



# **MISSOURI** **Rural Development**

## **MULTI-FAMILY HOUSING NEWS**

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### **PROTECT YOUR TENANTS INFORMATION**

When you, as a borrower or management agent, are processing a potential tenant's application or doing a recertification of a tenant, there is a lot of information of a sensitive nature that you will have in your possession, i.e. social security number, income, medical records, credit information, etc. It is imperative that you safeguard this information and respect the privacy of the individual(s) to which it pertains. Site managers should take precautions such as: (a) Do not leave information on your desk when you are not in the room, even for a short period, (b) Always keep information in a locked file cabinet or room when you are not present, (c) Do not discuss or show any other individuals personal information to others, etc. Releasing personal information, whether intentionally or accidentally, can subject you to a lawsuit. Protect your clients as well as yourself.

### **SUPERVISORY VISIT CHANGES**

Regulations keep changing it seems and the process for completion of Supervisory Visits were revised in May, 2008. Most of the changes are specifically for Rural Development employees only but we wanted to make you aware of the ones that may affect you. The new regulations state that tenant files should be requested before the on-site visit so they can be reviewed PRIOR to coming to the property. This saves time for both RD staff and the owner/management agents when the actual field visit is completed. The field staff will advise you in a letter of the tenant files needed. You may send the original file for review, which they will return to you, or you may copy the file and send the copies to the field office. One good revision is that no files will be reviewed for tenants with a subsidy code of 2 or 6 which are your HUD tenants, either individual vouchers or project based Section 8. The Supervisor Visit and Compliance Reviews, which are done simultaneously, are very comprehensive and can take a long time to complete. If the tenant files are reviewed ahead of time and if you are prepared with all of the other financial information, waiting lists, notification of tenants, etc., the process will hopefully go smooth and can be completed in a timely manner.

### **UNAUTHORIZED ASSISTANCE UPDATE**

In the past Rural Development has been able to provide information and/or spreadsheets which assisted you in the identification and calculation of unauthorized assistance. Due to Privacy Act issues we can no longer do this. We will, however, notify you when we become aware that a tenant, who has reported minimal or no income, is employed. You will be responsible for following up with the tenant to obtain the employment information so you can verify the amount of income from the employer. There are many avenues a borrower/management agent can take to verify income from employment or social security/unemployment benefits.

1. Obtain a signed verification request form from the tenant. The tenant should identify all earned income sources. The verification from the employers must be in writing.
2. The tenant will have award notification letters for the following types of income, and these will identify the amount of the monthly benefit:
  - a) Social Security Benefits
  - b) Unemployment Benefits
  - c) Welfare/TANF Benefits
  - d) Private Charity Sources

Once you have identified and calculated the amount of unauthorized assistance or unpaid overage the tenant has received, please forward a copy of your calculations, the verification of income or benefit notifications, and the Payment Agreement you have obtained from the tenant to the State Office, ATTN: Nonna Ross.

We will verify your calculations and set up the monthly adjustments to the project worksheets based on the Payment Agreement.

If you suspect at any time a tenant is working or earning more than is being claimed but the tenant is being uncooperative in verifying this information, you can request the Area Office or State Office to provide verification that the tenant is/is not employed.

**WORKING TOGETHER.....PAYS OFF!** Rural Development has identified over \$716,000 in unauthorized rental assistance and unpaid overage, and collected over \$279,000 to date. This would not be possible without the cooperation of everyone involved. Your patience and cooperation is greatly appreciated. Keep up the good work!

## YEAR END REPORTS

It is almost that time again – sending your actual financial information to Rural Development for review. In an effort to save everyone time during this process, we thought it would be good to remind you of a few items:

1) There is a template/guide we have developed that will help you complete the actual budget (RD 3560-7) on the web site at: [http://www.rurdev.usda.gov/mofmfhpage/2008\\_Actual\\_Template.pdf](http://www.rurdev.usda.gov/mofmfhpage/2008_Actual_Template.pdf). Please refer to this guide when completing the required form so your first submission will be complete and there will be no need for follow up by either Rural Development or you.

2) There is no place in MINC for you to submit a thorough narrative to explain unusual items on the actual budget. You may need to email or send an explanation to the RD field office to clarify some of the items. For instance, on Part II, Operating and Maintenance Expense Schedule, lines 11, 18, 33 and 40, you must explain to RD why the actual expenses exceeded the proposed budgeted amount if it is 10% or more. This can only be done in a narrative and if not done, then RD will have to ask you to provide this information later meaning more time spent by everyone. Also, certain line items such as Part I, lines 7 and 11 as well as Part II, lines 10, 32 and 39 require explanation. The template/guide will help you identify those areas where additional clarification is needed.

3) If line 33 of Part I shows an ending cash balance that exceeds 20% of line 16, you will be required to transfer the excess funds to the reserve account or complete needed capital improvements. If you want to use it for capital improvements, you must submit a plan stating what you want to do, how much it is estimated to cost and when you will complete the work. This plan should show the work to be completed in a short time, i.e. 30 to 60 days, unless part of the work is weather related and cannot be done until later in the Spring/Summer. If this plan is not submitted or is not acceptable (i.e. timeframe), RD will not accept the report. These funds are a good source to replace items that cannot be replaced with the reserve account, i.e. upgrading units with new painting, floor coverings, appliances, etc.

4) There are no changes from last year to this year on the audit requirements so hopefully your auditors will be familiar with the process.

5) Do not forget to submit your Certification to Performance Standards with all year end reports.

6) All year end reports are due on *April 1, 2009*.

As a very wise person once told me, if we take the time to do it right the first time, it will save time from having to do it a second or third time. If you have questions, go ahead and contact the applicable RD field office before submitting the report.

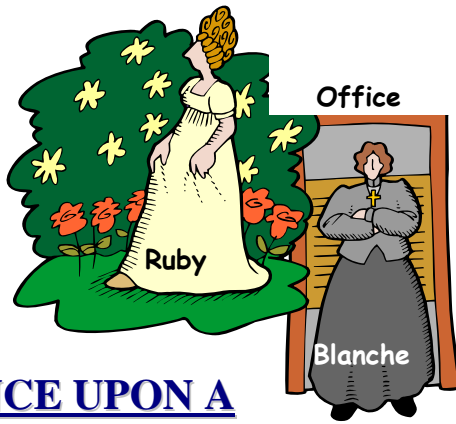
## ARE YOU EXPERIENCING VACANCY PROBLEMS?

If so, Rural Development has several tools available to assist you. No, we are not talking about hammers, paint brushes, etc., we are talking about different options you may be able to pursue in order to improve the occupancy level at your property. Some of the “Tools” we may be able to offer are:

- 1) Changing your project designation from Family to Elderly or visa-versa.; or
- 2) Renting to occupancy ineligible or income ineligible; or
- 3) Converting unit size (i.e. 1 bedroom unit converting to a 2 bedroom unit); or
- 4) Lowering your Note Rate Rent through a Servicing Workout Plan; or
- 5) Restructuring your loan by reamortizing at new rates and terms

The options are endless and we want to help you make your property succeed. If you think that some of these “tools” are needed for your property, please contact your local Rural Development office. All of these items will need prior approval by Rural Development. In most cases, to show that these “tools” are needed, we will require information about the need for the housing in your community. For example, do you get several inquiries for larger units, if so we will need from you documentation. Likewise, do you hear from applicants with higher incomes that think your Note Rate Rents are too high? Before we can use an RD tool to lower the note rate rent, we will need from you documentation. If you are not currently maintaining an INQUIRY LIST, we strongly recommend that you start keeping one immediately. The list should contain enough basic information to assist you in identifying what prospective applicants are looking for. You will be surprised how much this list can help you with filling your vacant units by using some of these RD tools.





## ONCE UPON A TIME...

There were two managers, Blanche and Ruby. Both were good at their job and were well liked. Blanche, however, had a distrust of most things automated. It was bad enough she was forced to utilize the computer to send tenant information through MINC but now she was being encouraged to send her project payments through MINC as well. She felt more comfortable printing off her project worksheet and mailing it, along with her check, to the Centralized Servicing Center (CSC) PO Box each month, which is really a bank in St. Louis. Yes, she was having problems with her payment being processed timely due to the process of sending the money to a bank, having the bank reconcile the balance, the bank sending the payment information to CSC, CSC having to manually process the payment and reconcile the amount and then CSC sending the reconciled information back to the bank (what a nightmare). In fact, for the past few months, Blanche has been receiving late notices and letters informing her that her account is delinquent due to the delays in payment processing. She even sent her payment overnight and by Certified Mail thinking this would help the situation only to find out that the bank would not accept this and her checks were returned. As a result of this the loan became delinquent and the nightmare cycle continued every month!!! *Poor Blanche!*

Ruby was different. She had experienced the same thing as Blanche but decided enough was enough. When she found out she could make her payment through MINC utilizing the Pre-Authorized Debit (PAD) process she jumped at the chance to sign up. It is so much easier to only have to go in MINC once each month to input the date she determined the payment would be withdrawn from the bank account (as long as it was two business days prior to the due date, she had no worries her account would ever be delinquent). She also liked the fact she had complete control of how much money would be withdrawn each month. No more lost checks or delayed processing of payments. *Happy Ruby!*

If you want to be like Ruby and sleep better at night, please visit our website at <http://www.rurdev.usda.gov/mo/mfhpage.htm>. Under the MINC heading is a link to the fillable form for PAD. Send the completed form to our office and we will get you signed up.

## RECIPE FOR A GOOD WAITING LIST

The following “Ingredients” MUST be on your waiting list:

- 1) Applicant’s Name (upon receipt of an application whether complete or not, enter name on waiting list)
- 2) Date and Time (once application is complete – enter date and time)
- 3) Race and Ethnicity (for project based Section 8 HUD Contract, this information can either be on the waiting list or on HUD Form 27601-H)
- 4) Final Action of all Applicants (i.e., rejected, withdrawn, or moved in unit)

Other “ingredients” may be added to assist you in choosing the next applicant for renting your unit such as:

- 5) Income Level (VL – very low; L – low, M – moderate) – It is strongly recommended that you add this information to your waiting list or you may have to maintain a list for each income category to appropriately assign the unit.
- 6) Number in household
- 7) Needs Rental Assistance
- 8) Need for an special designed Accessible unit
- 9) Bedroom size

The purpose of the waiting list is two-fold, it is a record for supporting the decisions you make and it is also necessary in order for Rural Development to complete the required Compliance Review to determine if you are in compliance with the Civil Rights Act. **PLEASE KEEP THIS LIST FOR AT LEAST 3 YEARS OR UNTIL NEXT COMPLIANCE REVIEW IS COMPLETED BY RD.**

For further recipe instructions please refer to the Asset Management Handbook, Chapter 6 for information regarding the waiting list, priority for selecting applicants, etc.

**PLEASE SHARE OUR NEWS WITH YOUR SITE MANAGERS AND MAINTENANCE PERSONNEL.**



## TENANT FILE REVIEWS

Our Agency is once again conducting a nationwide audit which deals with how tenant income and deductions are calculated and making sure the proper amount of Rental Assistance (RA) is being claimed. We are required to conduct this audit due to the amount of RA being paid out each year and the error rate of calculations of tenant income. As part of this audit, Centralized Servicing Center (CSC) recently sent out letters requesting randomly selected Tenant Certifications. Were you one of the lucky ones to get this letter? If so, be sure you send all documentation, forms, etc. to support your calculations.

We want to be proactive and provide some guidance to help you better prepare for these reviews. You should conduct a review of your tenant files to be sure the calculations of tenant income and deductions were correctly figured. The checklist that CSC uses when conducting these reviews is being attached to this newsletter and also being posted on our website at <http://www.rurdev.usda.gov/mo/mfhpage.htm>. We suggest you use this checklist when conducting your own self-review.

Some common errors that have been found during past reviews are:

1. No supporting documentation in the tenant file of income/deductions
2. Tenant Certification not completed in its entirety or completed correctly
3. Incorrect calculation of medical/disability expenses
4. Using net Social Security income vs. gross
5. No documentation supporting zero income tenants
6. Calculating/imputing income derived from assets

Since figuring tenant income and deductions can get complicated, our office has conducted training sessions throughout the State (most recently during the fall sessions of MoCARH meetings) on how to properly calculate tenant income. If you were unable to attend the training sessions or just want to refresh your memory on income calculations, you can access our website at the above address to view the training material.

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*Is there something you want us to cover in our next newsletter? Drop us a line and let us know!*

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