \* 20% = 4). Management can charge rent up to \$1000 in the High HOME units and up to \$800 in the LOW HOME units. However, management must be aware that the loan documents require stricter breakdown in AMI.

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ON-SITE FILE INSPECTION

The purpose of the on-site file inspection is to confirm that management sends accurate data in the rent roll by reviewing source documentation that substantiates the data. The secondary purpose of the review is to determine management's compliance with myriad other federal guidelines and to determine the overall "health" of the project.

The documentation that a reviewer examines can be broken down into three categories:

1. File Requirements,
2. Project Requirements, and
3. Financial Documentation.

### File Requirements

A reviewer asks the following questions for each tenant file they review:

1. Unit Information
  - a. Is the address clearly labeled?
  - b. What is the unit size (number of bedrooms)?
  - c. What is the family size?
  - d. Is there overcrowding in the unit?
2. Lease
  - a. Is the lease signed?
  - b. Is the lease dated?
  - c. Does the lease list an expiration date?
  - d. Is the lease free of prohibited provisions?
3. Rent
  - a. Is the tenant's contribution listed?
  - b. Does the tenant receive a rental subsidy, and if so, how much?
  - c. Is the total rent listed
  - d. Is the rent within HOME limits?
4. Income
  - a. Is the tenant income listed?
  - b. Has the tenant been recertified within the past year, and if so, is the recertification form complete?
  - c. Is tenant income documented and calculated correctly?
  - d. Is the tenant's income within HOME limits?
5. Comparison to the rent roll
  - a. Is it the same tenant?
  - b. If so, does the income match?
  - c. If so, does the rent match?

### Project Requirements

After reviewing a sample of tenant files, the inspector will review project documentation which includes:

1. Written Selection Policy (the process management uses to select its tenants),
2. Affirmative Marketing Plan (where it advertises),
3. Waiting List (who has applied),
4. Evidence of Fair Housing (fair housing logos on the door, in ads and other documentation) ,
5. Evidence of correct method of determining annual income, and
6. Evidence of Approved Rent Adjustments.

### Financial Review

After reviewing project documentation, the inspector will review financial documentation which includes:

1. Annual Budgets, and
2. The most recent Audited Financial Statements.

### Exit Interview

During the exit interview, the inspector will share any concerns or findings they may have. In addition, the inspector will ask a set of questions to determine if management needs or would like county technical assistance. These questions are designed to informally test management's understanding of HOME Program regulations and its management processes. These questions generally follow the flow below:

1. What is your process for selecting tenants?
2. What kind of background, credit, income, etc checks are used while processing tenant applications?
3. Do you use a waiting list?
4. Do you have any vacancies, and if so, how many?
5. Where do you advertise?

6. Have you attended any recent Fair Housing or low-income management trainings?
  7. How do you determine a tenant's annual income?
  8. What is the typical monthly/annual residential turnover?
  9. Do you find it easy or difficult to rent to low-income households?
  10. Have you noticed any crime or safety issues in the area?
  11. Do you provide any tenant services, if so, what kind?
  12. What's the size of your staff, maintenance?
  13. How much experience does your staff have?
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