



BARNSTABLE COUNTY HOME CONSORTIUM

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Risk-Based Monitoring Policies and Procedures

Adopted June 19, 2014

Effective July 1, 2014

RENTAL PROJECT MONITORING

1) New Projects

Project Completion

Prior to the disbursement of the final payment to the Owner and closing of the project in HUD's Integrated Disbursement and Information System (IDIS), the Consortium will 1) conduct an on-site inspection to confirm that the contracted work was completed and that the project was built in accordance with the approved plans and specifications and 2) receive a satisfactory HOME completion report on the HOME-assisted units in the development.

In addition to a site visit by Consortium staff after receipt of Certificate(s) of Occupancy, the Lender Advisor contracted by the Consortium to provide monthly reviews and reports on construction progress and construction payment requests will inspect the project at completion and issue a Final Certificate that the project is complete and has been built in accordance with the approved plans and specifications. In addition, the Consortium will also require a similar type of certification from the project architect.

Within one (1) month of closing the project in IDIS, Consortium staff will conduct an on-site file review of all HOME-assisted tenants' income eligibility, rents, leases, and affirmative marketing/tenant selection procedures.

Within twelve (12) months of closing the project in IDIS, the Consortium will have its contracted inspector conduct the initial property and units' inspection for compliance with the Consortium's required property standards.



2) Existing Projects

Annual Approval of Rents

Forty-five (45) days prior to the beginning of each rental project's fiscal year (calendar, July 1- June 30, other), the Consortium will request that the Owner and/or management company submit the following: 1) a copy of both the property's current operating budget and also the proposed annual operating budget for the upcoming fiscal year; 2) a current and proposed rent schedule for all units with the HOME-assisted units identified; 3) proposed rents for turn-over of HOME-assisted units, if different from proposed budget.

Consortium staff will review the budget and rent schedule both for compliance with HOME rent limits as well as for whether there are any undue proposed rent increases for HOME-assisted tenants in non project-based units. In general rent increases that are more than double the % increase in the operating budget and/or more than 5% higher than the prior year's rent will require additional explanation and review.

No rent increases may be implemented on non project-based HOME-assisted tenants until the Consortium has notified the Owner and/or property management company of its approval of the rent schedule.

Annual Desk Review of Rents, Incomes, Unit Mix, Lease Term, and Financial Status

During the project's affordability period, Consortium staff will annually conduct a desk review of all HOME-assisted units in existing HOME-assisted projects for compliance with HOME rent and income limits, unit mix, one year lease term, and financial status.

Consortium staff will electronically send owners/property managers the compliance report to be completed for the July 1- June 30 HOME program year on or about August 1st. The Consortium will expect those reports to be submitted no later than September 30th. As there is often a need for staff follow up on the reports and because of the financial audit timing discussed below, staff's goal is to have all annual compliance letters provided to owners/managers by December 31st.

The Consortium will annually monitor the financial status of all HOME projects, irrespective of project size. The Consortium will require owners/property managers to submit both the most current fiscal year audit as well as owner generated income/expense reports for the July 1- June 30 period. The Consortium will pay particular attention to cash flow, vacancy rates, and amount of replacement reserves in its analysis of the project's financial health.

Because audits are typically not required to be completed until 3 months after the end of the fiscal year, the Consortium expects to have its financial status reviews completed no later than December 31st.

On-Site Review of Rents, Incomes, Lease Terms, and Property Condition/Standards

Schedule and Sample Size:

As the on-site file review is based upon the annual compliance report, Consortium staff will typically schedule the on-site file and physical property inspections from October-April. Per the revised HOME regulations, all the units and files for projects with from one (1) to four (4) HOME-assisted units will be inspected. In those projects with five (5) to twenty (20) HOME-assisted units, four (4) files and units will be inspected. Projects with more than twenty (20) HOME-assisted units will have 20% of the files and units inspected.

Consortium staff will conduct the required on-site file review, and a Consortium contracted inspector will conduct the physical property inspection on the schedule noted below:

TOTAL # OF UNITS IN PROJECT	INSPECTION FREQUENCY	NOTES
1-9	Every Year	Change to Every 2 Years for Projects with 2 Consecutive Years of Satisfactory Reports*
10-19	Every 2 Years	
20+	Every 3 Years	

*Satisfactory Reports Criteria:

- Physical Inspection- no unit re-inspections needed;
- On-Site File Review- no Findings issued;
- Financial Reports- no cash flow or excessive vacancy issues and appropriate level of replacement reserves documented.

On-Site File Review:

HOME staff will review files of HOME-assisted tenants to verify that
 1) appropriate income documentation is on file and that incomes were calculated correctly and in accordance with the required Part 5 methodology (see Attachment A for summary); 2) rents, including documentation of utility allowances, comply with required rent limits; 3) leases are for one year, do not contain prohibited terms, and that tenants have been appropriately notified of

lease renewals and any rent increases; and 4) any vacancies have been filled from a waiting list consistent with the project's Tenant Selection Plan.

To the extent possible and feasible, the Consortium will accept, in lieu of an on-site monitoring visit, a satisfactory monitoring report done by or for other public or quasi-public funders of the project as long as the required number of HOME-assisted units were reviewed. Consortium staff may request additional information from owners/property managers to clarify and/or supplement information provided in the third party monitoring report.

The HOME program is very complex, and it is not unusual for monitoring visits to result in Findings that require corrective action. On-site monitoring that results in Findings will not automatically trigger a more frequent on-site monitoring schedule; however, depending upon the number and severity of Findings, staff may require more frequent on-site monitoring of a project.

On-Site Property Standards Inspection:

The HOME contracted inspector will inspect up to four (4) of the HOME-assisted units and the inspectable items (site, building exterior, building systems, and common areas) for each building housing HOME-assisted units in projects with from one (1) to twenty (20) HOME-assisted units and 20% of the units in projects with more than twenty (20) HOME-assisted units.

Owners must correct any reported deficiencies within one (1) month from the inspection date with the exception that any health and safety related deficiencies (e.g. access to units; fire exits; evidence of infestation, garbage, or debris; smoke detectors; interior air quality; elevators; etc.) must be corrected immediately. A follow up inspection will be conducted to determine if the deficiencies have been corrected; however, certain non-hazardous deficiencies may not require a re-inspection if satisfactory documentation, (e.g. paid invoice of a work order accompanied by pictures, etc.) is provided to the Consortium within the one month period.

Any project in which health and/or safety related deficiencies were reported will be required to have a physical property inspection the following year. A satisfactory physical inspection report will be needed before staff returns a project to its scheduled inspection cycle.

To the extent possible and feasible, the Consortium will accept a satisfactory property inspection report done by an independent third party as long as the required number of HOME-assisted units were reviewed and HOME property standards were evaluated.

The Consortium's goal is to have all on-site file review and property standards monitoring complete and evaluation letters sent to owners/managers by May 31st.

**Monitoring Fee Schedule: Effective for HOME Consortium Rental
Project Commitments Dated On/After August 23, 2013**

Annual Monitoring Fee of Rents, Incomes, Financials, Etc.:

\$35 per HOME assisted unit, to be adjusted annually on/about March 1st of each year based upon the annual change in the U.S. Department of labor's Consumer Price Index (CPI)- All Urban Consumers- for the Boston Metropolitan Statistical Area.

Property Inspection Fee:

Reimbursement for the actual cost of the physical property inspection.

**HOMEBUYER PROJECT AND DOWN PAYMENT/CLOSING
COST (DPCC) PROGRAM**

PRINCIPAL RESIDENCY MONITORING

For HOME-funded homebuyer projects, Consortium staff monitors the owner-occupancy/principal residency requirement during the affordability period by reviewing Town Assessor's on-line data that the owner's address matches that of the property address. For those properties where owner and property addresses do not match or the owner has a post office box, Consortium staff sends a letter to the owner requesting documentation of owner occupancy (e.g. utility bill, tax return, etc.).

For HOME funded DPCC program recipients, the sub-recipient monitors the owner-occupancy/principal residency requirement during the affordability period via the same process as followed on homebuyer projects.

Consortium staff follows up on any report of non-compliance and takes action, including legal action as described in the relevant loan documents, either to ensure compliance with the principal residency requirement or to seek repayment of the HOME investment.

DOWN PAYMENT/CLOSING COST (DPCC) PROGRAM

SUB-RECIPIENT MONITORING

Consortium staff annually conducts an on-site monitoring file review of the sub-recipient that administers the DPCC program. The monitoring visit typically is scheduled within two (2) months after the end of the federal fiscal year and the receipt of funds for the new federal fiscal year that usually occurs in September or October.

At least 20% of the loan files are reviewed. The attached checklist (Attachment B) summarizes the areas reviewed in each recipient's file.

In addition, staff reviews documentation for compliance with 1) the Program's affirmative marketing plan, including advertising materials, outreach lists, and homebuyer information material; 2) the number and content of first-time homebuyer workshops conducted; and 3) payroll records that support the \$1,500 per project loan expenditures.

ATTACHMENT A
INCOME ELIGIBILITY VERIFICATION POLICY*
July 1, 2014

Income Determination Method: For all Barnstable County HOME Consortium funded activities, when determining the annual income of an individual or family, the HOME recipient (grantee) and Consortium will use the standard for calculating annual income as defined under **24 CFR 5.609**, also known as the Part 5/Section 8 methodology. A determination of income eligibility is valid for up to six months from the date of such determination.

For families who are tenants in HOME-assisted rental housing:

The Consortium and its grantees shall for both the initial income determination and the annual recertification of income verify income from a third-party source that incorporates at least two months' time of income **and** examine the previous two months of source documents evidencing annual income (e.g., wage statement, interest and savings accounts, statement of other assets, unemployment compensation statement, etc.) for the family. Source documentation evidencing income for 12 months is required for applicants with sporadic or seasonal employment. Based upon the information from these sources, the administrator shall project forward the households' income for the next 12 months.

For families who are HOME-assisted tenants and who are receiving a state or federal rental subsidy:

The required documentation is a signed and dated statement from the administrator of a government program under which the family receives benefits, such as a housing authority or regional non-profit and which examines each year the annual income of the family. The statement must indicate the tenant's family size and state the amount of the family's annual income. This statement can alternatively indicate the current dollar limit for very low- or low-income families for the family size of the tenant and state that the tenant's annual income does not exceed this limit.

For families who are applicants for HOME DPCC assistance:

The Consortium and its sub-recipient shall for the initial income determination verify income from a third-party source that incorporates at least two months' time of income **and** examine the previous two months of source documents evidencing annual income (e.g., wage statement, interest and savings accounts, statement of other assets, unemployment compensation statement, etc.) for the family. Source documentation evidencing income for 12 months is required for applicants with sporadic or seasonal employment. Based upon the information

from these sources, the administrator shall project forward the households' income for the next 12 months.

* This is a policy summary. For specific requirements about determination of income, refer to HUD's Technical Guide for Determining Income and Allowances for the HOME Program, Third Edition, January 2005.

ATTACHMENT B

Down Payment Closing Cost Assistance 2013 Program Monitoring Review

Buyer Name:

Date of Review:

Address:

Items in File	Yes, No, N/A	Notes
Application-		
Conflict of Interest-		
Uniform Relocation Act notice-		
Written Agreement-		
Purchase & Sale Agreement-		
Income Eligibility-		
Citizenship-		
First Time Homebuyer-		
HAC Inspection Report-		
Lead Paint Notice (1978)-		
Private Lender Commitment-		
Appraisal-		
Meets Value Limits-		
Set Up Form-		
Documentation amount of the HOME assistance necessary to make the transaction feasible-		

Settlement Statement-
Evidence payment to HAC-
Promissory Note & Mortgage-
Completion Report-