



**HOUSING TRUST FUND  
2010 COMPETITIVE GRANT MANUAL**

Community Programs Division  
(615) 815-2030

**TENNESSEE HOUSING DEVELOPMENT AGENCY**  
**HOUSING TRUST FUND POLICIES**

**INTRODUCTION**

Meeting the housing needs of low-income Tennesseans through partnerships has been a core value of the Tennessee Housing Development Agency since its creation in 1973. THDA is committed to working with local communities and non-profit agencies to make decent, safe and affordable housing available to all residents of the State.

In 2006, the THDA Board of Directors voted to create the Housing Trust Fund to address the housing needs of the very low-income, the very low-income elderly and the very low-income special needs populations of Tennessee. The amount of funding available for the 2010 Competitive Grants is \$6.3 million which consists of \$3.15 million in Agency funds from FY 2009-2010 and \$3.15 million in Agency Funds from FY 2010-2011.

The 2010 Housing Trust Fund awards grants to non-profit organizations, local governments, development districts, human resource agencies, public housing authorities and other departments within State government for rental and homeownership housing activities.

The purpose of this Housing Trust Fund manual is to provide to the Grantee's the information that is needed to administer a Housing Trust Fund program according to established policies and procedures.

# SECTION ONE

## GENERAL REQUIREMENTS

### I. ELIGIBLE ACTIVITIES

Eligible housing activities serving the very low income, very low-income elderly and very low-income special needs populations include:

1. Rental housing programs:
  - a. Rehabilitation of rental units;
  - b. Construction of rental units;
  - c. Acquisition of rental units;
  - d. Conversion of non-residential units to residential units; and
  - e. Combinations of the above rental activities.
2. Homeownership programs:
  - a. Construction of homeownership units;
  - b. Acquisition and rehabilitation and sale of existing units; and
  - c. Downpayment and closing cost assistance.

### II. INELIGIBLE ACTIVITIES

The following activities are *prohibited* under the Housing Trust Fund:

1. 2010 Housing Trust Funds granted to local programs shall not be pledged as support for tax exempt borrowing by the local programs.
2. 2010 Housing Trust Funds may not be used for off-site improvements or for neighborhood infrastructure or public facility improvements.
3. No portion of the 2010 Housing Trust Fund or the required local match may be used for administrative expenses by local governments.
4. 2010 Housing Trust Funds may not be used to provide assistance to private, for-profit owners of rental property. The Grantee must be the owner of the proposed rental project.
5. 2010 Housing Trust Funds may not be used for homeowner rehabilitation projects.

### **III. MATCH REQUIREMENT**

The Housing Trust Fund requires a 50% match by the Grantee, i.e., for every two dollars from the Trust Fund the Grantee must provide a dollar in matching funds. Matching funds may be provided by:

1. Grants from other agencies;
2. Federal sources, such as the CDBG program or USDA Rural Development;
3. Contributions by local church groups or local agencies;
4. Contributions by individuals;
5. Bank loans;
6. Repayments of HOUSE funds in a local revolving fund;
7. A funding pool established by a local lender for the Grantee;
8. Support services for special needs populations; and
9. Volunteer labor.

Other THDA programs, including HOME funds and Neighborhood Stabilization Program funds administered by THDA as the "State Participating Jurisdiction", may not be used as a match.

### **IV. MARKETING REQUIREMENT**

One of the goals of the Housing Trust Fund is to raise the profile of affordable housing at the local, state and federal level, and to demonstrate that decent housing impacts all facets of community development. Each successful Grantee must develop marketing and public relations plans to accentuate the achievements of the Housing Trust Fund. The Public Affairs Division of THDA will assist in the development of these plans.

### **V. FAIR HOUSING AND EQUAL OPPORTUNITY**

Each Grantee funded under the Housing Trust Fund must comply with both state and federal laws with regard to fair housing and equal opportunity (FHEO). FHEO requirements have been developed to protect individuals and groups against discrimination on the basis of: race, color, national origin, religion, age, disability, familial status or sex.

In particular, program administrators will need to be aware of discrimination issues with regard to: housing opportunities; employment opportunities; business opportunities; and benefits resulting from activities funded in full or in part by Housing Trust Fund dollars.

THDA requires that each Grantee establish policies and procedures to inform the public and potential tenants and homebuyers of federal Fair Housing laws and the Grantee's affirmative marketing program; outline procedures by which Grantees will solicit applications from potential tenants or homebuyers; and maintain records of efforts to affirmatively market rental and homebuyer units.

THDA Grantees must comply with all of the following federal laws, executive orders, and regulations pertaining to fair housing and equal opportunity:

1. TITLE VI OF THE CIVIL RIGHTS ACT OF 1964 AS AMENDED (42 U.C.A. 2000D) - States that no person may be excluded from participation in, denied the benefits of, or subjected to discrimination under any program or activity receiving federal financial assistance on the basis of race, color, or national origin. Its implementing regulations may be found in 24 CFR Part 1.
2. TITLE VII OF THE CIVIL RIGHTS ACT OF 1964 AS AMENDED (42 U.C.A. 2000E) - Prohibits discrimination in employment against any individual on the basis of race, color, religion, sex or national origin, and allows victims of intentional discrimination to seek punitive and compensatory damages through jury trials.
3. TITLE VIII OF THE CIVIL RIGHTS ACT OF 1968, AS AMENDED "THE FAIR HOUSING ACT" (42 U.C.A. 3601) - Prohibits discrimination in the sale or rental of units in the private housing market against any person on the basis of race, color, religion, sex, national origin, familial status or handicap. Its implementing regulations may be found in 24 CFR Part 100-115.
4. EQUAL OPPORTUNITY IN HOUSING (EXECUTIVE ORDER 11063, AS AMENDED BY EXECUTIVE ORDER 12259) - Prohibits discrimination in housing or residential property financing related to any federally assisted activity against individuals on the basis of race, color, religion, sex or national origin. Implementing regulations may be found in 24 CFR Part 107.
5. SECTION 504 OF THE REHABILITATION ACT OF 1973, AS AMENDED (29 U.C.A.. 794) - States that no otherwise qualified individual may be excluded, solely because of his/her handicap, from participation in, the benefits of, or subject to discrimination under any program or activity receiving federal financial assistance. The implementing regulations may be found in 24 CFR Part 8.
6. AMERICANS WITH DISABILITIES ACT (42 U.S.C. 12131; 47 U.S.C. 155, 201, 218 AND 225) – Provides comprehensive civil rights to individuals with disabilities in the areas of employment, public accommodations, state and local government services and telecommunications. The Act, also referred to as the ADA, also states that discrimination includes failure to design and construct facilities (built for first occupancy after January 26, 1993) that are accessible to and usable by persons with disabilities. The ADA also requires the removal of architectural and communications barriers that are structural in nature in existing facilities. Removal must be readily achievable, easily accomplishable and able to be carried out without much difficulty or expense.
7. AGE DISCRIMINATION ACT OF 1975, AS AMENDED (42 U.S.C. 6101-07) - Prohibits age discrimination in programs receiving federal financial assistance. Its implementing regulations may be found in 24 CFR Part 146.
8. EQUAL EMPLOYMENT OPPORTUNITY, EXECUTIVE ORDER 11246, AS AMENDED - Prohibits discrimination against any employee or applicant for employment

because of race, color, religion, sex, or national origin. Provisions to effectuate the prohibition must be included in all construction contracts exceeding \$10,000. Implementing regulations may be found at 41 CFR Part 60.

9. **MINORITY AND WOMAN BUSINESS OPPORTUNITIES (EXECUTIVE ORDERS 11625, 12138, AND 12432)** - To ensure that all federal agencies with substantial procurement or grant making authority adopt minority and woman business development plans. The implementing regulations may be found in 24 CFR Section 511.13(c).
10. **AFFIRMATIVE MARKETING (24 CFR 511.13(B)) FOR RENTAL PROPERTIES CONSISTING OF FIVE (5) OR MORE UNITS** – THDA requires that each Grantee:
  1. Establish procedures to inform the public, owners and potential tenants of federal Fair Housing laws and the Grantee's affirmative marketing program;
  2. Develop requirements for owners assisted under THDA's Program;
  3. Outline procedures by which owners will solicit applications from eligible potential tenants; and
  4. Maintain records of efforts to affirmatively market rental units.
11. **SECTION 3 OF HOUSING AND URBAN DEVELOPMENT ACT OF 1968, AS AMENDED, 12 U.S.C. 1701u.** - The purpose of which is to ensure that the employment and other economic opportunities generated by Federal financial assistance for housing and community development programs shall, to the greatest extent feasible, be directed toward low and very-low-income persons, particularly those who are recipients of government assistance for housing.

**FAIR HOUSING/EQUAL OPPORTUNITY ACTIVITIES** - Grantees must be able to demonstrate their efforts to affirmatively further fair housing and equal opportunity by the following activities:

1. **POLICY OF NONDISCRIMINATION** - A written Policy of Nondiscrimination (Form 4) must be posted conspicuously so all recipients, job applicants, contractors, subcontractors and interested parties may see it.
2. **MINORITY/FEMALE SOLICITATION** - Every effort must be made to assure minority and female owned businesses are offered opportunities to bid on service, material and construction contracts. (See Section VI - Procurement.)
3. Maintain written hiring policies for employees.
4. Inform the community and/or minorities of vacancies.
5. Respond to complaints on EO/FH policies.
6. Maintain appropriate documentation to demonstrate compliance with minority/female business solicitation.

## VI. PROCUREMENT

The contract between THDA and the Grantee for the Housing Trust Fund requires that any reimbursement for the cost of goods, materials, supplies, equipment, and/or services, such procurement shall be made on a competitive basis, including the use of competitive bidding procedures, where practical. If there are no local procurement policies, Grantees must establish their own procedures provided they conform to the standards stated below.

**PURCHASE OF MATERIALS, SUPPLIES OR NON-PROFESSIONAL SERVICES** – For purchase or contract amounts over four hundred dollars (\$400), select qualified vendors or contractors on the basis of three price quotations or competitive bids.

1. Price or rate quotations must be obtained from at least three qualified sources. Informal methods that are sound, appropriate, and documented are allowed for the procurement of supplies, labor and other necessary services.
2. Quotations may be obtained over the telephone as long as the grantee keeps a written record in the grant files showing whom they contacted, the date they were contacted, and the price quoted.
3. The purchase should be made from the lowest bidder.
4. In the instance of a sole supplier or when three bids cannot be obtained, appropriate file documentation is acceptable.

**PROFESSIONAL SERVICE OR PURCHASE CONTRACTS** - Grantees contracting for services (e.g. general contracting) should develop qualifying criteria and periodically advertise for contractors that meet those criteria. (Advertising can be through newspapers or by mailing to at least three firms offering the desired services. Clippings and letters must be on file.)

1. A list of the eligible contractors should be maintained and used to obtain the required services.
2. Price or rate quotations must be obtained from at least three qualified sources.
3. The purchase should be made from the lowest bidder.
4. If three bids cannot be obtained, appropriate file documentation is acceptable.

**MINORITY AND FEMALE SOLICITATION** - Documentation to show efforts to solicit minority/female participation. A list of minority/female contractors and businesses must be maintained. A statewide directory is available at THDA if local minority and female owned businesses can not be identified.

Under certain circumstances supplies, equipment, services, or other items may be purchased without bids or quotations. Quotations may not be necessary if a qualified vendor is the sole source of the items to be purchased, or in cases of emergency, when immediate delivery is necessary for the entity's continued provision of adequate services.

All sole-source purchases should be reviewed by the chief executive or designee. In any event, the chief executive should be apprised of any sole-source purchases as soon as possible. A written memorandum

explaining all emergency purchases and all other sole-source purchases exceeding an amount determined by management should be attached to the file copy of the purchase order.

## VII. POLICIES AND PROCEDURES

Grantees shall develop and maintain detailed written policies and procedures for the operation of their housing program. These policies and procedures are based on the program description in the Housing Trust Fund Proposal and should include at a minimum:

1. Description of program activities;
2. Eligibility requirements and selection procedures for beneficiaries;
3. Terms and conditions for Housing Trust Fund assistance;
4. Housing rehabilitation or construction standards and specifications;
5. Contracting for rehabilitation or construction work; and
6. Procedures for resolving beneficiary complaints.

Remember, these written policies and procedures are for your benefit and protection and should be available to families and individuals served by your program. A copy must be submitted to THDA for approval prior to incurring costs.

## VIII. INCOME DETERMINATION

All program beneficiaries must complete written applications for assistance and submit proof of income to determine eligibility before assistance can be provided. At a minimum, applications for assistance must be signed and dated, and contain all household information including the names of all household members, sources and amounts of gross income and amounts of any assets.

**INCOME LIMITS FOR RENTAL PROGRAMS** - The Housing Trust Fund must only be used to benefit very low income households, including the elderly (over 60 years of age), and special needs populations. "Very low-income household" means an individual, family or household unit whose income does not exceed 50% of the area median income, adjusted for household size. For rental property, the income limits apply to the incomes of the tenants, not to the owners of the property.

**INCOME LIMITS FOR HOMEOWNERSHIP PROGRAMS** - The Housing Trust Fund may be used to benefit households at or below 60% of area median income, adjusted for family size, including the elderly (over 60 years of age), and special needs populations.

The applicable income limits are the current income limits established by the US Department of Housing and Urban Development for the HOME Program. The 2010 Income Limits are included as Attachment I.

**ANNUAL INCOME** – The Housing Trust Fund uses the income definitions of the Section 8 Rental Assistance Program to determine *gross* annual income in order to determine the eligibility of a

household. The income of the household to be reported for purposes of eligibility is the sum of the annual gross income of the beneficiary, the beneficiary's spouse, and any other household member residing in the home or rental unit. Annual gross income is "anticipated" for the next 12 months, based upon current circumstances or known upcoming changes, minus certain exclusions. Gross Annual Income means all amounts, monetary or not, which:

1. Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other household member;
2. Are anticipated to be received from a source outside the household during the 12-month period following admission or annual reexamination effective date. In other words, it is the household's *future or expected* ability to pay rather than its past earnings that is used to determine program eligibility. If it is not feasible to anticipate a level of income over a 12-month period, the income anticipated for a shorter period may be annualized, subject to a redetermination at the end of the shorter period; and
3. Which are not specifically excluded in Income Exclusions below.
4. Annual income also means amounts derived (during the 12-month period) from assets to which any member of the household has access.
5. **MONTHLY GROSS INCOME** - Monthly gross income is Annual Gross Income divided by 12 months.

**ASSETS** - In general terms, an asset is a cash or noncash item that can be converted to cash. There is no asset limitation for participation in the Housing Trust Fund Competitive Grant program. Income from assets is, however, recognized as part of Annual Gross Income. Assets have both a market value and a cash value.

1. **MARKET VALUE** - The market value of an asset is simply its dollar value on the open market. For example, a stock's market value is the price quoted on a stock exchange on a particular day, and a property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.
2. **CASH VALUE** - The cash value of an asset is the market value less reasonable expenses required to convert the asset to cash, including:
  - a. Penalties or fees for converting financial holdings. Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds, or broker fees for converting stocks to cash); and/or
  - b. Costs for selling real property. Settlement costs, real estate transaction fees, payment of mortgages/liens against the property, and any legal fees associated with the sale of real property are deducted from the market value to determine equity in the real estate.
  - c. Under Section 8 rules, only the cash value (rather than market value) of an item is counted as an asset.

**INCOME FROM ASSETS** - The income counted is the actual income generated by the asset (e.g., interest on a savings or checking account.) The income is counted even if the household elects not to receive

it. For example, although a household may elect to reinvest the interest of dividends from an asset, the interest or dividends is still counted as income.

1. The income from assets included in Annual Gross Income is the income that is anticipated to be received during the coming 12 months.
  - a. To obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account; or
  - b. If the value of the account is not anticipated to change in the near future and interest rates have been stable, a copy of the IRS 1099 form showing past interest earned can be used.
  - c. Checking account balances (as well as savings account balances) are considered an asset. This is in recognition that some households keep assets in their checking accounts, and is not intended to count monthly income as an asset. Grantees should use the average monthly balance over a 6-month period as the cash value of the checking account.
2. When an asset produces little or no income:
  - a. If the household's assets are \$5,000 or less, actual income from assets (e.g., interest on a checking account) is not counted as annual income. For example, if a household has \$600 in a non-interest bearing checking account, no actual income would be counted because the household has no actual income from assets and the total amount of all assets is less than \$5,000.
  - b. If the household's assets are greater than \$5,000, income from assets is computed as the greater of:
    - i. actual income from assets, or
    - ii. imputed income from assets based on a passbook rate applied to the cash value of all assets. For example, if a household has \$3,000 in a non-interest bearing checking account and \$5,500 in an interest-bearing savings account, the two amounts are added together. Use the standard passbook rate to determine the annual income from assets for this household.
3. Applicants who dispose of assets for less than fair market value (i.e., value on the open market in an "arm's length" transaction) have, in essence, voluntarily reduced their ability to afford housing. Section 8 rules require, therefore, that any asset disposed of for less than fair market value during the 2 years preceding the income determination be counted as if the household still owned the asset.
  - a. The value to be included as an asset is the difference between the cash value of the asset and the amount that was actually received (if any) in the disposition of the asset (less any fees associated with disposal of property, such as a brokerage fee).
  - b. Each applicant must certify whether an asset has been disposed of for less than fair market value. Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce or separation are not included in this calculation.

- c. These procedures are followed to eliminate the need for an assets limitation and to penalize people who give away assets for the purpose of receiving assistance or paying a lower rent.

**ASSETS INCLUDE:**

1. Amounts in savings accounts and six month average balance for checking accounts.
2. Stocks, bonds, savings certificates, money market funds and other investment accounts.
3. Equity in real property or other capital investments. Equity if the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset.
4. The cash value of trusts that are available to the household.
5. IRA, Keogh and similar retirement savings accounts, even though withdrawal would result in penalty.
6. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
7. Assets which, although owned by more than one person, allow unrestricted access by the applicant.
8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.
9. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
10. Cash value of life insurance policies.
11. Assets disposed of for less than fair market value during two years preceding certification or re-certification.

**ASSETS DO NOT INCLUDE:**

1. Necessary personal property, except as noted under paragraph (9) (Assets Include) above
2. Interest in Indian Trust lands
3. Assets that are part of an active business or farming operation.

NOTE: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant/tenant's main occupation.

4. Assets not accessible to the household and which provide no income to the household.
5. Vehicles especially equipped for the handicapped.
6. Equity in owner-occupied cooperatives and manufactured homes in which the household lives.

**INCOME INCLUSIONS** - The following are used to determine the annual income (gross income) of an applicant's household for purposes of eligibility:

1. The full amount, before any payroll deductions, of wages and salaries, over-time pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. The net income for the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot be used as deductions in determining net income; however, 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 is included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness cannot be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. 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 includes the greater of the actual income derived from net family assets or a percentage of the value of such assets based on the current passbook saving rate, as determined by HUD.
4. The full amount of periodic payments 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 (except Supplemental Security Income (SSI) or Social Security).
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see paragraph (3) under Income Exclusions).
6. Welfare Assistance. 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 consists of:
  - a. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
  - b. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph is the amount resulting from one application of the percentage.
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling.
8. All regular pay, special pay and allowances of a member of the Armed Forces (see paragraph (8) under Income Exclusions).

**INCOME EXCLUSIONS** - The following are excluded from a household's income for purposes of determining eligibility:

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family, who are unable to live alone).
3. 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 (except for payments in lieu of earnings – see paragraph (5) of Income Inclusions).
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of a live-in aide.
6. Certain increases in income of a disabled member of the family residing in Housing Trust Fund–assisted housing or receiving tenant-based rental assistance (See paragraph 7 under Determining Whose Income to Count).
7. The full amount of student financial assistance paid directly to the student or to the educational institution.
8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9.
  - a. Amounts received under training programs funded by HUD.
  - b. 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).
  - c. 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.) which are made solely to allow participation in a specific program.
  - d. Amount received under a resident's 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 owner or manager 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 governing board. No resident may receive more than one such stipend during the same period of time.
  - e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded must be received under employment training

programs with clearly defined goals and objectives, are excluded only for the period during which the family member participates in the employment training program.

10. Temporary, nonrecurring or sporadic income (including gifts).
11. 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.
12. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse).
13. Adoption assistance payments in excess of \$480 per adopted child.
14. For public housing only, the earnings and benefits to any family member resulting from participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, Section 22 of the 1937 Act, or any comparable federal, state or local law during the exclusion period.
15. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
16. 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.
17. Amounts paid by a state agency to a family with 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.
18. 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 exclusions set forth in 24 CFR 5.609(c) apply. The following is a list of types of income that qualify for that exclusion (9/27/89 regulations):
  - a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
  - b. Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through VISTA; Retired Senior Volunteer Program, Foster Grandparents Program, youthful offenders incarceration alternatives, senior companions);
  - c. Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(a));
  - d. Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259e);
  - e. Payments or allowances made under the department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
  - f. Payments received under programs funded in whole or in part under the Job Training Partnership Act;

- g. Income derived from the disposition of funds of the Grand River Band of Ottawa Indians;
- h. The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims (25 U.S.C. 1407-1408) or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117);
- i. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
- j. Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056(f));.
- k. Any earned income tax credit received on or after January 1, 1991, including advanced earned income credit;
- l. Payments received after January 1, 1989 from the Agent Orange Settlement Fund or any other funds established pursuant to the settlement in the In Re Agent Orange product liability litigation MDL No. 381 (E.D.N.Y.);
- m. The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
- n. Payments received under the Maine Indian Claims Settlement Act of 1980;.
- o. Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job corps, veterans employment programs, state job training programs and career intern programs, Americorps);
- p. Payments made by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- q. Allowances, earnings, and payments to Americorps participants under the National and Community Service Act of 1990;
- r. Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- s. Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance); and
- t. Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998.

**TIMING OF INCOME CERTIFICATIONS** - All households that receive Housing Trust Fund assistance must be income eligible. At a minimum, income certification must be completed before assistance begins. A preliminary determination of eligibility may be made much earlier in the process.

1. Application processing is labor intensive. Early screening for income eligibility can eliminate excessive work in processing an ineligible applicant.
2. Establishing a deadline for formal eligibility determinations is a challenging part of the planning process. Generally, the Housing Trust Fund Program permits verification dated no earlier than 6 months prior to eligibility.
3. The Grantee must calculate the annual income of the household by projecting the prevailing rate of income of the household at the time the Grantee determines that the household is income eligible. The eligibility of a household must be re-determined if more than six months elapses between the date the Grantee determines that a household is income-eligible and the date Housing Trust Fund assistance is provided.
  - a. For homeownership programs, the income eligibility of the families is timed as follows:
    - i. For Habitats, or other similar organizations, it is the date a commitment is made to build a house for a particular family;.
    - ii. In the case of a contract to purchase existing housing, it is the date of the purchase;
    - iii. In the case of a lease-purchase agreement for existing housing or for housing to be constructed, it is the date the lease-purchase agreement is signed; and
    - iv. In the case of a contract to purchase housing to be constructed, it is the date the contract is signed.

**INCOME VERIFICATION** - Grantees must verify and retain documentation of all information collected to determine a household's income. Under the Section 8 Program, there are three forms of verification which are acceptable: third-party, review of documents, and applicant certification.

1. **THIRD-PARTY VERIFICATION** - Under this form of verification, a third party (e.g., employer, Social Security Administration, or public assistance agency) is contacted to provide information. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person and date of the call.
  - a. To conduct third party verifications, a Grantee must obtain a written release from the household that authorizes the third party to release required information.
  - b. Third-party verifications are helpful because they provide independent verification of information and permit Grantees to determine if any changes to current circumstances are anticipated. Some third-party providers may, however, be unwilling or unable to provide the needed information in a timely manner.
2. **REVIEW OF DOCUMENTS** - Documents provided by the applicant (such as pay stubs, IRS returns, etc.) may be most appropriate for certain types of income and can be used as an alternative to third-party verifications. Copies of documents should be retained in project files.

Grantees should be aware that although easier to obtain than third-party verifications, a review of documents often does not provide needed information. For instance, a pay stub may not provide sufficient information about average number of hours worked, over-time, tips and bonuses.

3. **APPLICANT CERTIFICATION** - When no other form of verification is possible, a certification by the applicant may be used. For example, it may be necessary to use an applicant certification for an applicant whose income comes from "odd jobs" paid for in cash.

Applicant certification is the least reliable form of verification and may be subject to abuse. In some cases, the applicant certification can be supplemented by looking at the applicant's past history. The Grantee can review the previous year's income tax return to determine if the current year's income is consistent with activity for the previous year.

**CALCULATION METHODOLOGIES** - Grantees must establish methodologies which treat all households consistently.

1. It is important to understand the basis on which applicants are paid (hourly, weekly or monthly, and with or without over-time). An applicant who is paid "twice a month" may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year).
2. It is important to clarify whether over-time is sporadic or a predictable component of an applicant's income.
3. Annual salaries are counted as Annual Income regardless of the payment method. For instance a teacher receives an annual salary whether paid on a 9- or 12-month period.

**DETERMINING WHOSE INCOME TO COUNT** - Knowing whose income to count is as important as knowing which income to count. Under the Section 8 definition of income, the following income *is not counted*:

1. **INCOME OF LIVE-IN AIDES** - If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of its source, is not counted. (Except under unusual circumstances, a related person can never be considered a live-in aide);
2. **INCOME ATTRIBUTABLE TO THE CARE OF FOSTER CHILDREN** - Foster children are not counted as household members when determining household size to compare with the Income Limits. Thus, the income a household receives for the care of foster children is not included;
3. **EARNED INCOME OF MINORS** - Earned income of minors (age 18 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, AFDC payments, and other benefits paid on behalf of a minor) is counted;
4. **TEMPORARILY ABSENT FAMILY MEMBERS** - The income of temporarily absent family members is counted in Annual Income - regardless of the amount the absent family member contributes to the household. For example, a construction worker earns \$600/week at a temporary job on the other side of the State. He keeps \$200/week for expenses and sends \$400/week home to his family. The entire \$600/week is counted in the family's income;

5. **ADULT STUDENTS LIVING AWAY FROM HOME** - If the adult student is counted as a member of the household in determining the Income Limit used for eligibility of the household, the first \$480 of the student's income must be counted in the family's income. Note, however, that the \$480 limit does not apply to a student who is head of household or spouse (their full income must be counted);
6. **PERMANENTLY ABSENT FAMILY MEMBER** - If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household; and
7. **PERSONS WITH DISABILITIES** – During the annual recertification of a household's income, increases in the income of a disabled member of qualified families residing in Housing Trust Fund assisted housing or receiving Housing Trust Fund tenant- based rental assistance is excluded. 24 CFR 5.61(a) outlines the eligible increases in income. These exclusions from annual income are of limited duration. The full amount of increase to an eligible family's annual income is excluded for the cumulative 12-month period beginning on the date the disabled family member is first employed or the family first experiences an increase in annual income attributable to the employment. During the second cumulative 12-month period, 50 percent of the increase in income is excluded. The disallowance of increased income of an individual family member who is a person with disabilities is limited to a lifetime 48-month period.

## **IX. COMPLIANCE PERIOD**

**HOMEOWNERSHIP PROGRAMS** – There will be a compliance period of five years with a forgiveness feature of 20% annually. In order to enforce the compliance period, THDA will require that the homeowner sign both a note and deed of trust.

**RENTAL HOUSING PROJECTS** – Grants for rental housing projects will also have a compliance period of five years. Prior to drawing down HTF funds, owners of rental projects will be required to sign a grant note, deed of trust and restrictive covenant to enforce the compliance period. The grant is forgiven at the end of the five year period.

## **X. REHABILITATION AND CONSTRUCTION STANDARDS**

**REHABILITATION** - Grantees using Housing Trust Funds for rehabilitation must meet minimal property standards. Any rental or homeownership unit rehabilitated with HTF funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion, or in the absence of local codes, with the 2009 International Property Maintenance Code.

**NEW CONSTRUCTION** – Any housing constructed with funds from the Housing Trust Fund must meet all applicable local codes, construction standards, ordinances, and zoning at the time of project completion.

In the absence of local codes:

1. New construction of multi-family apartments of 3 or more units must meet the 2009 International Building Code;
2. New construction of single-family units or duplexes must meet the 2009 International Residential Code for One- and Two-Family Dwellings; and
3. All housing programs that involved new construction must also meet the 2006 International Energy Conservation Code.

**RENTAL HOUSING STANDARDS** - All other HTF-assisted rental housing (e.g., acquisition) must meet all applicable State and local housing quality standards and code requirements and at a minimum, the housing must meet the Section 8 Housing Quality Standards (HQS). In addition, rental units must continue to meet the Section 8 Housing Quality Standards on an annual basis.

## **XI. MONITORING AND CLOSE-OUT**

The State is responsible for managing the day-to day operations of the Housing Trust Fund program, for monitoring the performance of all entities receiving the funds to assure compliance, and for taking appropriate action when performance problems arise. The State has divided its monitoring activities into two programs.

**PROGRAM MONITORING** - Program monitoring is an ongoing activity and can be carried out in a variety of formal and informal ways. These can include on-site reviews; desk reviews of performance reports and draw requests; financial audits; other verbal and written exchanges with the Grantee; conversations with the Grantee, clients, and fellow funders of the Grantee; etc.

1. An on-site visit may be conducted at least once during the development of the project. Certain considerations (such as Grantee performance, reporting and audit deficiencies, personnel turnovers, etc.) may require more frequent monitoring.
2. The scope of the on-site review will be as comprehensive as possible taking into consideration all applicable contractual, programmatic, and state requirements. If the project generates program income, the grantees will be required to account for program income and its use. If concerns are identified, the Grantee will be asked to resolve these and respond by letter within 30 days. If the concerns or findings are not cleared, future payments may be withheld, eligibility to apply for future grants may be denied, or repayment of the grant may be required.

**RENTAL COMPLIANCE MONITORING** - After the project is officially closed out in the Community Programs Division, the record will be transferred to the Program Compliance Division of THDA for long term monitoring during the remainder of the compliance period. A letter will be mailed to the Grantee to explain the long term monitoring process and annual reporting requirements.

# ATTACHMENT I

## 2010 Income Limits

*EFFECTIVE JUNE 27, 2010*

TENNESSEE COUNTIES  
IDENTIFIED BY METROPOLITAN AND NON-METROPOLITAN STATUS

### METROPOLITAN AREAS<sup>1</sup>

### COUNTIES

MSA - CHATTANOOGA

HAMILTON, MARION, SEQUATCHIE

HMFA - CLARKSVILLE-

MONTGOMERY

HMFA – STEWART COUNTY

STEWART

MSA – CLEVELAND

BRADLEY, POLK

MSA - JACKSON

CHESTER, MADISON

MSA – JOHNSON CITY

CARTER, UNICOI, WASHINGTON

MSA – KINGSFORT-BRISTOL

HAWKINS, SULLIVAN

MSA - KNOXVILLE

ANDERSON, BLOUNT, KNOX, LOUDON, UNION

HMFA - MEMPHIS

FAYETTE, SHELBY, TIPTON

MSA – MORRISTOWN

GRAINGER, HAMBLÉN, JEFFERSON

HMFA – NASHVILLE-MURFREESBORO

CANNON, CHEATHAM, DAVIDSON, DICKSON,  
ROBERTSON, RUTHERFORD, SUMNER,  
TROUSDALE, WILLIAMSON, WILSON

HMFA – HICKMAN COUNTY

HICKMAN

HMFA – MACON COUNTY

MACON

HMFA – SMITH

SMITH

NON-METROPOLITAN AREAS

ALL OTHER COUNTIES

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<sup>1</sup> MSA is a Metropolitan Statistical Area. HFMA is a HUD Metro FMR area.

## SECTION TWO

### HOMEOWNERSHIP PROGRAMS

This Section provides guidance in the operation of Homeownership Programs (Single Family Development).

#### I. ELIGIBLE ACTIVITIES

**DEVELOPMENT OF UNITS FOR HOMEOWNERSHIP** – HTF grant funds may be used as a construction financing pool to develop new single family units or to acquire and rehabilitate existing units for sale to eligible homebuyers. Up to \$25,000 of HTF funds may remain with the units as a soft second mortgage to qualify the family for permanent financing.

**DOWNPAYMENT PROGRAMS** – Grantees may provide downpayment and closing cost assistance to eligible homebuyers in the form of a soft second mortgage to qualify the family for permanent financing.

**SOFT SECOND MORTGAGES** – Any HTF funds used for a soft second mortgage in homeownership programs are limited to a maximum subsidy of \$25,000 per household with a five-year compliance period forgiven at 20% per year.

#### II. HOMEOWNERSHIP PROGRAM REQUIREMENTS

**PERMANENT FINANCING** – THDA encourages the use of THDA mortgages or comparable financing whenever possible. If it is not possible for the buyer to qualify for THDA financing for the first mortgage, the proposed permanent financing must be at an interest rate which does not exceed the prevailing THDA Great Rate at the time of pre-approval by more than two percentage points.

All permanent loans must have a fixed interest rate fully amortizing over the term of the loan. There can be no pre-payment penalty for early payoffs.

**SALES PRICE LIMITS** – The sales price limits for homeownership programs are as follows:

COUNTY	1-Family Limit	2-Family Limit	3-Family Limit	4-Family Limit
Cannon, Cheatham, Davidson, Dickson, Hickman, Macon, Robertson, Rutherford, Smith, Sumner, Trousdale, Williamson, Wilson	\$226,100	\$256,248	\$300,744	\$384,936
All Other Counties	\$200,160	\$256,248	\$300,744	\$384,936

Grantees are encouraged to have a homebuyer pre-approved for a permanent loan identified with a specific property, before beginning construction or acquiring and rehabilitating a unit for Homeownership.

### III. STRUCTURE OF HOMEOWNERSHIP ASSISTANCE

**HOUSING DEVELOPMENT PROGRAMS** - For construction financing or acquisition and rehabilitation programs, the funds can be used as follows:

1. Revolving construction or acquisition and rehabilitation funds repaid *in full* at sale from the buyer's permanent first mortgage financed by a bank or mortgage company; or
2. Construction or acquisition and rehabilitation funds rolled into the permanent first mortgage for the buyer (such as the Habitat method of construction and sale); or
3. Construction or acquisition and rehabilitation loans rolled into the second mortgage for the buyer with the first mortgage financed by a bank or mortgage company. (Housing Trust Funds used as a second mortgage may assist families in qualifying for a first mortgage from a bank or mortgage company.)

Housing Trust Funds repaid to a local revolving construction loan pool must be used to finance additional single-family units for homeownership.

**DOWNPAYMENT PROGRAMS** - The funds are used as a second mortgage to help qualify the household by providing additional downpayment to reduce the indebtedness of the first mortgage.

Housing Trust Funds used for homeownership can be loans which are repaid monthly, due on sale loans or loans forgiven at the end of a five year compliance period. All Housing Trust Funds loans must be secured by a note and recorded deed of trust between the Grantee and the homebuyer.

### IV. HOMEBUYER REQUIREMENTS

**INCOME** - The prospective purchaser must be very low-income, that is, a gross annual household income that does not exceed 60 percent of the median for this area. The timing for qualifying homebuyers as income eligible is as follows:

1. In the case of a contract to purchase existing housing, the purchasing household must be very low-income at the time of purchase;
2. In the case of a contract to purchase housing to be constructed, the purchasing household must be very low income at the time the contract is signed; and
3. In the case of a lease-purchase agreement (for existing housing or housing to be constructed), the purchasing household must be very low income at the time the lease-purchase agreement is signed.

**OWNERSHIP** - The homebuyer must obtain fee simple title to the property or a 99-year leasehold.

**OCCUPANCY** - The prospective purchaser must occupy the property as his/her principal residence.

**HOMEBUYER EDUCATION** - All homebuyers must complete a homebuyer education program from a THDA qualified homebuyer education trainer prior to purchase. The Agency's purpose not only is to assist people with purchasing homes, but also to help them become long-term, successful homeowners. THDA maintains a list of certified homebuyer education trainers on its website: [www.thda.org](http://www.thda.org).

## **V. PROPERTY REQUIREMENTS**

**PROPERTY TYPE** - The housing must be a single-family (1-4 family residence, condominium unit, or combination manufactured home and lot).

### **PROPERTY STANDARDS**

**ACQUISITION ONLY** – In homeownership programs in which Housing Trust Funds are used only for downpayment and closing cost assistance, the housing to be acquired must meet State and local housing quality standards and code requirements. In the absence of such standards or code requirements, the property must meet the Section 8 Housing Quality Standards.

**REHABILITATION AND NEW CONSTRUCTION** - Housing that is constructed or rehabilitated must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code, new construction must meet the 2009 International Residential Code for One- and Two-Family Dwellings, and existing units must meet the 2009 International Property Maintenance Code. New construction projects must also meet the 2006 International Energy Conservation Code, published by the International Code Council.

## **VI. AFFIRMATIVE MARKETING**

Grantees must have procedures in place to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, age, familial status or disability. (See Section V - Fair Housing and Equal Opportunity in General Requirements.) Affirmative marketing procedures include:

1. Making this information known through advertisements and announcements in the local media which include the Equal Opportunity logotype or slogan; and
2. Contacting lenders, community organizations, places of worship, employment centers, fair housing groups or housing counseling agencies to solicit applications from persons in the housing market area who are not likely to apply for housing without special outreach (e.g., racial minorities and female head of household).
3. Maintain records to document affirmative marketing efforts.

# SAMPLE

## HOUSING TRUST FUND COMPETITIVE GRANT PROGRAM POLICIES AND PROCEDURES FOR

### HOMEOWNERSHIP PROGRAMS

#### 1. Purpose

This program will make available financial in the form of soft second mortgages as necessary to qualify eligible, low income households for permanent financing to purchase a home.

#### 2. AUTHORITY

The legal authority of this program comes from the working agreement with Tennessee Housing Development Agency, as well as State and local laws.

#### 3. PROGRAM RESOURCES

The source of funds for the undertaking of these activities is a grant in the amount of \$\_\_\_\_\_ which \_\_\_\_\_ has been awarded by Tennessee Housing Development Agency (THDA) through the THDA Housing Trust Fund Competitive Grant Program.

#### 4. APPLICABLE LAWS

- A. The local governing bodies, contractors, subcontractors, vendors and applicants for rehabilitation assistance are required to abide by a number of State and Federal laws, and may be required to sign documents certifying their compliance.
1. Equal Opportunity Provisions and Fair Housing.
  2. Affirmative Marketing, 24 CFR 92.351.
  3. Conflict of Interest Provisions.
  4. Drug-Free Workplace.
  5. Standard Equal Opportunity Construction Contract Specifications.
  6. Certification of Non-segregated Facilities for Contracts Over \$10,000.
  7. Title VI of Civil Rights Act of 1964 Provisions.
  8. Age Discrimination Act of 1975 Provisions.

9. Section 504 Affirmative Action for Handicapped Provisions.

**5. DRUG-FREE WORKPLACE**

- A. The \_\_\_\_\_ (HTF Grantee) will or will continue to provide a drug-free workplace by:
1. Notifying employees in writing that the unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited in the Grantee's workplace and specifying the action that will be taken against employees for violation of such prohibition.
  2. Establishing an ongoing drug-free awareness program to inform employees about:
    - a. The dangers of drug abuse in the workplace;
    - b. The Grantee's policy of maintaining a drug-free workplace;
    - c. Any drug counseling, rehabilitation, and employee assistance programs; and
    - d. The penalties that may be imposed upon employees for drug abuse violations occurring in the workplace.
- C. Providing each employee engaged in the performance of the HTF contract a copy of the notification required in paragraph A(1) above;
- D. The written notification required in paragraph A(1) above will advise the employee that as a condition of employment under the HTF grant, the employee will:
1. Abide by the terms of the notification; and
  2. Notify the employees in writing of his or her conviction for a violation of a criminal drug statute occurring in the workplace no later than five (5) calendar days after such conviction.
- E. Notifying the State in writing, within ten (10) calendar days after receiving notice under D(2) above from an employee or otherwise receiving actual notice of such conviction. Employers of convicted employees must provide notice, including position title, to every grant officer or other designee on whose grant activity the convicted employee was working, unless the Federal Agency has designated a central point for the receipt of such notices. Notice shall include the identification number(s) of each affected grant.
- F. Taking one of the following actions, within thirty (30) calendar days of receiving notice under D(2) above, with respect to any employee who is so convicted:
1. Taking appropriate personnel action against such an employee, up to and including termination, consistent with the requirement of the Rehabilitation Act of 1973, as amended; or
  2. Requiring such employee to participate satisfactorily in a drug abuse assistance or rehabilitation program approved for such purposes by a Federal, State or local health, law enforcement or the appropriate agency;

3. Making a good faith effort to continue to maintain a drug-free workplace through implementation of Paragraphs A, B, C, D, E and F above.

## 6. CONFLICT OF INTEREST

- A. No person listed in paragraph B may obtain a financial interest or benefit from a HTF-assisted activity, or have an interest in any contract, subcontract or agreement with respect thereto, or the proceeds thereunder, either for themselves or those with whom they have family or business ties, during their tenure or for one year thereafter.
- B. **PERSONS COVERED** – Immediate family members of any local elected official or of any employee or board member of a non-profit agency is ineligible to receive benefits through the HTF program. “Immediate family member” means the spouse, parent (including a stepparent), child (including a stepchild), grandparent, grandchild, sister or brother (including a stepsister or stepbrother) of any covered individual.

In addition, the conflict of interest provisions also apply to any person who is an employee, agent, consultant, officer, elected official or appointed official of THDA, the local community or the non-profit agency receiving HTF funds, and who exercises or has exercised any functions or responsibilities with respect to activities assisted with HTF funds or who is in a position to participate in a decision-making process or gain inside information with regard to these activities.

- C. **APPEARANCE OF A CONFLICT OF INTEREST** - Grantees must also make every effort to avoid the appearance of favoritism in the eligibility determination process. In those cases where the applicant is otherwise eligible, but there exists the appearance of a conflict of interest or the appearance of favoritism, the Grantee should contact THDA.

## 7. AFFIRMATIVE MARKETING

- A. \_\_\_\_\_ is committed to non-discrimination and equal opportunity in housing, and will seek to attract eligible homebuyers from all racial, ethnic and gender groups. In order to inform the public and potential homebuyers of available housing units, \_\_\_\_\_ will:
  1. Make this information known through advertisements and announcements in the local media which include the Equal Opportunity logotype or slogan; and
  2. Contact lenders, community organizations, places of worship, employment centers, fair housing groups or housing counseling agencies to solicit applications from persons in the housing market area who are not likely to apply for housing without special outreach (e.g., racial minorities and female head of household).

## 8. ELIGIBLE HOMEOWNERSHIP ACTIVITIES

- A. Eligible activities utilizing HTF funds to develop affordable units for homeownership offered by \_\_\_\_\_ may include:
  1. *Construction financing* – HTF funds may be utilized as an upfront source of financing (without interest costs) to build affordable, new single family units for sale to very low income households;

2. *Acquisition and rehabilitation* – HTF funds may be utilized to acquire existing units and to provide the necessary rehabilitation for resale to a very low income household;
  3. *Soft second mortgages* - At the time of permanent financing, the Grantee may leave up to \$25,000 of HTF funds with the unit as a soft second mortgage with a five year compliance period as necessary to qualify the household for the permanent mortgage.
- B. Downpayment and closing cost assistance programs offered by \_\_\_\_\_ are limited to a maximum subsidy of \$25,000 per household in the form of a soft second mortgage with a five year compliance period.

## 9. HOMEBUYER ELIGIBILITY REQUIREMENTS

- A. The prospective purchaser must be very low income, that is, have a gross annual household income that does not exceed 50% of the area median, adjusted for family size, as defined by the Section 8 income requirements.
- B. THDA has established the following timing for qualifying HTF-assisted homebuyers as income eligible:
1. In the case of a contract to purchase existing housing, the purchasing household must be very low income at the time of purchase;
  2. In the case of a contract to purchase housing to be constructed, the purchasing household must be very low income as the time the construction contract is signed; and
  3. In the case of a lease-purchase agreement for existing housing or housing to be constructed, the purchasing household must be very low income at the time the lease-purchase agreement is signed.
- C. The prospective homebuyer must occupy the property to be purchased has his/her principal residence.
- D. All homebuyers must complete a minimum of 8 hours of homeownership education program prior to purchase.
- E. The homebuyer must obtain fee simple title to the property or a 99-year leasehold.

## 10. INCOME ELIGIBILITY

- A. **ANNUAL INCOME (GROSS INCOME)** - The HTF program uses the income definitions of the Section 8 program to determine the annual income (gross income) used to classify a household for purposes of eligibility. Annual income means all amounts, monetary or not, which:
1. Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other household member;
  2. Are anticipated to be received from a source outside the household during the 12-month period following admission or annual reexamination effective date. In other words, it is the household's *future or expected* ability to pay rather than its past earnings that is used to determine program eligibility. If it is not feasible to anticipate a level of income over a

12-month period, the income anticipated for a shorter period may be annualized, subject to a redetermination at the end of the shorter period; and

3. Which are not specifically excluded in paragraph 6.8 (Income Exclusions) below.
4. Annual income also means amounts derived (during the 12-month period) from assets to which any member of the household has access.
5. **MONTHLY GROSS INCOME** - Monthly gross income is Annual Gross Income divided by 12 months.

**B. ASSETS** - In general terms, an asset is a cash or non-cash item that can be converted to cash. There is no asset limitation for participation in the Housing Trust Fund Competitive Grant program. Income from assets is, however, recognized as part of Annual Gross Income. Assets have both a market value and a cash value.

1. **MARKET VALUE** - The market value of an asset is simply its dollar value on the open market. For example, a stock's market value is the price quoted on a stock exchange on a particular day, and a property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.
2. **CASH VALUE** - The cash value of an asset is the market value less reasonable expenses required to convert the asset to cash, including:
  - a. Penalties or fees for converting financial holdings. Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds, or broker fees for converting stocks to cash); and/or
  - b. Costs for selling real property. Settlement costs, real estate transaction fees, payment of mortgages/liens against the property, and any legal fees associated with the sale of real property are deducted from the market value to determine equity in the real estate.
  - c. Under Section 8 rules, only the cash value (rather than market value) of an item is counted as an asset.

**C. INCOME FROM ASSETS** - The income counted is the actual income generated by the asset (e.g., interest on a savings or checking account.) The income is counted even if the household elects not to receive it. For example, although a household may elect to reinvest the interest of dividends from an asset, the interest or dividends is still counted as income.

1. The income from assets included in Annual Gross Income is the income that is anticipated to be received during the coming 12 months.
  - a. To obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account; or
  - b. If the value of the account is not anticipated to change in the near future and interest rates have been stable, a copy of the IRS 1099 form showing past interest earned can be used.

- c. Checking account balances (as well as savings account balances) are considered an asset. This is a recognition that some households keep assets in their checking accounts, and is not intended to count monthly income as an asset. Grantees should use the average monthly balance over a 6-month period as the cash value of the checking account.
  2. When an Asset Produces Little or No Income:
    - a. If the household's assets are \$5,000 or less, actual income from assets (e.g., interest on a checking account) is not counted as annual income. For example, if a household has \$600 in a non-interest bearing checking account, no actual income would be counted because the household has no actual income from assets and the total amount of all assets is less than \$5,000.
    - b. If the household's assets are greater than \$5,000, income from assets is computed as the greater of:
      - i. actual income from assets, or
      - ii. imputed income from assets based on a passbook rate applied to the cash value of all assets. For example, if a household has \$3,000 in a non-interest bearing checking account and \$5,500 in an interest-bearing savings account, the two amounts are added together. Use the standard passbook rate to determine the annual income from assets for this household.
  3. Applicants who dispose of assets for less than fair market value (i.e., value on the open market in an "arm's length" transaction) have, in essence, voluntarily reduced their ability to afford housing. Section 8 rules require, therefore, that any asset disposed of for less than fair market value during the 2 years preceding the income determination be counted as if the household still owned the asset.
    - a. The value to be included as an asset is the difference between the cash value of the asset and the amount that was actually received (if any) in the disposition of the asset (less any fees associated with disposal of property, such as a brokerage fee).
    - b. Each applicant must certify whether an asset has been disposed of for less than fair market value. Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce or separation is not included in this calculation.
    - c. These procedures are followed to eliminate the need for an assets limitation and to penalize people who give away assets for the purpose of receiving assistance or paying a lower rent.

**D. ASSETS INCLUDE:**

1. Amounts in savings accounts and six month average balance for checking accounts.
2. Stocks, bonds, savings certificates, money market funds and other investment accounts.
3. Equity in real property or other capital investments. Equity if the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset.

4. The cash value of trusts that are available to the household.
5. IRA, Keogh and similar retirement savings accounts, even though withdrawal would result in penalty.
6. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
7. Assets which, although owned by more than one person, allow unrestricted access by the applicant.
8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.
9. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
10. Cash value of life insurance policies.
11. Assets disposed of for less than fair market value during two years preceding certification or recertification.

**E. ASSETS DO NOT INCLUDE:**

1. Necessary personal property, except as noted under paragraph 6.5(9) (Assets Include) above
2. Interest in Indian Trust lands
3. Assets that are part of an active business or farming operation.

NOTE: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant/tenant's main occupation.

4. Assets not accessible to the household and which provide no income to the household.
5. Vehicles especially equipped for the handicapped.
6. Equity in owner-occupied cooperatives and manufactured homes in which the household lives.

**F. INCOME INCLUSIONS** - The following are used to determine the annual income (gross income) of an applicant's household for purposes of eligibility:

1. The full amount, before any payroll deductions, of wages and salaries, over-time pay, commissions, fees, tips and bonuses, and other compensation for personal services;
2. The net income for operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot be used as deductions in determining net income; however 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.

3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness cannot be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. 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 net family assets or a percentage of the value of such assets based on the current passbook saving rate, as determined by HUD.
4. The full amount of periodic payments 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 (except Supplemental Security Income (SSI) or Social Security).
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see paragraph (3) under Income Exclusions).
6. Welfare Assistance. 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:
  - a. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
  - b. 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.
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling;
8. All regular pay, special pay and allowances of a member of the Armed Forces. (See paragraph (8) under Income Exclusions).

**G. INCOME EXCLUSIONS** - The following are excluded from a household's income for purposes of determining eligibility:

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family), who are unable to live alone.
3. 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 (except for payments in lieu of earnings – see paragraph (5) of Income Inclusions).

4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
5. Income of a live-in aide.
6. The full amount of student financial assistance paid directly to the student or to the educational institution.
7. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
8.
  - a. Amounts received under training programs funded by HUD.
  - b. 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).
  - c. 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.) which are made solely to allow participation in a specific program.
  - d. Amount received under a resident's 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 owner or manager 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 governing board. No resident may receive more than one such stipend during the same period of time.
  - e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded must be received under employment training programs with clearly defined goals and objectives, are excluded only for the period during which the family member participates in the employment training program.
9. Temporary, nonrecurring or sporadic income (including gifts).
10. 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.
11. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse).
12. Adoption assistance payments in excess of \$480 per adopted child.
13. For public housing only, the earnings and benefits to any family member resulting from participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, Section 22 of the 1937 Act, or any comparable federal, state or local law during the exclusion period.
14. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.

15. Amounts received by the family in the form of refunds or rebates under state or local law from property taxes paid on the dwelling unit.
16. 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 this developmentally disabled family member at home.
17. 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 exclusions set forth in 24 CFR 5.609(c) apply. The following is a list of types of income that qualify for that exclusion (9/27/89 regulations):
  - a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
  - b. Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through VISTA; Retired Senior Volunteer Program, Foster Grandparents Program, youthful offenders incarceration alternatives, senior companions);
  - c. Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(a));
  - d. Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259e);
  - e. Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
  - f. Payments received under programs funded in whole or in part under the Job Training Partnership Act;
  - g. Income derived from the disposition of funds of the Grand River Band of Ottawa Indians;
  - h. The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims (25 U.S.C. 1407-1408) or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117);
  - i. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
  - j. Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056(f));
  - k. Any earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;
  - l. Payments received after January 1, 1989 from the Agent Orange Settlement Fund or any other funds established pursuant to the settlement in the In Re Agent Orange product liability litigation MDL No. 381 (E.D.N.Y.);

- m. The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
- n. Payments received under the Maine Indian Claims Settlement Act of 1980;
- o. Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job corps, veterans employment programs, state job training programs and career intern programs, Americorps);
- p. Payments made by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- q. Allowances, earnings, and payments to Americorps participants under the National and Community Service Act of 1990;
- r. Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- s. Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance); and
- t. Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998.

**H. TIMING OF INCOME CERTIFICATIONS** - All households that receive HTF assistance must be income eligible. At a minimum, income certification must be completed before assistance begins. A preliminary determination of eligibility may be made much earlier in the process.

- 1. Application processing is labor intensive. Early screening for income eligibility can eliminate excessive work in processing an ineligible applicant.
- 2. Establishing a deadline for formal eligibility determinations is a challenging part of the planning process. Generally, the HTF Program permits verification dated no earlier than 6 months prior to eligibility.
- 3. The Grantee must calculate the annual income of the household by projecting the prevailing rate of income of the family at the time the Grantee determines that the household is income eligible. The Grantee is not required to re-examine the household's income at the time the HTF-assistance is provided, unless more than six months has elapsed since the Grantee determined that the household qualified as income eligible.
  - a. For homeownership programs, the income eligibility of the families is timed as follows:
    - i. For Habitats, or other similar organizations, it is the date a commitment is made to build a house for a particular household;
    - ii. In the case of a contract to purchase existing housing, it is the date of the purchase;

- iii. In the case of a lease-purchase agreement for existing housing or for housing to be constructed, it is the date the lease-purchase agreement is signed; and
- iv. In the case of a contract to purchase housing to be constructed, it is the date the contract is signed.

**I. INCOME VERIFICATION** - Grantees must verify and retain documentation of all information collected to determine a household's income. Under the Section 8 Program, there are three forms of verification which are acceptable: third-party, review of documents, and applicant certification.

1. **THIRD-PARTY VERIFICATION** - Under this form of verification, a third party (e.g., employer, Social Security Administration, or public assistance agency) is contacted to provide information. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person and date of the call.
  - a. To conduct third party verifications, a Grantee must obtain a written release from the household that authorizes the third party to release required information.
  - b. Third-party verifications are helpful because they provide independent verification of information and permit Grantees to determine if any changes to current circumstances are anticipated. Some third-party providers may, however, be unwilling or unable to provide the needed information in a timely manner.
2. **REVIEW OF DOCUMENTS** - Documents provided by the applicant (such as pay stubs, IRS returns, etc.) may be most appropriate for certain types of income and can be used as an alternative to third-party verifications. Copies of documents should be retained in project files.

Grantees should be aware that although easier to obtain than third-party verifications, a review of documents often does not provide needed information. For instance, a pay stub may not provide sufficient information about average number of hours worked, overtime, tips and bonuses.

3. **APPLICANT CERTIFICATION** - When no other form of verification is possible, a certification by the applicant may be used. For example, it may be necessary to use an applicant certification for an applicant whose income comes from "odd jobs" paid for in cash.

Applicant certification is the least reliable form of verification and may be subject to abuse. In some cases, the applicant certification can be supplemented by looking at the applicant's past history. The Grantee can review the previous year's income tax return to determine if the current year's income is consistent with activity for the previous year.

**J. CALCULATION METHODOLOGIES** - Grantees must establish methodologies that treat all households consistently and avoid confusion.

1. It is important to understand the basis on which applicants are paid (hourly, weekly or monthly, and with or without overtime). An applicant who is paid "twice a month" may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year).

2. It is important to clarify whether overtime is sporadic or a predictable component of an applicant's income.
3. Annual salaries are counted as Annual Income regardless of the payment method. For instance a teacher receives an annual salary whether paid on a 9- or 12-month period.

**K. DETERMINING WHOSE INCOME TO COUNT** - Knowing whose income to count is as important as knowing which income to count. Under the Section 8 definition of income, the following income *is not counted*:

1. **INCOME OF LIVE-IN AIDES** - If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of its source, is not counted. (Except under unusual circumstances, a related person can never be considered a live-in aide);
2. **INCOME ATTRIBUTABLE TO THE CARE OF FOSTER CHILDREN** - Foster children are not counted as household members when determining household size to compare with the Income Limits. Thus, the income a household receives for the care of foster children is not included;
3. **EARNED INCOME OF MINORS** - Earned income of minors (age 18 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, AFDC payments, and other benefits paid on behalf of a minor) is counted;
4. **TEMPORARILY ABSENT FAMILY MEMBERS** - The income of temporarily absent family members is counted in Annual Income - regardless of the amount the absent family member contributes to the household. For example, a construction worker earns \$600/week at a temporary job on the other side of the state. He keeps \$200/week for expenses and sends \$400/week home to his family. The entire \$600/week is counted in the family's income;
5. **ADULT STUDENTS LIVING AWAY FROM HOME** - If the adult student is counted as a member of the household in determining the Income Limit used for eligibility of the household, the first \$480 of the student's income must be counted in the family's income. Note, however, that the \$480 limit does not apply to a student who is head of household or spouse (their full income must be counted); and
6. **PERMANENTLY ABSENT FAMILY MEMBER** - If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.

<b>11. PROPERTY REQUIREMENTS-DOWNPAYMENT PROGRAMS</b>
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- A. The housing must be single-family housing (1-4 family dwelling, condominium or combination of a manufactured home and lot).
- B. The house to be purchased must not be located in a floodplain.
- C. The housing must be modest. The sales price of the HTF-assisted property to be acquired by a homebuyer may not have a value that exceeds the sales price limits for \_\_\_\_\_

County. The sales price limits are \_\_\_\_\_. THDA reserves the right to periodically update these limits and will publish current limits on the THDA website.

- D. Housing that is acquired with HTF funds must meet all applicable State and local housing quality standards and code requirements, and if there are not such standards or code requirements, the housing must meet Section 8 Housing Quality Standards.
- E. All codes and standards must be met at the time of occupancy.

## **12. PROPERTY REQUIREMENTS-HOUSING DEVELOPMENT PROGRAMS**

- A. The housing must be single-family housing (1-4 family dwelling, condominium or combination of a manufactured home and lot).
- B. The house to be constructed must not be located in a floodplain.
- C. The housing must be modest. The sales price of the HTF-assisted property to be acquired by a homebuyer may not have a value that exceeds the sales price limits for \_\_\_\_\_ County. The sales price limits are \_\_\_\_\_. THDA reserves the right to periodically update these limits and will publish current limits on the THDA website.
- D. Housing that is constructed or rehabilitated with HTF funds must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code, HTF assisted new construction must meet the 2009 International Residential Code for One-and Two-Family Dwellings, and existing units must meet the 2009 International Property Maintenance Code. New construction projects must also meet the 2006 International Energy Conservation Code, published by the International Code Council.
- E. All codes and standards must be met at the time of occupancy.

## **13. PERMANENT MORTGAGE REQUIREMENTS**

- A. The permanent mortgage must have an interest rate that does not exceed the interest rate of a THDA Great Rate loan by more than 2 percentage points. Current THDA mortgage rates can be found at [www.tennessee.gov/thda](http://www.tennessee.gov/thda).
- B. The permanent mortgage must have a fixed interest rate fully amortizing over the term of the loan. There can be no prepayment penalty.
- C. Total household debt, including the new housing payment, should not exceed 45% of the gross monthly household income.
- D. Total closing costs and prepaid items cannot exceed 6% of the purchase price of the home.

## **14. RESERVATION OF FUNDS FOR DOWNPAYMENT PROGRAMS**

- A. \_\_\_\_\_ will reserve HTF funds for downpayment and closing cost assistance for prospective homebuyers on a first come, first served basis until all funds are depleted.

- B. To reserve HTF funds, an income eligible homebuyer must provide the following:
1. Signed contract for the purchase of a home.
  2. Commitment letter from lender providing the first mortgage at an approved rate and term.
- C. The homebuyer will have 120 days to complete the purchase of the home. If the closing does not take place within the 120 days, the reservation will be cancelled.

<b>15. SOFT SECOND MORTGAGES</b>
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- A. \_\_\_\_\_ will provide assistance to an income eligible homebuyer in the form of a soft second mortgage as necessary to qualify the homebuyer household for the permanent loan. The soft second mortgage is limited to a maximum subsidy of \$25,000.
1. The soft second mortgage has a compliance period of five (5) years, and will be forgiven at the end of five (5) years as long as the homebuyer continues to reside in the unit as his/her principal residence.
  2. The homebuyer will be required to execute a Grant Note and a Deed of Trust to secure the terms of the HTF compliance period which will be recorded as a lien against the property as part of the closing.
- B. Before committing HTF funds, \_\_\_\_\_ will evaluate a proposal to insure that the homebuyer does not receive any more HTF funds, in combination with other governmental funds, than necessary to provide affordable housing.

# SAMPLE

## HOME BUYER APPLICATION

This is a preliminary application for a unit at \_\_\_\_\_. It holds no purchase obligations. All information will be verified by the management prior to an applicant being placed on our waiting list for consideration. All applicants must meet established selection criteria.

Date: \_\_\_\_\_

### A. PERSONAL INFORMATION

Head of Household: \_\_\_\_\_ Age: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Marital Status:  Single  Married  Divorced  Widow/Widower

All persons living with you	Relationship	Age	Sex

### B. PRESENT HOUSING INFORMATION

How long have you lived at your present address? \_\_\_\_\_

If you presently rent, how much is your rent? \$\_\_\_\_\_ per \_\_\_\_\_

Landlord's Name: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_

**C. DEBTS**

List all current debts, including loans, credit purchases, credit cards, hospital/doctor bills, etc. Attach a separate sheet if necessary.

COMPANY/LENDER	AMOUNT OWED	PAYMENT	FREQUENCY
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

If you have ever failed to pay a debt, had a foreclosure, taken bankruptcy, or had a judgment against you for debt, attach a separate sheet of paper explaining the details.

**D. REFERENCES**

List three (3) people not related to you by blood or marriage whom we may contact as references

NAME	ADDRESS	TELEPHONE
_____	_____	_____
_____	_____	_____
_____	_____	_____

**E. INDIVIDUAL INCOME CALCULATION**

*Use one sheet for each family member*, including those without income. Mark N/A for areas which are not applicable to the individual. Signature of family member (or guardian for those under 18) is required.

Name \_\_\_\_\_ Age \_\_\_\_\_ Sex \_\_\_\_\_

Last 4 digits Social Security # \_\_\_\_\_ Do you receive Food Stamps? Yes \_\_\_ No \_\_\_

**1. DO YOU WORK? LIST ALL EMPLOYERS AND WAGES. Attach 60 days most recent pay stubs:**

EMPLOYER	TYPE OF WORK	HOW OFTEN PAID	GROSS PAY FROM CHECK STUB

**2. DO YOU RECEIVE A BENEFIT CHECK (SOCIAL SECURITY, SSI, VA, AFDC, UNEMPLOYMENT, RETIREMENT, ETC.)? Attach current benefits statements or 2 recent check stubs.**

WHO IS CHECK FROM?	TYPE OF CHECK	HOW OFTEN PAID	GROSS PAY

**3. ARE YOU SUPPOSED TO RECEIVE CHILD SUPPORT, ALIMONY, OR REGULAR GIFTS OF MONEY? Attach court order, payment records.**

TYPE OF SUPPORT	AMOUNT	HOW OFTEN PAID	FOR WHICH FAMILY MEMBER?

**4. DO YOU HAVE SAVINGS, CHECKING ACCOUNTS, STOCKS, RETIREMENT, ADDITIONAL PROPERTY, OR OTHER ASSETS (DO NOT LIST YOUR CAR OR HOUSE) Attach IRS 1099 forms, bank statements, deeds.**

TYPE OF ASSET	NAME OF COMPANY OR BANK	CURRENT VALUE	INTEREST EARNED FROM ASSET

**5. IF YOU RECEIVE NO INCOME, FILL IN THE BOX BELOW:**

NAME	ARE YOU A MINOR?	IF OVER 18, HOW LONG UNEMPLOYED?

I certify that the information about me in this application for housing assistance is true and correct and that the address listed is my principal residence. If assistance is approved, I will comply with all HTF rules and regulations. I am aware that providing false information on this application can subject me to criminal sanctions up to and including a Class B Felony.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**F. FAMILY INCOME CALCULATION**

All information should come from Individual Income Calculation Sheets

- 1. Number in Household \_\_\_\_\_  
Number with Income \_\_\_\_\_  
Number without Income \_\_\_\_\_

- 2. Income Limits for \_\_\_\_\_ County. Dated \_\_\_\_\_  
Show totals from Individual Income Calculations pages and convert to annual gross income. If there are assets, compare the current value of the asset to the actual income from the asset. If the current value is greater than \$5,000, multiply the current value by the passbook rate to determine the income from the asset.

<u>Family Members with Income):</u>	<u>Totals from Individual Income Calculation sheets</u>
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____
_____	\$ _____

- 3. Calculate Total Household Gross Annual Income:



## SECTION THREE

### RENTAL HOUSING PROGRAMS

The Grantee must very carefully determine its eligibility requirements, announce them publicly, and then take applications. The whole process must be fair, impartial and open to public scrutiny. To do this, the Grantee should establish an effective rating system whether based on need, or based on a first come, first served to determine the order in which tenants are selected.

#### I. DEVELOPING PROGRAM POLICIES AND PROCEDURES

The Grantee must formally adopt a set of Policies and Procedures for the operation of the rental program. These will serve as the guidelines for the day-to-day operation of the program. If applicants are aware of the goals of the program, its limitations and the way the program will be handled on a day-to-day basis, many potential problems and misunderstandings can be eliminated.

**PURPOSE** - Describe the goals of the program and what activities will be undertaken to meet those goals.

**AUTHORITY** - Indicate what legal authority - Federal, State and local - your program is operating under.

**PROGRAM RESOURCES** - Specify the funds available for the program, their source, and how long they will be available.

**TENANT SELECTION** – The Policies and Procedures governing the operation of your rental housing program must include written tenant selection policies and criteria that:

1. Are in compliance with applicable fair housing laws which prohibit discrimination in housing based on race, color, religion, sex, familial status, national origin, age and disability;
2. Are based on object criteria related solely to program qualifications and the tenant's ability to pay the rent and abide by the terms of the lease, such as household income, housing history, credit history and/or lack of a criminal record;
3. Apply the selection criteria consistently to all applicants and expressly prohibit bias in the selection process, including prohibiting discrimination and favoritism toward friends or relatives or other situations in which there might be a conflict of interest;
4. Provide for the selection of tenants from the written waiting list in the chronological order of their application, insofar as practical; and
5. Give prompt written notification to any rejected applicant of the grounds for any rejection.

**TENANT SELECTION FOR SPECIAL NEEDS** – Grantees cannot discriminate based on the nature of the disability. HTF-assisted housing for persons with disabilities must be equally available to all persons with disabilities. Owners may offer and advertise non-mandatory services that may be appropriate for persons with a particular special need or disability.

There is an exception for housing for persons with a specific type of disability who could not reside in housing that is available to the general public. This exception would apply to persons whose disabilities require them to have on-site supportive services (such as 24-hour supervision), because without the on-site services, these persons would be unable to maintain themselves in housing. (24CFR8.4(b)(1)(iv).

## **II. ELIGIBLE ACTIVITIES**

The Housing Trust Fund can be used to develop affordable rental housing for very low income, elderly and special needs populations through:

1. Acquisition of existing units;
1. Rehabilitation of existing units;
2. New construction of rental units;
3. Conversion of non-residential units to residential units; and
4. Combinations of the above activities.

## **III. PROPERTY STANDARDS**

**RENTAL REHABILITATION AND NEW CONSTRUCTION** – Rental housing that is constructed or rehabilitated must meet all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion.

In the absence of a local code, new construction of multi-family apartments of 3 or more units must meet the 2009 International Building Code; new construction of single-family units or duplexes must meet the 2009 International Residential Code for One- and Two-Family Dwellings; and rehabilitation of existing units must meet the 2009 International Property Maintenance Code.

Grantees are also required to include the 2006 International Energy Conservation Code in their specifications for the construction of rental units. Copies of the Energy Code may be obtained at:

International Code Council  
4051 West Flossmoor Road  
Country Club Hill, Illinois 60478  
(708) 799-2300, ext. 248

**ACQUISITION ONLY** –All other THDA-assisted rental housing (e.g., acquisition) must meet all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the Section 8 Housing Quality Standards.

## IV. INCOME REQUIREMENTS FOR TENANTS

**INCOME** - The tenant household must be very low income; that is, the tenant's annual income (gross income) cannot exceed 50% of the area's median income.

The Housing Trust Fund program uses the Section 8 definition of annual (gross) income. See *General Requirements, Section VIII - Income Determination* for guidance in determining income eligibility. Maximum HUD incomes for Tennessee are provided in **Attachment I: Income Limits** at the end of *General Requirements*.

**RECERTIFICATION** - Each year during the 5 year compliance period the owner must re-examine each tenant's annual income to make sure the tenant household remains income eligible for the project. Tenants who no longer qualify as low income families must pay as rent 30 percent of the family's *adjusted* gross monthly income, as re-certified annually.

## V. RENT LIMITS

Every HTF-assisted rental unit is subject to rent controls designed to make sure that rents are affordable to very low-income households. Although the maximum rents allowable under the Housing Trust Fund are the High HOME rents as published by HUD, *no tenant in an HTF-assisted rental property may pay more than 30% of gross monthly income for rent.*

Rents are controlled for the length of the 5 year compliance period. These rents are determined on an annual basis by HUD. The HOME rents are based on the current Fair Market Rents (FMRs) and the current Income Limits published by HUD.

The rents are shown in **ATTACHMENT II: HOME Program Rents** at the end of this section. They are shown for areas based on bedroom size and include all utilities. *The utilities paid by tenants must be subtracted (using applicable utility allowances) from the rents provided to determine the maximum allowable rents.* Utility allowances may be obtained from your local public housing authority or you may contact THDA.

Where rents have decreased or increased, a Grantee is not required to change rents in occupied projects immediately. Compliance with the increased or decreased limits may be done at the time specified in the lease, or if not specified, at the time of the annual income re-certification. In addition, in order to be attractive to very low-income tenants, actual rents may always be lower than the High HOME rents.

## VI. LEASES

The lease, between a tenant and an owner of rental housing assisted with Housing Trust Funds, should be for at least ONE year, unless by mutual consent, the tenant and the owner agree to a lesser term.

An owner may not terminate the tenancy or refuse to renew the lease of a tenant of rental housing assisted with Housing Trust Funds except for serious or repeated violation of the terms of the lease; for violation of applicable federal, state or local law; or for other good cause.

Any termination or refusal to renew must be preceded by not less than 30 days by the owner's service upon the tenant of a written notice specifying the grounds for the action.

An owner of rental housing assisted with THDA funds must maintain the housing in compliance with all applicable State and local housing quality standards and code requirements and if there are no such standards or code requirements, the housing must meet the Section 8 housing quality standards.

Owners may not refuse to lease a HTF-assisted unit to a family which holds a rental certificate (Rental Certificate Program) or a rental voucher (Rental Voucher Program) or a comparable document.

## VII. AFFIRMATIVE MARKETING

Grantees must have procedures in place to provide information and otherwise attract eligible persons in the housing market area to the available housing without regard to race, color, national origin, sex, religion, age, familial status or disability. (See Section V - Fair Housing and Equal Opportunity in General Requirements.) Affirmative marketing procedures include:

1. Making this information known through advertisements and announcements in the local media which include the Equal Opportunity logotype or slogan; and
2. Contacting lenders, community organizations, places of worship, employment centers, fair housing groups or housing counseling agencies to solicit applications from persons in the housing market area who are not likely to apply for housing without special outreach (e.g., racial minorities and female head of household).
3. Maintain records to document affirmative marketing efforts.
4. **TN HOUSING SEARCH** - Owners of HTF-assisted rental property are required to list their properties on [TNHousingSearch.org](http://TNHousingSearch.org) as part of their marketing procedures.

## VIII. RECORD KEEPING

**PROGRAM RECORDS** - Grantees are responsible for maintaining records that demonstrate that they are operating a rental housing program in compliance with the policies of the Housing Trust Fund. At a minimum, the program records must include the following:

1. Policies and Procedures for the operation of the rental program which have been adopted by the Grantee's governing board and which are available to all applicants.
2. Adequate documentation to demonstrate that the tenant selection process was accomplished as stated in the adopted Policies and Procedures.
3. A current waiting list which includes the application date, eligibility, and date accepted or rejected for a rental unit.
4. Documentation that all of the units are maintained in accordance with the Section 8 Housing Quality Standards.

5. Documentation that the Grantee has adopted an Affirmative Marketing Plan and is marketing the rental units according to the plan.
6. Documentation that the rents for all the units are within program guidelines.

**TENANT RECORDS** - In addition to program records which establish a Grantee's compliance with Housing Trust Fund guidelines, there must also be individual tenant records. These files should contain, at a minimum, the following:

1. The tenant's application for a rental unit.
2. Verification of the tenant's income and eligibility within the income limits.
4. A signed lease for the unit.

## **IX. ON-GOING OBLIGATIONS FOR RENTAL PROPERTY**

The rental housing requirements during the compliance period are the responsibility of the Grantees. They are responsible for:

1. Annual income certification of tenants;
2. Adherence to the HTF rent limits;
3. Compliance with Section 8 Housing Quality Standards; and
4. Reporting to THDA.

After the project is officially closed out by the Community Programs Division, the records will be transferred to the Program Compliance Division of THDA which will provide Grantees with information on HTF Long Term Compliance. Grantees may be monitored annually to determine each project's compliance with HTF policies.

**SAMPLE**

**HOUSING TRUST FUND COMPETITIVE GRANT**

**RENTAL HOUSING POLICIES AND PROCEDURES FOR**

---

**I. Purpose**

This program will provide good quality affordable rental housing to very low income families. The program will operate in \_\_\_\_\_.

**II. AUTHORITY**

The legal authority of this program comes from the working agreement with Tennessee Housing Development Agency, as well as State and local laws.

**III. PROGRAM RESOURCES**

The source of funds for the undertaking of these activities is a grant in the amount of \$\_\_\_\_\_ which \_\_\_\_\_ has been awarded by Tennessee Housing Development Agency (THDA) through the Housing Trust Fund Competitive Grant Program.

**IV. APPLICABLE LAWS**

\_\_\_\_\_ and its tenants are required to abide by a number of State and Federal laws, and may be required to sign documents certifying their compliance.

1. Equal Opportunity Provisions for Contracts \$10,000 and Under, E. O. 11246 clause for contracts over \$10,000
2. Notice of Requirement for Affirmative Action to Ensure Equal Employment Opportunity
3. Standard Equal Opportunity Construction Contract specifications
4. Certification of Non-segregated Facilities for Contracts Over \$10,000
4. Title VI of Civil Rights Act of 1964 Provisions
5. Age Discrimination Act of 1975 Provisions

6. Section 504 Affirmative Action for Handicapped Provisions
7. Conflict of Interest Provisions
8. Drug Free Workplace policy

## V. AFFIRMATIVE MARKETING PROCEDURES

\_\_\_\_\_ is committed to non-discrimination and equal opportunity in housing, and will seek to attract eligible tenants from all racial, ethnic and gender groups. In order to inform the public and potential tenants of available housing units, \_\_\_\_\_ will:

1. Make this information known through advertisements and announcements in the local media which include the Equal Opportunity logotype or slogan; and
2. Notify the local PHA or THDA's satellite office to request that applicants on their waiting lists be informed of upcoming vacancies; and
3. Contact community organizations, places of worship, employment centers, fair housing groups or housing counseling agencies to solicit applications from persons in the housing market area who are not likely to apply for housing without special outreach (e.g., racial minorities and female head of households).

## VI. TENANT SELECTION - INCOME DETERMINATION

- A. **INCOME LIMITS** – HTF funds can only be used to benefit very low income households. The income limits applicable are the current HOME Program Income Limits produced by the Department of Housing and Urban Development.
- B. **ANNUAL INCOME (GROSS INCOME)** - The State's HTF program uses the income definitions of the Section 8 program to determine the annual income (gross income) used to classify a household for purposes of eligibility. Annual income means all amounts, monetary or not, which:
  1. Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other household member;
  2. Are anticipated to be received from a source outside the household during the 12-month period following admission or annual reexamination effective date. In other words, it is the household's *future or expected* ability to pay rather than its past earnings that is used to determine program eligibility. If it is not feasible to anticipate a level of income over a 12-month period, the income anticipated for a shorter period may be annualized, subject to a redetermination at the end of the shorter period; and
  3. Which are not specifically excluded in paragraph 6.8 (Income Exclusions) below.
  4. Annual income also means amounts derived (during the 12-month period) from assets to which any member of the household has access.

5. **MONTHLY GROSS INCOME** - Monthly gross income is Annual Gross Income divided by 12 months.
- C. **ASSETS** - In general terms, an asset is a cash or noncash item that can be converted to cash. There is no asset limitation for participation in the Housing Trust Fund Competitive Grant program. Income from assets is, however, recognized as part of Annual Gross Income. Assets have both a market value and a cash value.
1. **MARKET VALUE** - The market value of an asset is simply its dollar value on the open market. For example, a stock's market value is the price quoted on a stock exchange on a particular day, and a property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.
  2. **CASH VALUE** - The cash value of an asset is the market value less reasonable expenses required to convert the asset to cash, including:
    - a. Penalties or fees for converting financial holdings. Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds, or broker fees for converting stocks to cash); and/or
    - b. Costs for selling real property. Settlement costs, real estate transaction fees, payment of mortgages/liens against the property, and any legal fees associated with the sale of real property are deducted from the market value to determine equity in the real estate.
    - c. Under Section 8 rules, only the cash value (rather than market value) of an item is counted as an asset.
- D. **INCOME FROM ASSETS** - The income counted is the actual income generated by the asset (e.g., interest on a savings or checking account.) The income is counted even if the household elects not to receive it. For example, although a household may elect to reinvest the interest of dividends from an asset, the interest or dividends is still counted as income.
1. The income from assets included in Annual Gross Income is the income that is anticipated to be received during the coming 12 months.
    - a. To obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account; or
    - b. If the value of the account is not anticipated to change in the near future and interest rates have been stable, a copy of the IRS 1099 form showing past interest earned can be used.
    - c. Checking account balances (as well as savings account balances) are considered an asset. This is a recognition that some households keep assets in their checking accounts, and is not intended to count monthly income as an asset. Grantees should use the average monthly balance over a 6-month period as the cash value of the checking account.
  2. When an Asset Produces Little or No Income:

- a. If the household's assets are \$5,000 or less, actual income from assets (e.g., interest on a checking account) is not counted as annual income. For example, if a household has \$600 in a non-interest bearing checking account, no actual income would be counted because the household has no actual income from assets and the total amount of all assets is less than \$5,000.
  - b. If the household's assets are greater than \$5,000, income from assets is computed as the greater of:
    - i. actual income from assets, or
    - ii. imputed income from assets based on a passbook rate applied to the cash value of all assets. For example, if a household has \$3,000 in a non-interest bearing checking account and \$5,500 in an interest-bearing savings account, the two amounts are added together. Use the standard passbook rate to determine the annual income from assets for this household.
3. Applicants who dispose of assets for less than fair market value (i.e., value on the open market in an "arm's length" transaction) have, in essence, voluntarily reduced their ability to afford housing. Section 8 rules require, therefore, that any asset disposed of for less than fair market value during the 2 years preceding the income determination be counted as if the household still owned the asset.
- a. The value to be included as an asset is the difference between the cash value of the asset and the amount that was actually received (if any) in the disposition of the asset (less any fees associated with disposal of property, such as a brokerage fee).
  - b. Each applicant must certify whether an asset has been disposed of for less than fair market value. Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce or separation is not included in this calculation.
  - c. These procedures are followed to eliminate the need for an assets limitation and to penalize people who give away assets for the purpose of receiving assistance or paying a lower rent.

**E. ASSETS INCLUDE:**

1. Amounts in savings accounts and six month average balance for checking accounts.
2. Stocks, bonds, savings certificates, money market funds and other investment accounts.
3. Equity in real 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 reasonable costs (such as broker fees) that would be incurred in selling the asset.
4. The cash value of trusts that are available to the household.
5. IRA, Keogh and similar retirement savings accounts, even though withdrawal would result in penalty.

6. Contributions to company retirement/pension funds that can be withdrawn without retiring or terminating employment.
7. Assets which, although owned by more than one person, allow unrestricted access by the applicant.
8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements, and other claims.
9. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
10. Cash value of life insurance policies.
11. Assets disposed of for less than fair market value during two years preceding certification or recertification.

**F. ASSETS DO NOT INCLUDE:**

1. Necessary personal property, except as noted under paragraph E(9) (Assets Include) above
2. Interest in Indian Trust lands
3. Assets that are part of an active business or farming operation.

NOTE: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant/tenant's main occupation.

4. Assets not accessible to the household and which provide no income to the household.
5. Vehicles especially equipped for the handicapped.
6. Equity in owner-occupied cooperatives and manufactured homes in which the household lives.

**G. INCOME INCLUSIONS** - The following are used to determine the annual income (gross income) of an applicant's household for purposes of eligibility:

1. The full amount, before any payroll deductions, of wages and salaries, over-time pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. The net income for the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness cannot be used as deductions in determining net income; however, 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 is included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness cannot be used as a deduction in determining net income. An allowance for depreciation is permitted only as authorized in

paragraph (2) above. 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 includes the greater of the actual income derived from net family assets or a percentage of the value of such assets based on the current passbook saving rate, as determined by HUD.

4. The full amount of periodic payments 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 (except Supplemental Security Income (SSI) or Social Security).
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (but see paragraph (3) under Income Exclusions).
6. Welfare Assistance. 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 consists of:
  - a. The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; **plus**
  - b. The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph is the amount resulting from one application of the percentage.
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from persons not residing in the dwelling.
8. All regular pay, special pay and allowances of a member of the Armed Forces (see paragraph (8) under Income Exclusions).

**H. INCOME EXCLUSIONS** - The following are excluded from a household's income for purposes of determining eligibility:

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payments received for the care of foster children or foster adults (usually individuals with disabilities, unrelated to the tenant family), who are unable to live alone.
3. 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 (except for payments in lieu of earnings – see paragraph (5) of Income Inclusions).
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.

5. Income of a live-in aide.
6. Certain increases in income of a disabled member of the family residing in HOME assisted housing or receiving HOME tenant-based rental assistance (see 7. under L: Determining Whose Income to Count).
7. The full amount of student financial assistance paid directly to the student or to the educational institution.
8. The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
9.
  - a. Amounts received under training programs funded by HUD.
  - b. 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).
  - c. 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.) which are made solely to allow participation in a specific program.
  - d. Amount received under a resident's 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 owner or manager 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 governing board. No resident may receive more than one such stipend during the same period of time.
  - e. Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded must be received under employment training programs with clearly defined goals and objectives, are excluded only for the period during which the family member participates in the employment training program.
10. Temporary, nonrecurring or sporadic income (including gifts).
11. 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.
12. Earnings in excess of \$480 for each full-time student 18 years old or older (excluding the head of household and spouse).
13. Adoption assistance payments in excess of \$480 per adopted child.
14. For public housing only, the earnings and benefits to any family member resulting from participation in a program providing employment training and supportive services in accordance with the Family Support Act of 1988, Section 22 of the 1937 Act, or any comparable federal, state or local law during the exclusion period.

15. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.
16. 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.
17. Amounts paid by a state agency to a family with 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.
18. 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 exclusions set forth in 24 CFR 5.609(c) apply. The following is a list of types of income that qualify for that exclusion (9/27/89 regulations):
  - a. The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;
  - b. Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through VISTA; Retired Senior Volunteer Program, Foster Grandparents Program, youthful offenders incarceration alternatives, senior companions);
  - c. Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(a));
  - d. Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 259e);
  - e. Payments or allowances made under the department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f));
  - f. Payments received under programs funded in whole or in part under the Job Training Partnership Act;
  - g. Income derived from the disposition of funds of the Grand River Band of Ottawa Indians;
  - h. The first \$2,000 of per capita shares received from judgement funds awarded by the Indian Claims Commission or the Court of Claims (25 U.S.C. 1407-1408) or from funds held in trust for an Indian tribe by the Secretary of Interior (25 U.S.C. 117);
  - i. Amounts of scholarships funded under Title IV of the Higher Education Act of 1965 including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
  - j. Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056(f));
  - k. Any earned income tax credit refund payments received on or after January 1, 1991, including advanced earned income credit payments;

- l. Payments received after January 1, 1989 from the Agent Orange Settlement Fund or any other funds established pursuant to the settlement in the In Re Agent Orange product liability litigation MDL No. 381 (E.D.N.Y.);
- m. The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
- n. Payments received under the Maine Indian Claims Settlement Act of 1980;
- o. Payments received under programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job corps, veterans employment programs, state job training programs and career intern programs, Americorps);
- p. Payments made by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- q. Allowances, earnings, and payments to Americorps participants under the National and Community Service Act of 1990;
- r. Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- s. Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance); and
- t. Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998.

**I. TIMING OF INCOME CERTIFICATIONS** - All households that receive HTF assistance must be income eligible. At a minimum, income certification must be completed before assistance begins. A preliminary determination of eligibility may be made much earlier in the process.

- 1. Application processing is labor intensive. Early screening for income eligibility can eliminate excessive work in processing an ineligible applicant.
- 2. Establishing a deadline for formal eligibility determinations is a challenging part of the planning process. Generally, the Housing Trust Fund Program permits verification dated no earlier than 6 months prior to eligibility.
- 3. The Grantee must calculate the annual income of the household by projecting the prevailing rate of income of the household at the time the Grantee determines that the household is income eligible. The eligibility of a household must be re-determined if more than six months elapses between the date the Grantee determines that a household is income-eligible and the date Housing Trust Fund assistance is provided.

**J. INCOME VERIFICATION** - Grantees must verify and retain documentation of all information collected to determine a household's income. Under the Section 8 Program, there are three forms

of verification which are acceptable: third-party, review of documents, and applicant certification.

1. **THIRD-PARTY VERIFICATION** - Under this form of verification, a third party (e.g., employer, Social Security Administration, or public assistance agency) is contacted to provide information. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person and date of the call.
  - a. To conduct third party verifications, a Grantee must obtain a written release from the household that authorizes the third party to release required information.
  - b. Third-party verifications are helpful because they provide independent verification of information and permit Grantees to determine if any changes to current circumstances are anticipated. Some third-party providers may, however, be unwilling or unable to provide the needed information in a timely manner.
2. **REVIEW OF DOCUMENTS** - Documents provided by the applicant (such as pay stubs, IRS returns, etc.) may be most appropriate for certain types of income and can be used as an alternative to third-party verifications. Copies of documents should be retained in project files.

Grantees should be aware that although easier to obtain than third-party verifications, a review of documents often does not provide needed information. For instance, a pay stub may not provide sufficient information about average number of hours worked, over-time, tips and bonuses.

3. **APPLICANT CERTIFICATION** - When no other form of verification is possible, a certification by the applicant may be used. For example, it may be necessary to use an applicant certification for an applicant whose income comes from "odd jobs" paid for in cash.

Applicant certification is the least reliable form of verification and may be subject to abuse. In some cases, the applicant certification can be supplemented by looking at the applicant's past history. The Grantee can review the previous year's income tax return to determine if the current year's income is consistent with activity for the previous year.

**K. CALCULATION METHODOLOGIES** - Grantees must establish methodologies that treat all households consistently and avoid confusion.

1. It is important to understand the basis on which applicants are paid (hourly, weekly or monthly, and with or without overtime). An applicant who is paid "twice a month" may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year).
2. It is important to clarify whether over-time is sporadic or a predictable component of an applicant's income.
3. Annual salaries are counted as Annual Income regardless of the payment method. For instance a teacher receives an annual salary whether paid on a 9- or 12-month period.

L. **DETERMINING WHOSE INCOME TO COUNT** - Knowing whose income to count is as important as knowing which income to count. Under the Section 8 definition of income, the following income *is not counted*:

1. **INCOME OF LIVE-IN AIDES** - If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of its source, is not counted. (Except under unusual circumstances, a related person can never be considered a live-in aide);
2. **INCOME ATTRIBUTABLE TO THE CARE OF FOSTER CHILDREN** - Foster children are not counted as household members when determining household size to compare with the Income Limits. Thus, the income a household receives for the care of foster children is not included; and
3. **EARNED INCOME OF MINORS** - Earned income of minors (age 18 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, AFDC payments, and other benefits paid on behalf of a minor) is counted.
4. **TEMPORARILY ABSENT FAMILY MEMBERS** - The income of temporarily absent family members is counted in Annual Income - regardless of the amount the absent family member contributes to the household. For example, a construction worker earns \$600/week at a temporary job on the other side of the State. He keeps \$200/week for expenses and sends \$400/week home to his family. The entire \$600/week is counted in the family's income;
5. **ADULT STUDENTS LIVING AWAY FROM HOME** - If the adult student is counted as a member of the household in determining the Income Limit used for eligibility of the household, the first \$480 of the student's income must be counted in the family's income. Note, however, that the \$480 limit does not apply to a student who is head of household or spouse (their full income must be counted); and
6. **PERMANENTLY ABSENT FAMILY MEMBER** - If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.
7. **PERSONS WITH DISABILITIES** - During the annual recertification of a household's income, increases in the income of a disabled member of qualified families residing in Housing Trust Fund assisted housing or receiving Housing Trust Fund tenant- based rental assistance is excluded. 24 CFR 5.61(a) outlines the eligible increases in income. These exclusions from annual income are of limited duration. The full amount of increase to an eligible family's annual income is excluded for the cumulative 12-month period beginning on the date the disabled family member is first employed or the family first experiences an increase in annual income attributable to the employment. During the second cumulative 12-month period, 50 percent of the increase in income is excluded. The disallowance of increased income of an individual family member who is a person with disabilities is limited to a lifetime 48-month period.

## VII. TENANT APPLICATION PROCESS

- A. An applicant must have on file with \_\_\_\_\_ a completed rental housing application, including all information and documentation in support of the application. This information and documentation must be submitted to \_\_\_\_\_ at least ten (10) days after the request for these documents is mailed or hand-delivered to the applicant.
- B. An applicant's reported gross annual income shall be verified by written evidence which may include, but is not limited to:
1. Pay stubs;
  2. Certified statements from employers;
  3. Self-employment accounting records certified by an independent accountant;
  4. Income tax returns;
  5. Bank statements; and
  6. Eligibility letters from the Social Security Administration and/or the Department of Human Services.
- C. Applicants shall present evidence of their ability to pay the required rents. Acceptable evidence shall include:
1. Valid Section 8 Voucher or Certificate;
  2. Gross income at least three and one-third (3.33) times greater than the applicable gross rent (e.g., an income of \$1,320/month for a rent of \$396/month);
  3. Successful history of paying rent higher than the applicable Housing Trust Fund rent for the immediate prior twelve months. This is only acceptable in cases where an applicant's living conditions or circumstances would be substantially improved by moving into a \_\_\_\_\_ Housing Trust Fund unit; or
  4. Other verifiable evidence acceptable to \_\_\_\_\_.
- D. A credit report may be used to verify a reported credit history.

## VIII. TENANT SELECTION PROCEDURES

- A. All applicants who meet the eligibility criteria shall be ranked according to the date of their completed application on first come, first served basis. Selections shall begin with the applicant with the earliest application and appropriate family composition for the first available unit and proceed in chronological order to the next application and so forth until all units are rented.

- B. All remaining applicants who meet the eligibility criteria will be placed on a waiting list. The waiting list will be organized according to chronological order, based on the date of the applications.
- C. All applicants who are rejected for any cause shall be notified of the reason(s) for their rejection. Said notification shall be hand-delivered or mailed to the applicant at his/her/their last known address within ten (10) days after rejection of the application.
- D. All applicants who are placed on a waiting list will also be notified.

<p><b>IX. TENANT LEASE PROTECTIONS</b></p>
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- A. Tenants will be required to sign a lease. If the tenant is a Section 8 Voucher or Certificate user, the lease used in the Section 8 Program will be acceptable. The lease protects both the tenant and \_\_\_\_\_, and sets forth the tenant's responsibilities as well as \_\_\_\_\_ responsibilities and obligations as a landlord. The lease, between the tenant and \_\_\_\_\_ will be for at least ONE year, unless by mutual consent the tenant and \_\_\_\_\_ agree to a lesser term.
- B. \_\_\_\_\_ may not terminate the tenancy or refuse to renew the lease of a tenant except for serious or repeated violation of the terms of the lease; for violation of applicable federal, state or local law; or for other good cause. Any termination or refusal to renew must be preceded by not less than 30 days by the owner's service upon the tenant of a written notice specifying the grounds for the action.
- C. \_\_\_\_\_ must maintain the total development in compliance with all applicable local codes, rehabilitation standards, ordinances, and zoning ordinances at the time of project completion. In the absence of a local code, HTF-assisted construction of multi-family apartments of 3 or more units must meet the 2009 International Building Code; HTF-assisted construction of single-family units or duplexes must meet the 2009 International Residential Code for One- and Two- Family Dwellings; and HTF-assisted rehabilitation of rental units must meet the 2009 International Property Maintenance Code. In addition, rental units must, at a minimum, continue to meet Section 8 Housing Quality Standards on an annual basis.
- D. \_\_\_\_\_ may not refuse to lease a HTF-assisted unit to a family which holds a rental certificate (Rental Certificate Program) or a rental voucher (Rental Voucher Program) or a comparable document.
- E. Certain Lease Terms are prohibited. These include:
  - 1. *AGREEMENT TO BE SUED* - Agreement by the tenant to be sued, admit guilt, or to a judgement in favor of the owner in a lawsuit brought in connection with the lease.
  - 2. *TREATMENT OF PROPERTY* - Agreement by the tenant that the owner may take, hold, or sell personal property of household members without notice to the tenant and a court decision on the rights of the parties.
    - a. This prohibition, however, does not apply to an agreement by the tenant concerning disposition of personal property remaining in the housing unit after

the tenant has moved out of the unit. The owner may dispose of this personal property in accordance with the state law.

3. *EXCUSING THE OWNER FROM RESPONSIBILITY* - Agreement by the tenant not to hold the owner or the owner's agents legally responsible for actions or failure to act, whether intentional or negligent.
4. *WAIVER OF NOTICE* - Agreement by the tenant that the owner may institute a lawsuit without notice to the tenant.
5. *WAIVER OF LEGAL PROCEEDINGS* - Agreement by 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.
6. *WAIVER OF A JURY TRIAL* - Agreement by the tenant to waive any right to a jury trial.
7. *WAIVER OF RIGHT TO APPEAL COURT DECISION* - Agreement by the tenant to waive the tenant's right to appeal or to otherwise challenge in court a decision in connection with the lease.
8. *TENANT CHARGEABLE WITH COST OF LEGAL ACTIONS REGARDLESS OF OUTCOME* - Agreement by the tenant to pay attorney fees or other legal costs even if the tenant wins the court proceeding by the owner against the tenant. The tenant, however, may be obligated to pay costs if the tenant loses.

## **X. SECURITY DEPOSITS**

Tenants will be required to make a reasonable security deposit. Tenants will be permitted to make said deposit in equal monthly installments of the first six (6) months of your lease term. The specific amount and manner for handling the security deposit will be set forth in the lease. A security deposit shall not exceed the lower of one month's rent or 30% of the tenant's gross monthly income.

## **XI. RENT LEVELS**

- A. Rents are controlled for the length of the applicable compliance period. The HTF uses the High HOME rents as the maximum rent per unit based on the number of bedrooms. HOME rents are determined on an annual basis by HUD and include all utilities. The utilities paid by tenants must be subtracted from the rents provided to determine the maximum allowable rents. The applicable utility allowance is provided by the local PHA or THDA. The HOME rent limits are on file and open for public inspection in \_\_\_\_\_'s office or can be found on the THDA website at [www.thda.org](http://www.thda.org).
- B. Although the High HOME rent is the maximum, tenants must not pay more than 30% of their gross monthly income as rent.
- C. HOME rents may increase or decrease from year to year. If rents are increased, tenants will be notified in writing at least 30 days in advance. Housing Trust Fund rents may not rise above the limits set by HUD.

## XII. INCOME RECERTIFICATON

- A. As long as the rental unit is governed by the HTF compliance period of 5 years, tenant income must be rechecked and re-certified on an annual basis. The annual re-certification is required by the Housing Trust Fund policies and helps to insure that the program continues to serve very low income households.
- B. Should the income of a household rise above the Housing Trust Fund (HOME) income limits, adjusted by family size, the household *will not* be evicted or be required to move. The household would, however, be required to pay higher rent. In such a case, these tenants will be required to pay 30% of their *adjusted* gross monthly income for rent and utilities.

# SAMPLE

## RENTAL HOUSING APPLICATION

This is a preliminary application for a unit at \_\_\_\_\_ . It holds no lease or rent obligations. All information will be verified by the management prior to an applicant being placed on our waiting list for consideration. All applicants must meet established selection criteria.

Date: \_\_\_\_\_

### A. PERSONAL INFORMATION

Head of Household: \_\_\_\_\_ Age: \_\_\_\_\_

Address: \_\_\_\_\_ Phone: \_\_\_\_\_

City: \_\_\_\_\_ State: \_\_\_\_\_ Zip: \_\_\_\_\_

Marital Status:  Single  Married  Divorced  Widow/Widower

All persons living with you	Relationship	Age	Sex

Are either you or your spouse handicapped or disabled?  YES  NO

If YES, what is the nature of the condition? \_\_\_\_\_

\_\_\_\_\_

Have you ever been convicted of a misdemeanor or felony?  YES  NO

If YES, please explain \_\_\_\_\_

\_\_\_\_\_

Emergency Contact: \_\_\_\_\_ Phone: \_\_\_\_\_

**B. PRESENT HOUSING INFORMATION**

How long have you lived at your present address? \_\_\_\_\_

If you presently rent, how much is your rent? \$ \_\_\_\_\_ per \_\_\_\_\_

Landlord's Name: \_\_\_\_\_ Phone: \_\_\_\_\_

Address: \_\_\_\_\_

**C. DEBTS**

List all current debts, including loans, credit purchases, credit cards, hospital/doctor bills, etc. Attach a separate sheet if necessary.

COMPANY/LENDER	AMOUNT OWED	PAYMENT	FREQUENCY
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____
_____	_____	_____	_____

If you have ever failed to pay a debt, had a foreclosure, taken bankruptcy, or had a judgment against you for debt, attach a separate sheet of paper explaining the details.

**D. REFERENCES**

List three (3) people not related to you by blood or marriage who we may contact as references

NAME	ADDRESS	TELEPHONE
_____	_____	_____
_____	_____	_____
_____	_____	_____

**E. INDIVIDUAL INCOME CALCULATION**

*Use one sheet for each family member*, including those without income. Mark N/A for areas which are not applicable to the individual. Signature of family member (or guardian for those under 18) is required.

Name \_\_\_\_\_ Age \_\_\_\_\_ Sex \_\_\_\_\_

Last 4 digits Social Security # \_\_\_\_\_ Do you receive Food Stamps? Yes \_\_\_ No \_\_\_

**1. DO YOU WORK? LIST ALL EMPLOYERS AND WAGES. Attach 60 days most recent pay stubs:**

EMPLOYER	TYPE OF WORK	HOW OFTEN PAID	GROSS PAY FROM CHECK STUB

**2. DO YOU RECEIVE A BENEFIT CHECK (SOCIAL SECURITY, SSI, VA, AFDC, UNEMPLOYMENT, RETIREMENT, ETC.)? Attach current benefits statements or 2 recent check stubs.**

WHO IS CHECK FROM?	TYPE OF CHECK	HOW OFTEN PAID	GROSS PAY

**3. ARE YOU SUPPOSED TO RECEIVE CHILD SUPPORT, ALIMONY, OR REGULAR GIFTS OF MONEY? Attach court order, payment records.**

TYPE OF SUPPORT	AMOUNT	HOW OFTEN PAID	FOR WHICH FAMILY MEMBER?

**4. DO YOU HAVE SAVINGS, CHECKING ACCOUNTS, STOCKS, RETIREMENT, ADDITIONAL PROPERTY, OR OTHER ASSETS (DO NOT LIST YOUR CAR OR HOUSE) Attach IRS 1099 forms, bank statements, deeds.**

TYPE OF ASSET	NAME OF COMPANY OR BANK	CURRENT VALUE	INTEREST EARNED FROM ASSET

**5. IF YOU RECEIVE NO INCOME, FILL IN THE BOX BELOW:**

NAME	ARE YOU A MINOR?	IF OVER 18, HOW LONG UNEMPLOYED?

I certify that the information about me in this application for housing assistance is true and correct and that the address listed is my principal residence. If assistance is approved, I will comply with all HTF rules and regulations. I am aware that providing false information on this application can subject me to criminal sanctions up to and including a Class B Felony.

Signature: \_\_\_\_\_

Date: \_\_\_\_\_

**F. FAMILY INCOME CALCULATION**

All information should come from Individual Income Calculation Sheets

1. Number in Household\_\_\_\_\_

Number with Income\_\_\_\_\_

Number without Income\_\_\_\_\_

2. Income Limits for \_\_\_\_\_ County. Dated\_\_\_\_\_

Show totals from Individual Income Calculations pages and convert to annual gross income. If there are assets, compare the current value of the asset to the actual income from the asset. If the current value is greater than \$5,000, multiply the current value by the passbook rate to determine the income from the asset.

Family Members with Income):

Totals from Individual  
Income Calculation sheets

\_\_\_\_\_

\$ \_\_\_\_\_

\_\_\_\_\_

\$ \_\_\_\_\_

\_\_\_\_\_

\$ \_\_\_\_\_

\_\_\_\_\_

\$ \_\_\_\_\_

\_\_\_\_\_

\$ \_\_\_\_\_

3. Calculate Total Household Gross Annual Income:

**H. CERTIFICATION AND AGREEMENT**

I certify that all the information above is complete, correct and true to the best of my knowledge. I understand that false or misleading information may result in the rejection of my application. I also understand that completion of this application in no way guarantees that I receive rental housing. Further, I give permission to check any and all information and/or references contained herein, including but not limited to employers and landlords; and further, I also give permission to check my credit rating and the credit information contained herein either directly or through a credit reporting agency.

\_\_\_\_\_  
Applicant Date: \_\_\_\_\_

\_\_\_\_\_  
Co-Applicant Date: \_\_\_\_\_

**RETURN COMPLETED APPLICATION AND ATTACHMENTS TO:**

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

Manager's Comments:

Prior Residence Check: \_\_\_\_\_

Credit Check: \_\_\_\_\_

Reference Check: \_\_\_\_\_

Police Check: \_\_\_\_\_

Disposition: Approved/Date: \_\_\_\_\_ Disapproved/Date: \_\_\_\_\_

Notified Date: \_\_\_\_\_

Date: \_\_\_\_\_

\_\_\_\_\_  
Manager's Signature

# ATTACHMENT II

## 2010 HOME Program Rents

*EFFECTIVE JUNE 27, 2010*

TENNESSEE COUNTIES  
IDENTIFIED BY METROPOLITAN AND NON-METROPOLITAN STATUS

### METROPOLITAN AREAS<sup>2</sup>

### COUNTIES

MSA - CHATTANOOGA

HAMILTON, MARION, SEQUATCHIE

HMFA - CLARKSVILLE-

MONTGOMERY

HMFA – STEWART COUNTY

STEWART

MSA – CLEVELAND

BRADLEY, POLK

MSA - JACKSON

CHESTER, MADISON

MSA – JOHNSON CITY

CARTER, UNICOI, WASHINGTON

MSA – KINGSPORT-BRISTOL

HAWKINS, SULLIVAN

MSA - KNOXVILLE

ANDERSON, BLOUNT, KNOX, LOUDON, UNION

HMFA - MEMPHIS

FAYETTE, SHELBY, TIPTON

MSA – MORRISTOWN

GRAINGER, HAMBLÉN, JEFFERSON

HMFA – NASHVILLE-MURFREESBORO

CANNON, CHEATHAM, DAVIDSON, DICKSON,  
ROBERTSON, RUTHERFORD, SUMNER,  
TROUSDALE, WILLIAMSON, WILSON

HMFA – HICKMAN COUNTY

HICKMAN

HMFA – MACON COUNTY

MACON

HMFA – SMITH

SMITH

NON-METROPOLITAN AREAS

ALL OTHER COUNTIES

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<sup>2</sup> MSA is a Metropolitan Statistical Area. HFMA is a HUD Metro FMR area.

## **SECTION FOUR**

### **PROGRAM FORMS**

<b>I. START UP FORMS</b>
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The forms in this section are to be completed and the first three submitted to THDA prior to requesting funds. Regardless of the activities undertaken, all grantees are required to submit these forms. The Policy of Non-Discrimination must be posted in a prominent place in the Grantee's office. The first three forms will be included in the large manila envelop with the Housing Trust Fund Contract.

#### **FORM 1 AUTHORIZED SIGNATURES**

This form is used to identify those persons authorized to sign pay requests. Two authorized signatures are required for each Request for Payment (Form 5). A new Form 2 is required for each new grant year. Grantees are encouraged to authorize more than 2 individuals to sign pay requests in case someone is unavailable. Please note that the person authorizing the signatures can not sign the pay requests. Changes throughout the grant year may be made to the authorized signatures by submitting a new Form 2 to replace the existing form.

#### **FORM 2 AUTHORIZED AGREEMENT FOR AUTOMATED DEPOSITS**

Housing Trust Fund grantees are not paid through the State Edison system so this form is no longer necessary for HTF Competitive Grants.

#### **FORM 3 CERTIFICATION FOR REUSE OF FUNDS**

The Grantee certifies that any recapture of Housing Trust Funds or any program income generated by Housing Trust Fund activities will be utilized by the Grantee for housing activities benefiting very low income, very low income elderly or very low income special needs populations.

#### **FORM 4 POLICY OF NON-DISCRIMINATION**

This form is posted prominently at the Grantee's office.

# FORM 1

## HOUSING TRUST FUND SIGNATURE FORM

<b>AUTHORIZED SIGNATURES FOR REQUESTS FOR PAYMENT THE HOUSING TRUST FUND COMPETITIVE GRANT PROGRAM</b>	
1. Grantee Name:	2. Address:
3. Contract Number:	4. Telephone:
<b>TWO SIGNATURES ARE REQUIRED ON EACH REQUEST FOR PAYMENT</b>	
Signatures of Individuals Authorized to Sign Requests for Payment:	
5. Typed Name and Signature	5. Typed Name and Signature
5. Typed Name and Signature	5. Typed Name and Signature
I certify that the signatures above are of the individuals authorized to sign Requests for Payment. <b>(NOTE - The person signing in Box 6 cannot sign Pay Requests)</b>	
6. Signature of Chief Elected Officer/Executive Director	
Date:	

A new signature form must be submitted whenever signatories change.

## FORM 3

### REUSE OF FUNDS CERTIFICATION

This is to certify that any recaptured funds or any program income generated by housing activities assisted through the THDA Housing Trust Fund Competitive Grant Program will be used for housing activities benefiting very low income, very low income elderly or very low income special needs populations.

\_\_\_\_\_  
Chief Elected Official/Executive Director

\_\_\_\_\_  
Date

**FORM 4**  
**THDA HOUSING TRUST FUND**  
**POLICY OF NON-DISCRIMINATION**

The \_\_\_\_\_ does not discriminate on the basis of race, color, religion, national origin, sex, age, physical or mental handicap, and family status in the admission or access to, or treatment or employment in its housing program or activities funded by the Tennessee Housing Development Agency.

\_\_\_\_\_  
NAME

\_\_\_\_\_  
ADDRESS

\_\_\_\_\_  
CITY, STATE, ZIP CODE

\_\_\_\_\_  
TELEPHONE NUMBER

has been designated to coordinate compliance with the nondiscrimination requirements contained in the Department of Housing and Urban Development's (HUD) regulations implementing Section 504 (24 CFR Part 8, dated June 2, 1988), Section 3 (24 CFR Part 135, dated October 23, 1973, Use of Small and Disadvantaged Businesses and Hiring Lower Income Residents of the Project Area), Equal Employment Opportunity Act of 1978 (In House Equal Employment Opportunity), Executive Order 11246, as amended by Executive Order 11375 (Equal Employment Opportunity on Federal Assisted Construction Contracts), and Executive Order 11625 (Minority Entrepreneurship).

## **II. REQUEST FOR PAYMENT FORMS**

To ensure compliance with Housing Trust Fund policies, the contract between the Grantee and THDA must be executed before Grantees can begin a project or request funds from THDA. Payment will not be made until contracts and Start-up Forms 1 through 3 are signed and returned. Funds committed or expended before the execution of a working agreement will not be reimbursed.

### **FORM 5 REQUEST FOR PAYMENT**

This form must be used to request funds for each individual project. More than one REQUEST FOR PAYMENT may be sent at a time and more than one REQUEST FOR PAYMENT may be made on an individual project. This form must be completely filled out, including beneficiary information (when available), and be signed by two authorized individuals. Each draw request must be accompanied by back-up documentation, such as a signed, dated contract and work write-up or a Cost Certification Form.

### **FORM 6 INTERIM DRAW CERTIFICATION**

This form accompanies a Request for Payment when the Grantee is requesting interim draws on individual projects. For large construction projects using an architect to supervise construction, the AIA Forms 702 and 703 may be substituted for the Interim Draw Certification.

### **FORM 7 CERTIFICATION OF COMPLETION AND FINAL INSPECTION**

A copy of this form is submitted with the final Request for Payment on a project. This form certifies that all work has been completed in accordance with the contract and work write-up. For new construction projects, a copy of the Certificate of Occupancy issued by the local code department may be substituted for this form.

### **FORM 8 COST CERTIFICATION FORM FOR MATERIALS AND LABOR**

This form accompanies a Request for Payment by Grantees using Housing Trust Funds to reimburse for the purchase of materials or labor to rehabilitate or construct a unit. This form is used in lieu of submitting itemized receipts.

### **FORM 9 CERTIFICATION OF COSTS FOR ADMINISTRATIVE EXPENSES**

This form accompanies a Request for Payment to reimburse for administrative expense incurred by a Grantee administering its own grant. Administrative funds may only be requested in proportion to the draw down of program funds. If the grantee contracts for administrative services, invoices from the administrator may serve as documentation with the pay request.

### III. DOCUMENTATION FOR REQUESTS FOR PAYMENT

**REHABILITATION USING A CONTRACTOR** - Grantees operating a housing rehabilitation program by contracting for services must submit a contract and work write-up with the Request for Payment (Form 5).

1. Grantees may request 50% of the contract amount when the project is 60% complete. In addition to the contract and work write-up, an Interim Draw Certification (Form 6) is submitted with the interim draw request (Form 5).
2. The remainder of the Housing Trust Funds may be requested at the completion of the project. At this time, the Certification of Completion and Final Inspection (Form 7) is submitted with the draw request (Form 5).

**REHABILITATION PURCHASING MATERIALS OR LABOR** - Grantees operating a housing rehabilitation program by purchasing materials and using volunteer and/or some contract labor, must submit a Cost Certification Form (Form 8) with the draw request to document the costs incurred for materials and labor. The signature of the Chief Financial Officer or Director is required on the Cost Certification. This form must reflect expenditures equal to or greater than the funds requested on the Request for Payment Form. Reusable tools and equipment are not eligible for reimbursement.

**HOMEOWNERSHIP THROUGH ACQUISITION/REHABILITATION AND SALE** – Grantees operating a homeownership program through acquisition, rehabilitation and sale to eligible homebuyers must include the following to draw down Housing Trust Funds (not all documents are required at time of an interim draw, contact your program specialist for details):

1. A copy of the sales contract for the acquisition of the unit by the Grantee;
2. A copy of an appraisal or other documentation to support acquisition cost;
3. A copy of the HUD-1 for purchase by the Grantee;
4. A copy of the rehabilitation contract and work write-up; or
5. Copy of work write-up and Cost Certification (Form 8), if purchasing materials;
6. A copy of the Certificate of Occupancy or Certification of Completion and Final Inspection (Form 7);
7. Documentation that the homebuyer has been approved for a permanent mortgage that meets program guidelines, when the homebuyer is identified;
8. A copy of the sales contract between the Grantee and the homebuyer;
9. A copy of the appraisal supporting the sales price paid by the homebuyer ;
10. A copy of the proposed HUD-1 for purchase by the homebuyer;
11. Documentation that the homebuyer has completed a homeownership education program; and
12. Post Closing, copy of the signed HUD-1, copy of the Note and recorded Deed of Trust securing the HTF compliance period.

**HOMEOWNERSHIP THROUGH NEW CONSTRUCTION AND SALE** – Grantees operating a homeownership program using Housing Trust Funds to construct new units for purchase by eligible homebuyers must submit the following to draw down funds (not all documents are required at time of an interim draw, contact your program specialist for details):

1. If applicable, contract for purchase of land;
2. If applicable, a copy of an appraisal or other documentation to support acquisition cost;
3. If applicable, a copy of the HUD-1 for purchase by the Grantee;
4. Copy of the construction contract with the builder and copy of work write-up or plans and specifications; or
5. Copy of work write-up or plans and specifications, and Cost Certification (Form 8), if purchasing materials;
6. A copy of the Certificate of Occupancy or Certification of Completion and Final Inspection (Form 7);
7. Documentation that the homebuyer has been approved for a permanent mortgage that meets program guidelines, when the homebuyer is identified;
8. A copy of the sales contract between the Grantee and the homebuyer;
9. A copy of the appraisal supporting the sales price paid by the homebuyer;
10. A copy of the proposed HUD-1 for purchase by the homebuyer;
11. Documentation that the homebuyer has completed a homeownership education program; and
12. Post Closing, copy of the signed HUD-1, copy of the Note and recorded Deed of Trust securing the HTF compliance period.

**HOMEOWNERSHIP THROUGH NEW CONSTRUCTION AND SALE (HABITAT STYLE)** – Grantees using Housing Trust Funds to operate a homeownership program by constructing the new units for purchase by eligible homebuyers in the Habitat mode must submit the following to draw down funds (not all documents are required at time of an interim draw, contact your program specialist for details):

1. Cost Certification (Form 8) documenting the purchase of materials and volunteer labor;
2. Copy of work write-up or plans and specifications;
3. A copy of the Certificate of Occupancy or Certification of Completion and Final Inspection (Form 7);
4. Documentation that the homebuyer has been approved for a permanent mortgage that meets program guidelines, when the homebuyer is identified;
5. A copy of the sales contract between the Grantee and the homebuyer;
6. A copy of the appraisal supporting the sales price paid by the homebuyer;
7. A copy of the proposed HUD-1 for purchase by the homebuyer;

8. Documentation that the homebuyer has completed a homeownership education program; and
9. Post Closing, copy of the Note and recorded Deed of Trust securing the HTF compliance period.

**NEW CONSTRUCTION OF RENTAL UNITS** – Grantees using Housing Trust Funds to construct new rental units must submit the following to draw down funds (not all documents are required at time of an interim draw, contact your program specialist for details):

1. THDA must have the original Grant Note and recorded Deed of Trust and Restrictive Covenant securing the 5 year rental compliance period before the HTF funds can be drawn;
2. If applicable, contract for purchase of land;
3. If applicable, a copy of an appraisal or other documentation to support acquisition cost;
4. If applicable, a copy of the HUD-1 for purchase by the Grantee;
5. Copy of the construction contract with the builder and copy of work write-up or plans and specifications; or
6. Copy of work write-up or plans and specifications, and Cost Certification (Form 8), if purchasing materials;
7. Final payment of the HTF development funds will only be made when the Certificate Occupancy or Certificate of Substantial Completion is issued.

The amount of HTF that a Grantee may draw down for a rental project will be in proportion to the total project cost. For example, a project in which the HTF is providing 40% of the total cost will be able to draw 40% of each request from the HTF. Final payment of HTF will be made when the certificate of occupancy or certificate of substantial completion is issued.

**ACQUISITION OF RENTAL UNITS** – Grantees using Housing Trust Funds to acquire existing rental units must submit the following to draw down funds:

1. A copy of the sales contract for the acquisition of the unit by the Grantee;
2. A copy of an appraisal or other documentation to support acquisition cost;
3. A copy of the HUD-1 for purchase by the Grantee;

The Grantee will coordinate the closing for the acquisition of the property with the THDA Program Coordinator so that the check for the acquisition of the property and the HTF legal documents can be prepared and sent to the closing agent for execution and recording.

**ACQUISITION AND REHABILITATION OF RENTAL UNITS** – Grantees using Housing Trust Funds to acquire and rehabilitate existing rental units must submit the following to draw down funds:

1. A copy of the sales contract for the acquisition of the unit by the Grantee;
2. A copy of an appraisal or other documentation to support acquisition cost;
3. A copy of the HUD-1 for purchase by the Grantee;
4. A copy of the rehabilitation contract and work write-up; or

5. Copy of work write-up and Cost Certification (Form 8), if purchasing materials; and
6. A copy of the Certificate of Occupancy or Certification of Completion and Final Inspection (Form 7).

The Grantee will coordinate the closing for the acquisition of the property with the THDA Program Coordinator so that the check for the acquisition of the property and the HTF legal documents can be prepared and sent to the closing agent for execution and recording. The rehabilitation documentation can be submitted at the time of the first rehabilitation draw.

**ADMINISTRATION** – Grantees may use up to 7% of their Housing Trust Fund grant for administrative expenses provided that funds for administration from the Housing Trust Fund are included in the budget in the contract with THDA. Administrative funds may only be requested in proportion to the draw down of program funds. If the grantee contracts for administrative services, invoices may serve as documentation with the pay request. If grantees are administering their own projects, then the Certification of Administrative Expenditures (Form 9) is submitted as the supporting documentation along with the pay request (Form 5). The signature of the Chief Financial Officer or Director is required on Form 9.

**FORM 5**  
**REQUEST FOR PAYMENT FORM – HOUSING TRUST FUND COMPETITIVE GRANTS**

**A. GENERAL INFORMATION:**

1. Grantee:	2. Contact Person:	3. Telephone Number:
4. Request Number:	5. Contract Number:	6. Homeowner <input type="checkbox"/> Rental <input type="checkbox"/>

**B. PROGRAM BENEFICIARY INFORMATION:**

1. Beneficiary Name:			
2. Property Address: _____ Street _____ City Zip Code County			
3. Number in Household:	4. Special Needs <input type="checkbox"/> Elderly <input type="checkbox"/>		
5. Percent of Area Median Income: At or Below 30% <input type="checkbox"/> At or Below 50% <input type="checkbox"/>			
6. Head of Household Hispanic? Yes <input type="checkbox"/> No <input type="checkbox"/>			
7. Head of Household Race: White <input type="checkbox"/> Black/African American <input type="checkbox"/> Asian <input type="checkbox"/> American Indian/Alaska Native <input type="checkbox"/> Native Hawaiian/Other Pacific Islander <input type="checkbox"/> Other <input type="checkbox"/>			
8. Source of Match: Weatherization <input type="checkbox"/> USDA Rural Development <input type="checkbox"/> CDBG <input type="checkbox"/> Household <input type="checkbox"/> Local Non-profit <input type="checkbox"/> Other (Describe): _____			

**C. LINE ITEMS FOR WHICH THDA FUNDS ARE REQUESTED:**

ACTIVITY	THDA REQUEST	MATCHING FUNDS	TOTAL
ACQUISITION			
REHABILITATION			
NEW CONSTRUCTION			
DOWNPAYMENT ASSISTANCE			
OTHER (LIST)			
ADMINISTRATION			
<b>TOTAL REQUEST</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>

**D. CERTIFICATION:**

I hereby state that I have included and attached all required documentation to support this request. I have satisfied all related terms and conditions of the above cited contract. I also state that the data reported above is correct.

Date:	Signature:
Date:	Signature:

**E. FOR THDA USE ONLY:**

Initial Review:	Date:	Final Review:	Date:
-----------------	-------	---------------	-------

# FORM 6

## INTERIM DRAW APPLICATION

Property Owner Name: \_\_\_\_\_

Property Address: \_\_\_\_\_

\_\_\_\_\_

Contractor: \_\_\_\_\_

Proceed Order Date: \_\_\_\_\_

Completion Date: \_\_\_\_\_

ORIGINAL CONTRACT AMOUNT	\$
NET CHANGE BY CHANGE ORDER TO DATE	\$
CONTRACT SUM TO DATE	\$
PARTIAL PAYMENT AMOUNT	\$
BALANCE DUE UPON COMPLETION	\$

This certifies that I agree with the above statement and I am willing to authorize partial payment to said contractor in the amount of \$ \_\_\_\_\_ which I understand is \_\_\_\_\_ % of my contract amount with \_\_\_\_\_

\_\_\_\_\_

\_\_\_\_\_  
Owner

\_\_\_\_\_  
Date

\_\_\_\_\_  
Witness

\_\_\_\_\_  
Date

I hereby certify that the work is \_\_\_\_\_% complete and authorize payment to the contractor in the amount of \$ \_\_\_\_\_ which is \_\_\_\_\_% of the contract amount.

\_\_\_\_\_  
Housing Specialist

\_\_\_\_\_  
Date

The undersigned Contractor certifies that the work covered by this Application for Interim Draw has been completed in accordance with the Contract Documents, and that all amounts have been paid or will be paid by the Contractor for all work which this request for payment will be issued.

\_\_\_\_\_  
Contractor

\_\_\_\_\_  
Date

# FORM 7

## CERTIFICATION OF COMPLETION AND FINAL INSPECTION

Applicant's Name:	Date of Final Inspection:
Property Address:	Date Construction Began:
Total Amount of Contract:	\$

### CONTRACTOR CERTIFICATION:

Construction work on the property identified as \_\_\_\_\_ has been satisfactorily completed in accordance with the contract. A Notice of Completion has been filed with the Register's Office \_\_\_\_\_ for the County of \_\_\_\_\_. I further certify that there are no unpaid claims for materials, supplies or equipment, and no claims of laborers or mechanics for unpaid wages in connection with the performance of this contract.

\_\_\_\_\_  
Signature of Contractor

Date: \_\_\_\_\_

### OWNER CERTIFICATION:

Construction work on my property has been satisfactorily completed in accordance with my contract with \_\_\_\_\_ Contractor

\_\_\_\_\_  
Signature of owner/Applicant

Date: \_\_\_\_\_

### CERTIFICATION OF FINAL INSPECTION:

Final inspection has been made of the property identified as \_\_\_\_\_. The construction work has been completed in accordance with the contract, and (check applicable statement):

- This is a minor repair or emergency repair program and the entire unit was not brought in compliance with applicable codes.
- The property rehabilitated or constructed meets all local codes, ordinances, zoning ordinances and rehabilitation standards.
- Local codes do not exist; the rehabilitated property meets the applicable International Code.
- Local codes do not exist; the property was constructed or reconstructed in accordance with the applicable International Code.

Final Payment is authorized in the amount of \$ \_\_\_\_\_.

\_\_\_\_\_  
Signature of Inspector

Date: \_\_\_\_\_





