THE HIF 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 HIF Program:

1. Tenants are i**ncome** eligible,
2. Tenants are charged eligible **rent**.

Everything else stems from these principles.

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

1. Did management report the correct number of HIF-Restricted units?
2. Did management report the correct split of HIF units?
3. Are rents within HIF limits?
4. Are tenant incomes within HIF limits?

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

Answer: Limits for tenant rent and income are divided into different categories. These frequently include *low-income*, *very-low income*, and *moderate income*. These limits are defined in the project's loan documents and vary from project to project. This variance means that "low-income" for one project may not be the same in another project. In Montgomery County HIF loan documents, *very-low income* is commonly defined between as 30 to 50% AMI, *low income* is commonly defined as between 50 to 80% AMI, and *moderate income* is commonly defined as 80 to 120% AMI.

This is why the HIF program has been so successful. Its flexibility allows the county to tailor loans and limits to what will work for the project.

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 applicable 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 HIF 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 HIF 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 (as applicable):

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 HIF Program regulations and its management processes. These questions generally follow the flow below (as applicable):

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, is so, what kind?
12. What's the size of your staff, maintenance?
13. How much experience does your staff have?