



# Asset Management Notice

To: All Owners and Managers

Notice # 2022.13

From: Bob Conroy, Director of Asset Management

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- I. HUD Releases 2023 OCAFs but also seeking public input on two proposed changes to its OCAF calculation method for future consideration

On Tuesday, November 15, 2022, HUD published the Notice in the [Federal Register Volume 87 No. 219 \(68513\)](#)

The 2023 OCAF for Maine is 8.3.

There are two proposed changes to HUD's calculation methodology:

- 1) Vintage of Data – HUD currently pulls data as of May each year and publishes OCAFs at end of each year. HUD is proposing that with start of 2024 OCAFs, it instead pull data in August of each year to reduce the time lag between when OCAFs are calculated and when they go into effect.
- 2) Insurance Component Data Source – HUD has historically used the Bureau of Labor Statistics Consumer Price Index, Tenants and Household Insurance Index in calculating OCAFs. Beginning with the 2023 OCAFs, it instead used the industry data for Direct Property and casualty insurers– Commercial multiple peril insurance series from the Bureau of Labor Statistics, Producer Price Index as it is the best metric for insurance costs for properties for leased rental housing.

These proposed changes are outlined in Section II of the Notice. Comments must be submitted within 30 days from the date of Issuance of the Notice.



## II. Changes to MaineHousing’s Scheduling Process for Management and Occupancy Reviews and Inspections of Tax Credit Projects

In 2019, the IRS amended the Low-Income Housing Credit Compliance Monitoring regulations with the following impacts:

- 1) The Agency must select the units for inspections or low-income certification review separately and in a random manner.
- 2) The Agency may give an owner reasonable notice that an inspection of the project and of not-yet-identified low-income units or review of low –income certifications will occur. Reasonable notice is defined as generally no more than 15 days.

The IRS provided Agencies until December 31, 2020 to amend their Qualified Allocation Plans (QAP) to reflect these requirements. These above requirements are outlined in the Federal Register, Volume 84 No. 38.

In March 2020, COVID hit and the IRS proceeded to provide relief waivers throughout the period that affected monitoring and inspections. The latest extended relief initiative, published On October 7<sup>th</sup>, 2022, [Notice 2022-52](#) which extended relief initiated under Notice 2022-05, clarifies the following in regards to inspections:

- “For purposes of § 1.42-5, an Agency is not required to conduct compliance monitoring physical inspections in the period beginning on April 1, 2020, and ending on June 30, 2022. Because of high State-to-State and intra-State variability of COVID-19 transmission, an Agency, consistent with a general or specific health and safety recommendation of a State or local public health authority, may extend the waiver in the preceding sentence if the level of transmission makes such an extension appropriate. Depending on varying rates of transmission, the extension may be State-wide, may be limited to specific locales, or may be on a project-by-project basis. No such extension may go beyond December 31, 2023. The Agency must resume compliance-monitoring reviews as due under § 1.42-5 once the waiver expires.”
- “For purposes of § 1.42-5(c)(2)(iii)(C)(3), between April 1, 2020, and the end of 2022 only, when the Agency gives an Owner reasonable notice that it will physically inspect not-yet-identified low-income units, it may treat reasonable notice as being up to 30 days. Beginning on January 1, 2023, for this purpose reasonable notice again is generally no more than 15 days.”

Effective January 1, 2023, MaineHousing will be modifying its notification process for both monitoring reviews and physical inspections to comply with the 15 notification requirement. MaineHousing will contact the property with a specific target review and/or inspection date. If the property is unable to accommodate that date, every attempt will be made to allow MaineHousing access to perform its oversight responsibilities in a period falling between the notification date and proposed scheduled date.

Failure to allow MaineHousing access to tenant records or to conduct inspections, or unreasonable postponements for either process, is a Form 8823 reportable item.

### **III. Changes in AFR Surplus Cash Calculation Determination Methodology**

MaineHousing will be modifying its methodology for calculating surplus cash at year end to synchronize with the methodology currently utilized by the US Department of Housing and Urban Development (HUD).

The following items will no longer be included in the determination of the project's fiscal year-end Surplus Cash:

1. Excess Tax and Insurance proceeds,
2. Excess Replacement Reserve funds and
3. Tenant Receivables less than 30 days.

Deficiencies in either Tax and Insurance escrow or Replacement Reserve escrow requirements are still considered when calculating Surplus Cash. Audit firms may continue to use the same Schedule and leave those columns blank when they don't apply.

This change is being made effective with the year end 12/31 and applicable to Audited Financial Statements received at MaineHousing after 1/1/2023.

Please reach out to your Asset Manager with any questions.

### **IV. Changes to MD-130 Process for Tax & Insurance (T&I) Escrow Withdrawals and Usage**

For projects that have their T&I Escrows held at an outside bank, MaineHousing will no longer require MD-130s be submitted throughout the year to authorize usage of the T&I escrow account. This change is being made effective 1/1/2023.

MaineHousing will utilize the Audited Financial Statement review process as its means of assessing whether the T&I account is being funded and utilized as required. MaineHousing may also conduct reviews of the account during its Management and Occupancy Review process.

If, during either of the review processes it is determined that the property is not funding and/or utilizing the account as required, MaineHousing reserves the right to require the T&I account be deposited and maintained in a Federated account overseen by MaineHousing.

Please reach out to your Asset Manager with any questions.

*Please note that MaineHousing provides notices as a service to our partners. Notices are not intended to replace ongoing training and do not encompass all compliance and regulatory changes that may occur on the wide arrange of housing programs in which we work. MaineHousing recommends partners establish an ongoing training program for their staff.*



*MaineHousing does not discriminate on the basis of race, color, religion, sex or gender, sexual orientation, gender identity or expression, national origin, ancestry, disability, age, marital status or receipt of public assistance in the admission or access to or treatment in its programs and activities. In employment, MaineHousing does not discriminate on the basis of race, color, religion, sex or gender, sexual orientation, gender identity or expression, national origin, ancestry, age, disability or genetic information. MaineHousing will provide appropriate communication auxiliary aids and services upon sufficient notice. MaineHousing will also provide this document in alternative formats upon sufficient notice. MaineHousing has designated the following person responsible for coordinating compliance with applicable federal and state nondiscrimination requirements and addressing grievances: Lauren Bustard, Maine State Housing Authority, 26 Edison Drive, Augusta, Maine 04330, Telephone Number 1-800-452-4668 (voice in state only), (207) 626-4600 (voice) or Maine Relay 711.*

