



FEDERAL HOUSING FINANCE AGENCY
Division of Housing Mission and Goals

ADVISORY BULLETIN

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**AFFORDABLE HOUSING PROGRAM: MONITORING OF
INCOME ELIGIBILITY AND RENTS FOR SHELTERS FOR THE
HOMELESS AND VICTIMS OF DOMESTIC VIOLENCE**

Purpose

This Advisory Bulletin provides guidance under the Affordable Housing Program (AHP) on how the Federal Home Loan Banks (Banks) may verify AHP household income eligibility and rents in the case of shelters for the homeless and shelters for victims of domestic violence.

Background

For purposes of initial monitoring of AHP rental housing projects, the AHP regulation requires that a Bank have written monitoring policies for determining whether household incomes and rents comply with the income targeting and rent commitments made in the approved AHP application. The Bank's policies must include requirements for Bank review of compliance with household income eligibility and rents, and back-up project documentation regarding household incomes and rents maintained by the project owner. 12 CFR § 1291.7(a)(1)(i)(C)(2), (ii)(A).

In the case of long-term monitoring over the AHP 15-year retention period, a Bank's written monitoring policies must include requirements for Bank review of annual certifications, and back-up documentation submitted to the Bank by project owners, to determine that household incomes and rents are in compliance with the commitments in the approved AHP application. 12 CFR § 1291.7(a)(4)(ii)(A), (B).¹

Under the Federal Home Loan Bank Act (Bank Act) and AHP regulation, at least 20 percent of the units in a rental project must be occupied by and affordable for very low-income households (households with incomes at or below 50 percent of area median income (AMI)). The AHP projects approved by the Banks have much higher percentages of units targeted to very low- and low- or moderate-income households (incomes at or below 80 percent of AMI), in part, due to the targeting scoring incentives in the AHP regulation. See 12 CFR § 1430(j)(2)(B); 1291.5(d)(5)(iii).

Also, under the Bank Act and AHP regulation, the rent charged to a household for a unit that is to be reserved for occupancy by a household with an income at or below 80 percent of AMI, shall not exceed 30 percent of the income of a household of the maximum income and size expected, under the commitment made in the approved AHP application, to occupy the unit, with adjustment for family size. See 12 CFR § 1430(j)(13)(D); 1291.1 (definition of “affordable”).

The Banks have requested that for purposes of meeting the AHP initial and long-term monitoring requirements for shelters for the homeless and shelters for victims of domestic violence, the Banks should not be required to obtain documentation to verify shelter residents' AHP income eligibility.

Analysis

Back-up household income-eligibility and rent documentation available from conventional rental housing projects, such as W-2 forms and rent rolls, is typically not available from shelters. Instead, the Banks have obtained other back-up documentation such as shelter intake forms that include household self-reporting of income (often zero), or social security income documentation, but such documentation is not always readily obtainable. Intake processing in most shelters presumes that clients are indigent. Since the fundamental purpose of shelters for the homeless is to serve persons with no homes and, therefore, likely no employment or very low-paying employment, who may be relying on government assistance, it is reasonable to presume that homeless persons residing in shelters have little or no income and, thus, meet the AHP income-eligibility requirements. FHFA experience in examining Banks for compliance with the AHP monitoring requirements is consistent with

¹ For AHP projects receiving Low-Income Housing Tax Credits, a Bank need not obtain reports verifying AHP income eligibility and rents during long-term monitoring, based on a presumption of compliance with the AHP income eligibility and rent requirements over the AHP 15-year retention period. 12 CFR § 1291.7(a)(2).

this presumption. For shelters for victims of domestic violence, research from several sources indicates that the incomes of persons residing in such shelters are likely consistent with the AHP income-eligibility requirements.²

Residents in homeless shelters and shelters for victims of domestic violence typically do not pay rent or may pay only a nominal amount. In those shelters that do charge rent or a nominal amount, that amount does not exceed 30 percent of a household's income and, thus, it is reasonable to presume that those shelters comply with the AHP rent requirements.

Guidance:

The intent of the AHP rental monitoring requirements is to assure that AHP income-eligibility and rent requirements are met for the AHP 15-year retention period. In light of the fundamental purpose of shelters for the homeless to serve the most indigent, and the evidence indicating that victims of domestic violence residing in shelters meet the AHP income-eligibility requirements, the likelihood of residents of such shelters not meeting the AHP income-eligibility requirements is very low. Accordingly, it is reasonable to presume compliance by such shelters with the AHP income-eligibility requirements, and the Banks do not need to obtain back-up documentation from the shelter owners verifying the residents' compliance with the AHP income-eligibility requirements. Similarly, in light of the fact that shelters charge no rent or only a nominal amount, it is reasonable to presume that the shelter rents meet the AHP rent requirements, and the Banks do not need to obtain back-up documentation from the shelter owners verifying compliance with the AHP rent requirements.

The Banks, however, must continue to verify at initial monitoring, such as by receipt of a certification from the shelter owner, that the shelter residents' incomes and the rents comply with the income-targeting and rent commitments made in the approved AHP application. See 12 CFR § 1291.7(a)(1)(i)(C)(2). During long-term monitoring, the Banks must continue to obtain and review annual certifications by the shelter owners that the shelter residents' incomes and the rents comply with the income-targeting and rent commitments made in the approved AHP application, as required under § 1291.7(a)(4)(ii)(A). The Banks may rely on certifications by shelter owners to verify compliance with the AHP income-eligibility and rent requirements. The guidance in this Advisory Bulletin supersedes any previous contrary

² See generally Catalano, Shannon, "Intimate Partner Violence in the United States, Bureau of Justice Statistics, U.S. Department of Justice, last accessed on June 29, 2016, <http://www.bjs.gov/content/pub/pdf/ipvus.pdf#page6>; Breiding, M.J., Chen, J., & Black, M.C. (2014), Intimate Partner Violence in the United States — 2010, Atlanta, GA, National Center for Injury Prevention and Control, Centers for Disease Control and Prevention, http://www.cdc.gov/violenceprevention/pdf/cdc_nisvs_ipv_report_2013_v17_single_a.pdf; Renzetti, C.M., "Economic Stress and Domestic Violence," Harrisburg, PA, <http://www.vawnet.org>.

regulatory guidance or interpretations concerning the documentation required to be obtained by the Banks to verify AHP household income eligibility and rents in the case of shelters for the homeless and shelters for victims of domestic violence.

Advisory Bulletins communicate guidance to FHFA supervision staff and the regulated entities on specific supervisory matters pertaining to the Federal Home Loan Banks, the Office of Finance, Fannie Mae, and Freddie Mac. This Advisory Bulletin is effective immediately upon issuance. For comments or questions pertaining to this Advisory Bulletin, contact Sylvia Martinez at Sylvia.Martinez@fhfa.gov or 202-649-3301; or Marcea Barringer at Marcea.Barringer@fhfa.gov or 202-649-3275.