



News & Information for MFH Owners & Managers

USDA Rural Development

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CNA's What, Why and When

Just about every manager or owner has heard the acronym CNA which stands for Capital Needs Assessment.

The CNA is a written report which identifies the repair, replacement, and improvement needs of a property over an extended period of time.

The goal is to identify what reserves are needed to make the property financially "self sufficient" to support itself.

Every property should have a CNA, and they are required for new construction loans, rehabilitation loans, transfer of ownership, loan servicing transactions and those participating in the Preservation & Revitalization Program (MPR).

The process for a successful CNA are:

1. Draft Agreement between owner & CNA provider.
2. RD reviews agreement and contract addendum.
3. Owner signs agreement & provides supplemental information to provider.
4. CNA provider inspects property & writes report.

5. CNA provider send DRAFT copy of report to owner & RD for review.
6. Draft report reviewed by RD reviewer, underwriter & area specialist
7. Comments/corrections sent to owner & CNA provider
8. Corrections completed by CNA provider & final Draft sent to RD & Owner
9. RD reviewer completes review and final draft discussed with owner
10. Owner accepts final CNA



CNA's aren't really this big!

IPIA - Improper Payment Information Act

CSC has been conducting the IPIA reviews the last couple of years. The IPIA review requires management/owner agents to send requested tenant files to CSC for review.

If documentation is missing, insufficient or the subsidy calculated incorrectly, the subsidy payment is determined to be in error.

Common causes for improper payments are:

1. No income documentation
2. Missing zero income worksheet

3. Certification not signed or dated
4. Incorrect certification
5. Missing Award Letter
6. Wage Calculation different

A required tenant file documentation sheet is available for your use and is attached to this newsletter.

The less mistakes are made, IPIA goes away!!

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Changes to Annual Income Calculating

On Tuesday, 1/27/09 the Federal Register published changes to HUD 24 CFR Parts 5, 92 & 908 "Refinement of Income & Rent Determination Requirements in Public and Assisted Housing Programs; Final Rule".

The change that affects RD is regarding 5.609 Annual Income. The major change is instead of using anticipated income, borrowers and management agents will use actual past income and will have the discretion to use project future income under certain circumstances in order to calculate income.

1. The family reports little or no income; and
2. The processing entity is unable to determine annual income due to fluctuations in income (e.g. seasonal or cyclical income).

The effective date of this change is March 27, 2009.

Should you have a tenant who's income is derived from seasonal work and they claim no income when recertifying because they are not working at that time, you can base their income on the last 12 months or project based on last 12 months income.



**Income Limits
are coming, watch for
them effective 4/20/09**

Identity of Interest (IOI) Form RD 3560-31

Identity of Interest, IOI disclosure can be very confusing. Questions often arise as to when there is an IOI.

An IOI exists when there is a relationship between:

- The borrower and the management agent
- The borrower OR management agent and the providers of supplies and services to the housing project.
- The borrower or the management agent and employees of any of the above.

When disclosing an IOI relationship the borrower, management agent, and supplier of goods and services must provide documentation proving that use of an IOI firms is in the best interest of the housing project.

Any supplier of goods & services must certify in writing to the Agency that the individual or organization has a viable, on going trade or business qualified and licensed, if appropriate, to do

the work for which a contract is being proposed.

The borrower, management agent, and supplier of goods and services must agree in writing that all records related to the housing project will be made available to the Agency, OIG, or GAO. The agency will deny use of an IOI firm when the Agency determines such use is not in the best interest of the Government or tenants.

IOI disclosures expire every 3 years or if any change takes place. Housing complexes that have no IOI disclosure do not expire unless there is a change.

A positive attitude may not solve all your problems, but it will annoy enough people to be worth the effort..

Herm Albright

Q&A for Managers and Owners

Q: How do we handle utility allowance checks that are not being cashed by tenants?

A: If checks are void after 180 days funds should be shown as “other income-project sources” on line 7 of the 3560-7 actuals AND not shown on tenant utility payments (line 21) at all.

Q: What equal housing opportunity and non-discrimination language needs to be included in advertisements?”

A: The non-discrimination statement “This institution is an equal opportunity provider, and employer” should appear on all printed materials created for the public. This includes brochures, pamphlets, newspaper advertisements, news releases, outreach letters, letterhead, audio, video, internet, etc. Also, the “Equal Housing Opportunity” symbol and wording (the house AND words) must be displayed on advertisements, letterhead, pamphlets, etc.

Q: What postings are required at the property?

A: Equal Housing Opportunity poster, “And Justice for All” poster, tenant grievance and appeals procedures, the Affirmative Fair Housing Marketing Plan, occupancy rules, and office and emergency hours and phone numbers. If you are in need of new posters, please contact Rural Development

Q: How do I get ComEd utility readouts

A: Fax a signed letter by the tenant explaining your request to obtain their billing history along with the number of months you are requesting. **MUST BE 12 MONTHS** at least.

Fax to: 630-684-3270 or mail to ComEd Customer Care Center, P.O. Box 87522, Chicago IL 60680

A-133 Audits & Affirmative Fair Housing Marketing Plans

An A-133 Audit is required of Not-For-Profit owners and public bodies (housing authorities) who have federal loan balances in excess of \$500,000 and Federal Government requires continuing compliance requirements.

A-133 audits are due 9 months after the end of the fiscal year.

Call if you’re not sure if this pertains to you.

Affirmative Fair Housing Marketing Plans (AFHMP) are important .

Community contacts are made by area specialists whenever compliance reviews are completed. Please make sure the contacts on the AFHMP are up to date and accurate. Many times letters to these contacts are returned because the office has moved or closed or the person you’re trying to contact no longer works there.

Even though they are updated every 3 years you should be getting in touch with the contacts yearly and if there is a change, notify Rural Development by up dating the AFHMP.

Under Housed / Over Housed What to do?

Managers & Owners need to review their occupancy policies and make sure they are not under housing or over housing tenants in the complex.

The following is text from HB-2-3560/6.13:

Occupancy Policies: Borrowers must establish occupancy policies for each housing project. Households living in a rental unit with more bedrooms than persons will be considered over housed and must be relocated. Borrowers with no one-bedroom units in a housing project may make an exception to this requirement in their occupancy policies.

The regulation prohibits any approved occupancy standards with a minimum 1 person in a 2 bedroom when there are both 1 & 2 bedroom units.

Child Support—Do I count it?

“Owners must count alimony or child support amounts awarded by the court unless the applicant certifies that payments are not being made AND THAT he or she has taken all reasonable legal actions to collect amount due, including filing with the appropriate courts or agencies responsible for enforcing payment”.

IL has a free “child support enforcement unit” that provides assistance to help obtain and/or enforce the payment of child support. Have tenant contact them at 1-800-447-4278



Community Contacts help to get the word out and provide information to prospective applicants.

Retool your business with Rural Development financing!

Farm Labor Housing—Section 514

Monthly Webinar Series

- 4/23: Guaranteed Business Loans
- 5/21: Guaranteed Community Facility Loans
- 6/25: Guaranteed Water & Waste Water Loans
- 7/23: Farm Labor Housing Loans & Grants
- 8/27: Single Family Home Repair Loans & Grants

NOFA's (Notice of Funds Availability)

NOFA's will be published very soon. Contact the Rural Development office in Ottawa or Princeton if you or a developer wishes to receive a copy of the 514 Farm Labor Housing; 515 Multi-Family Housing; 533 Housing Preservation Grant or 538 Guaranteed Rural Rental Housing Program

The agency has loans available for different entities to increase the supply of housing for farm laborers. There are two types of farm labor housing:

OFF FARM HOUSING

- Applicants: Non-profit corporations or limited partnerships, community or public agencies
- Residents: US Citizen and permanent resident alien farm workers
- Interest Rate = 1% fixed
- Term = maximum 33 years
- Apartments may be used for year round, seasonal or migrant housing

ON FARM HOUSING

- Applicants: a farm owner, family farm partnership or farm corporation or association of farmers
- Residents: US Citizen, permanent resident alien farm workers and processing workers
- Interest rate = 1% fixed
- Term = maximum 33 years
- On Farm Housing is typical when a farm owner purchases a home on the farm or in the city (even in town) and provides the home to his "hired hand(s)" as part of his/her salary. Farm Labor Housing can be located in any community with farm workers.



Thank you to Christine Pratt, Nicki Morgan, Barry Ramsey, Dana Perez, Twyla Sellers and Brenda Barr for the ideas and information to put this newsletter together.



"USDA is an equal opportunity provider, employers and lender". To file a complaint of discrimination write USDA, Director, Office of Civil Rights, 1400 Independence Ave., S.W., Washington, DC 20250-9410 or call (800) 795-3272 (voice) or (202) 720-6382 (TDD).