



Back to Basics: Build a Combined Programs Reference Library

by Scott Michael Dunn, CEO of Costello Compliance

Tradesmen can attest to the truth of the adage to “use the right tool for the right job.” In the first article in this Back to Basics series, we discussed the importance of having a full “toolbox” of regulatory information at our fingertips. This powerfully assists us in effectively managing compliance at tax credit properties. Suggestions were made as to various handbooks and other specific documents to have on hand or on our computers.

In this article, we will discuss expanding that “toolbox” to include tools relating to other programs that are often combined with the tax credit to create housing. Understanding guidance on various other rules is the first step in analyzing how other programs interact with tax credit rules and is part of the process of successfully carrying out compliance when combining programs.

Although fairly extensive, the list here is not exhaustive. Documents available online are hyperlinked. These links are current as of December 2021, but are subject to change.

HUD

For HUD Multifamily programs, such as project-based section 8, the primary source of guidance is the [HUD Handbook 4350.3 Occupancy Requirements of Subsidized Multifamily Housing Programs](#). References to this handbook are generally formatted *chapter-paragraph/chapter-page*.

In article 1 of this series, this handbook was cited as an important guide for the tax credit program, because chapter 5 of the 4350.3 explains HUD rules that apply for the tax credit with respect to household income and assets. However, if a property also has HUD Multifamily financing, the rest of the handbook applies as well. As of the writing of this article the most recent revision was Change 4, which was released in 2013.

[HUD Notices](#) are referenced as *Notice H (year/#)*. HUD uses these to explain new HUD policies, and these notices often are incorporated into HUD regulation and the HUD Handbook 4350.3, as



applicable. Until this happens, notices provide needed guidance and updates to the most recent change of HUD Handbook 4350.3.

HUD has an initiative to reduce improper subsidy payments called the Rental Housing Integrity Improvement Program (RHIP). HUD publishes guidance resulting from this initiative through [an email RHIP Listserv](#). References are cited as '*RHIP Listserv (Posting #)*'.

Rural Development (RD)

Several RD regulations were consolidated into a regulation numbered '3560' in 2005. RD then explained those regulations in three handbooks. Particularly relevant to managers of RD properties is the second handbook, [HB-2-3560 Multi-Family Housing Asset Management Handbook](#). It is referenced as *HB-2-3560 (paragraph/page#)*.

[Administrative Notices](#) (referenced as *AN #*) also clarify RD policy.

[Unnumbered Letters](#) (referenced as *UL (date)*) provide guidance. Although the letters expire a year after publication, generally they continue to apply until explicitly replaced by a later UL or their guidance is incorporated into an RD Handbook.

HOME

The [HOME regulation](#) resides in **24 CFR Part 92**. References appear as *24 CFR Part 92 (section)*. This regulation was most recently overhauled in 2013. Much of the HOME guidance below was issued before the regulation revision. This means that HOME compliance professionals must be aware of the changes when reading the other documents and apply the applicable updates.

In 2009, HUD produced a two-guide series titled ***Compliance in HOME Rental Projects***. There is one guide for [Property Owners](#) and one for [Participating Jurisdictions \(PJs\)](#). In many ways, these provide the most complete source of HOME compliance guidance, if the 2013 regulation revisions are kept in mind.



At one point, HUD produced a guide *HOME & the Low-Income Housing Tax Credit Guidebook*. Almost immediately, it became clear that this guide is inaccurate in many ways with respect to how it describes the tax credit. However, HOME provisions described as they interact with the tax credit are somewhat helpful. HUD pulled this document quite quickly, and copies only exist to the extent that some professionals retained personal copies.

The [Technical Guide for Determining Income and Allowances for HOME program](#) was produced in 2005 and provides guidance on calculations relating to HOME household qualification. Once again, it is very important to use this guide only in conjunction with the 2013 regulation changes. There is also an [online calculator](#) to assist in determining eligibility by household income for HOME, CDBG and other HUD CPD programs.

Tax-Exempt Bonds

Section 142 of the Internal Revenue Code (*IRC § 142*) is the statute that guides the tax-exempt bond program. As the bond program that is guided by Treasury like the tax credit, [see the first article](#) in this series for a reference key to various revenue rulings, procedures, IRS publications, IRS Notices and other documentation that applies to bond housing as it does to the credit.

Compliance professionals are to be commended when they seek to “use the right tool for the right job.” With the above “right tools” in hand, compliance professionals are prepared to do the hard work of constructing policies to meet the requirements of programs applicable to a property.

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