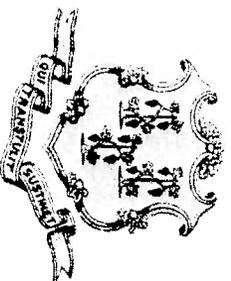


Asset & Property Management Manual



A MANUAL FOR THE MANAGEMENT OF DEC D FINANCED HOUSING

TABLE OF CONTENTS

<u>Paragraph Number</u>		<u>Page Number</u>
CHAPTER 1. AFFORDABLE HOUSING		
Section 1. Program Description		
1-1	Types of Assistance and Eligible Developers	1
1-2	Use of Development Funds and Handicap Units	1
1-3	No Operating Subsidy	1
Section 2. Statutes, Regulations, Loan Documents and Assistance Agreement		
1-4	Statutes	1
1-5	Regulations	1
1-6	Loan Documents and Assistance Agreement	1
Section 3. Eligibility for Admission		
1-7	Income Limits	1
1-8	Eligible Families	2
Section 4. Rent Determination		
1-9	General Requirements	2
1-10	Terms Used to Compute the Rent	2
1-11	Forms Used to Compute the Rent	3
Section 5. Annual Recertifications & Continued Occupancy		
1-12	Procedure for Implementing Continued Occupancy Requirements	3
1-13	How Decreases in Income Affect Over Income Tenants	3
1-14	Eviction of Over Income Tenants	4
EXHIBITS		
Exhibit No.		
1-1	Certificate of Approval for Income Limits	5
1-2	Supportive Data Worksheet	6
1-3	Certificate of Approval for Percentage of Income	7
1-4	Affordable Housing Calculation Sheet	8
1-5	Affordable Housing Surcharge Calculation Sheet	9
1-6	Schedule for Annual Recertifications	10
1-7	Request for Certification - Sample Notice	11
1-8	Application for Continued Occupancy	12

1-9	Notice of Over-income Status.....	13
1-10	Over Income Tenants Report.....	14

CHAPTER 2. MODERATE RENTAL HOUSING

Section 1. Program Description

2-1	Types of Assistance and Eligible Developers.....	15
2-2	Use of Development Funds and Handicap Units.....	15
2-3	No Operating Subsidy.....	15

Section 2. Statutes, Regulations, Loan Documents and Assistance Agreement

2-4	Statutes.....	15
2-5	Regulations.....	15
2-6	Assistance Agreement.....	15

Section 3. Eligibility for Admission

2-7	Income Limits.....	15
2-8	Eligible Families.....	16

Section 4. Rent Determination

2-9	General Requirements.....	16
2-10	Terms Used to Compute the Rent.....	16
2-11	Forms Used to Compute the Rent.....	17

Section 5. Annual Recertifications & Continued Occupancy

2-12	Procedure for Implementing Continued Occupancy Requirements.....	17
2-13	How Decreases of At Least 10% in Income Affect Over Income Tenants.....	18
2-14	How Decreases of Less Than 10% in Income Affect Over Income Tenants.....	18
2-15	Eviction of Overincome Tenants.....	18

EXHIBITS

Exhibit No.		
2-1	Certificate of Approval for Income Limits.....	19
2-2	Supportive Data Worksheet.....	20
2-3	Certificate of Approval for Percentage of Income.....	21
2-4	Moderate Rental Housing Calculation Sheet.....	22
2-5	Moderate Rental Surcharge Calculation Sheet.....	23
2-6	Schedule for Annual Recertifications.....	24
2-7	Request for Certification Notice.....	25

<u>Paragraph Number</u>		<u>Page Number</u>
8-4	Procedures to Follow for Expenditures Totaling \$100,000 or less but more than \$1,000.....	74
8-5	Procedures to Follow for Expenditures Totaling \$1,000 or less.....	75
8-6	Bid Waiver.....	76
Section 3. Life Cycle Cost Analysis		
8-7	Life Cycle Cost Analysis – sample format.....	77

CHAPTER 9. OCCUPANCY REQUIREMENTS FOR DECD FINANCED HOUSING

Section 1. Definition of Family Income		
9-1	Exclusions from Family Income.....	89
9-2	Items Included in Family Income and Definition of Net Family Assets.....	89
Section 2. Deductions for Non-Elderly in DECD Financed Housing		
9-3	Definitions of Deductions.....	91
Section 3. Income Verification		
9-4	Income Verification Period.....	93
9-5	Acceptable Forms of Income Verification.....	93
Section 4. Occupancy Standards		
9-6	Determining Unit Size at Move-In.....	96
9-7	Overcrowded or Underutilized Units.....	97
Section 5. The Annual Certification Process		
9-8	Required Procedures.....	97
9-9	Certification Notices.....	98
9-10	Certification Interview.....	98
9-11	Completing the Certification Process.....	98
9-12	Effective Date of Changes in the Tenant Rent.....	99
Section 6. Interim Adjustments of Tenant Rent Due to Increases or Decreases in Income		
9-13	Owner Responsibility for Processing Interim Adjustments.....	99
9-14	Effective Date of Interim Adjustments.....	99

**Section 7. Procedure for Increases in the Base Rent
and/or Percentage of Income Use to Determine the Rent**

9-15	Ninety Day Procedure for Increases in the Base Rent and/or Percentage of Income.....	99
------	--	----

Section 8. Security Deposits

9-16	Applicable Statutes.....	100
9-17	Collection of Security Deposits.....	100
9-18	Escrow Deposit.....	101
9-19	Interest on Security Deposits.....	101
9-20	Return of Security Deposits.....	101

Section 9. Tenant Fraud

9-21	General Requirements.....	101
9-22	Recertifying Improper/Inaccurate Information for Certification or Recertification of Tenant Rent.....	102
9-23	Lease Provisions Required.....	102

EXHIBITS

Exhibit No.		
9-1	Release Form for Income Verification.....	103
9-2	Record of Third Party Verification.....	104
9-3	Calculation Worksheet to Determine a Tenant's Unreimbursed Medical Expenses.....	105
9-4	Request for Certification Notice.....	106
9-5	Request for Certification Follow-up Notice.....	107
9-6	Request for Certification Final Notice.....	108
9-7	Request for Annual Recertification.....	109
9-8	Certification of Income and Family Participation.....	110
9-9	Notice of Proposed Rent Increase.....	111
9-10	Thirty Day Notice of Rent Increase.....	112
9-11	Calculating Family Income from Assets.....	113

**CHAPTER 10. SUGGESTED POLICIES AND PROCEDURES
AND REPORTING REQUIREMENTS**

1.	Insurance Requirements.....	115
2.	Quarterly Financial Statements.....	134
3.	Investment of Funds.....	135

Chapter 1

AFFORDABLE HOUSING PROGRAM

Section 1. Program Description

- 1-1. The Affordable Housing Program provides financial assistance to eligible developers for the development of family rental housing for low income households. Assistance may be in the form of a grant or a deferred loan to Housing Authorities, Nonprofit Corporations and Municipal Developers.
- 1-2. Funds may be available for the new construction and rehabilitation of rental housing. Ten percent of the units must be designed to be accessible to individuals with physical disabilities. Funds may be used for site acquisition and preparation, architectural fees, engineering and relocation expenses, and development and administrative costs.
- 1-3. No operating subsidy is provided for these complexes. Rental payments are based on a percentage of the tenants' adjusted gross income or a base rent established for the complex, whichever is higher. All operating expenses must be paid from these revenues.

Section 2. Statutes, Regulations, Loan Documents and Assistance Agreement

- 1-4. Statutes. The Affordable Housing Program is subject to Sections 8-119a through 8-119j, Section 8-39, and Sections 8-72 through 8-74 of the Connecticut General Statutes. Compliance with Section 8-39 and Sections 8-72 through 8-74 is required by Section 8-119c. Copies of these Statutes may be obtained from the DECD.
- 1-5. Regulations. The Affordable Housing Program is subject to the State of Connecticut's Regulations for the Affordable Housing Program. Copies of these Regulations may be obtained from the DECD.
- 1-6. Loan Documents or Assistance Agreement. Every Affordable Housing complex is also subject to the provisions of the Loan Documents or Assistance Agreement between the owner and the DECD.

Section 3. Eligibility for Admission

- 1-7. Income Limits. An applicant's **adjusted gross income** must be used to determine his/her eligibility for admission and continued occupancy.

The **admission limits** for Affordable Housing shall be fixed at fifty percent (50%) of the area median income, adjusted for family size, as determined from time to time by the U.S. Department of Housing and Urban Development (HUD), unless otherwise approved by the Commissioner of DECD pursuant to the factors listed in Section 8-72a of the Connecticut General Statutes. Thus, the HUD "Very Low" income limits must be used as the Admission

Limits for Affordable Housing, unless different limits are approved by the Commissioner of DECD.

The **continued occupancy limits** for Affordable Housing shall be fixed at 160% of the admission limits, unless otherwise approved by the Commissioner of DECD pursuant to the factors listed in Section 8-72a of the Connecticut General Statutes. Thus, the continued occupancy limits for each complex should be determined with the following formula, unless different limits are approved by the Commissioner of DECD: {HUD "Very Low" Income Limits} x 1.60 = Continued Occupancy Limits.

Exceptions to the normal admission and continued occupancy limits must be approved by the Commissioner of DECD using the "Certificate of Approval" and "Supportive Data Worksheet" contained in Exhibits 1-1 and 1-2. **These forms are only required when requesting an exception to the above stated income limits.** Otherwise, a copy of a Board Resolution establishing the new limits will suffice.

1-8. Eligible Families. Low income families with adjusted gross incomes below the admission and continued occupancy limits are eligible. "Family" means a household consisting of one or more persons.

Section 4. Rent Determination

1-9. General. The Regulations for the Affordable Housing Program provide that tenants will pay the base rent or a percentage of their adjusted gross income, not to exceed 30%, minus a utility allowance, whichever is higher. The percentage of income must be established by the owner and approved by the Commissioner of DECD. Additionally, the Connecticut General Statutes provide that tenants whose adjusted gross incomes increase to a level that exceeds the continued occupancy limits must also pay a 2% surcharge on the income that is in excess of these limits.

1-10. Terms Used To Compute The Rent.

- a. **Family Income.** The total gross annual income received by all persons residing in the unit. (See Section 1 of Chapter 9)
- b. **Adjusted Gross Income.** The family income less all allowable deductions.
- c. **Adjusted Monthly Income.** The adjusted gross income divided by twelve (12).
- d. **Current Approved Percentage.** The percentage by which the adjusted monthly income is multiplied to determine whether the tenant will pay more than the base rent. The percentage of income must be established by the owner and approved by the Commissioner of DECD using the "Certificate of Approval" that appears in Exhibit 1-3.
- e. **Base Rent.** The minimum or base rent that must be charged to meet all of the complex's operating expenses. This rent is established on the Management Plan (i.e., the operating budget) for each complex.
- f. **Available Monthly Income.** The adjusted monthly income multiplied by the current approved percentage.
- g. **Utility Allowance.** The owner's estimate of the average monthly utility bills (except telephone) for an energy conscious household. This estimate considers only utilities

- paid directly by the tenant. If all utilities are included in the rent, there is no utility allowance.
- h. **Adjusted Monthly Rent.** The available monthly income minus the utility allowance.
 - i. **Tenant Rent.** The greater of the adjusted monthly rent or the base rent.
 - j. **Total Monthly Surcharge.** Two percent (2%) of the adjusted gross income that is in excess of the continued occupancy limit.
 - k. **Total Monthly Payment.** The total monthly surcharge added to the tenant's rent.

1-11. Forms Used To Compute The Rent.

- a. **Housing Calculation Sheet.** This form is used to calculate the Tenant Rent. It should also be used to determine if an applicants Adjusted Gross Income exceeds the Admission Limit. The form appears in Exhibit 1-4.
- b. **Affordable Housing Surcharge Calculation Sheet.** This form is used to calculate the Total Monthly Surcharge and Total Monthly Payment for tenants whose incomes increase to a level above the Continued Occupancy Limits. The form appears in Exhibit 1-5.

Section 5. Annual Recertifications and Continued Occupancy in Affordable Housing

1-12. Procedure. A procedure for implementing the continued occupancy and annual recertification requirements in Affordable Housing Program follows:

- a. Immediately after December 31, the owner shall mail an "Application for Continued occupancy" to each tenant in the complex. The owner should also initiate the annual recertification process at this time (see Section 5 of Chapter 9). The information collected during the recertification process will be needed to verify and compute each tenant's eligibility for continued occupancy. A schedule for coordinating these two procedures appears in Exhibit 1-6. The owner should aim to complete the "Applications for Continued Occupancy" and the Calculation Worksheets that are part of these procedures by February 25.
- b. Five or six days before March 1, the owner shall mail a notice to each over income tenant in the complex. Pursuant to Section 8-73 of the Connecticut General Statutes, the notice shall state that the tenant has sixty (60) days to vacate his dwelling unit and that his failure to do so will result in his paying a 2% surcharge effective May 1. The owner must ensure that each over income tenant receives this notice by March 1.
- c. On or about March 1, the owner shall submit a list of all over income tenants to the DECD's Audit & Asset Management Division. The owner shall also include a copy of the following documents for each over income tenant: application for continued occupancy, rent calculation worksheet, surcharge worksheet.
- d. Five or six days before April 1, the owner shall mail a notice to each tenant that specifies the amount of his/her rent effective May 1. The tenant must actually receive the notice by April 1.

1-13. Any over income tenant who experiences a decrease of at least 10% in his/her adjusted gross income may reapply to the owner to have his/her surcharge and eligibility for continued occupancy redetermined. The owner should redetermine the tenant's rent by using his/her anticipated annual income. Anticipated annual income shall be computed by annualizing the

tenant's current income. The owner must reduce the surcharge effective the first month commencing after the month in which the decrease in income is reported.

1-14. Any over income tenant who remains in occupancy after the sixty day notice period is subject to eviction pursuant to Section 8-73 of the Connecticut General Statutes. The Commissioner of DECD may waive the eviction requirements of Section 8-73 if the vacancy rate caused by the eviction(s) would result in an inability of the project to provide an income adequate for debt service, if any, administration, including the state Administrative Oversight Fee, other operating costs and reserves for repairs, maintenance, replacement and collection costs. Inquiries concerning the waiver provisions of Section 8-73 should be directed to the DECD's Audit & Asset Management Division.

A schedule, sample notices, and the forms needed to implement the above procedures appear in Exhibits 1-4 through 1-10.

Chapter 2

MODERATE RENTAL HOUSING

Section 1. Program Description

- 2-1. The Moderate Rental Housing Program provides financial assistance to eligible owners for the development of family rental housing for low and moderate income households. Assistance may be in the form of grants, deferred loans, or loans to Housing Authorities, Nonprofit Corporations, For Profit Developers or Municipal Developers.
- 2-2. Funds may be available for the new construction or rehabilitation of rental housing. Ten percent of the units must be designed to be accessible to individuals with physical disabilities. Funds may be used for architectural and engineering costs, site improvements, construction of the units, ranges and refrigerators, maintenance tools, and relocation costs, as well as administrative expenses incurred during the design and construction of the complex.
- 2-3. No operating subsidy is provided for these complexes. All operating expenses must be paid from the rents collected from the tenants. The room count method of proration shall be used on current Moderate Rental management plans.

Section 2. Statutes, Regulations, Loan Documents and Assistance Agreement

- 2-4. Statutes. The Moderate Rental Housing Program is subject to Sections 8-39 and 8-69 through 8-81 of the Connecticut General Statutes. Copies of these statutes may be obtained from the DECD's Audit & Asset Management Division.
- 2-5. Regulations. The Moderate Rental Housing Program is subject to the State of Connecticut's Regulations for the Moderate Rental Housing Program. Copies of these Regulations may be obtained from the DECD's Audit & Asset Management Division.
- 2-6. Loan Documents or Assistance Agreement. A Moderate Rental Housing complex is also subject to the provisions of the Loan Documents or Assistance Agreement between the owner and the DECD.

Section 3. Eligibility for Admission

- 2-7. Income Limits. An applicant's **adjusted gross income** must be used to determine his/her eligibility for admission and continued occupancy.

The **admission limits** for Moderate Rental Housing shall be fixed at eighty percent (80%) of the Area Median Income, adjusted for family size, as determined from time to time by the U.S. Department of Housing and Urban Development (HUD), unless otherwise approved by the Commissioner of DECD pursuant to the factors listed in Section 8-72a of the Connecticut General Statutes. Thus, the HUD "Low" income limits must be used as the admission limits for

Moderate Rental Housing, unless different limits are approved by the Commissioner of DECD for grant only projects; and 2 x the HUD “Very Low” income limits must be used as the admission limits for Moderate Rental Housing, unless different limits are approved by the Commissioner of DECD for loan and/or grant and loan projects.

The **continued occupancy limits** for Moderate Rental Housing shall be fixed at 125% of the admission limits, unless otherwise approved by the Commissioner of DECD pursuant to the factors listed in Section 8-72a of the Connecticut General Statutes. Thus, the continued occupancy limits for each complex should be determined with the following formula, unless different limits are approved by the Commissioner of DECD: The applicable (HUD Income Limits {Very Low or Low}) x 1.25 = Continued Occupancy Limits

Exceptions to the normal admission and Continued Occupancy Limits must be approved by the Commissioner of DECD using the “Certificate of Approval” and “Supportive Data Worksheet” contained in Exhibits 2-1 and 2-2. **These forms are only required when requesting an exception to the above stated income limits.** Otherwise, a copy of a Board Resolution establishing the new limits will suffice.

2-8. Eligible Families. Low and moderate income families with incomes below the admission and continued occupancy limits are eligible. Family means a household consisting of one or more persons.

Section 4. Rent Determination

2-9. General. The Regulations for the Moderate Rental Housing Program provide that tenants will pay the base rent or a percentage of their adjusted gross income, not to exceed 30%, minus a utility allowance, whichever is higher. The percentage of income must be established by the owner and approved by the Commissioner of DECD. Additionally, the Connecticut General Statutes provide that tenants whose (adjusted gross) incomes increase to a level that exceeds the continued occupancy limits must also pay a 2% surcharge on the income that is in excess of these limits.

2-10. Terms Used To Compute The Rent.

- a. **Family Income.** The total gross annual income received by all persons residing in the unit. (See Section 1 of Chapter 9).
- b. **Adjusted Gross Income.** The Family Income less all allowable deductions.
- c. **Adjusted Monthly Income.** The Adjusted Gross Income divided by twelve (12).
- d. **Current Approved Percentage.** The percentage by which the Adjusted Monthly Income is multiplied to determine whether the tenant will pay more than the base rent. The percentage of income must be established by the owner and approved by the Commissioner of DECD using the “Certificate of Approval” that appears in Exhibit 2-3.
- e. **Base Rent.** The minimum rent that must be charged to meet all of the complex’s operating expenses. This rent is established on the Management Plan (i.e., the operating budget) for each complex.

- f. **Available Monthly Income.** The Adjusted Monthly Income multiplied by the current approved percentage.
- g. **Utility Allowance.** The owner's estimate of the average monthly utility bills (except telephone) for an energy conscious household. This estimate considers only utilities paid directly by the tenant. If all utilities are included in the rent, there is no utility allowance.
- h. **Adjusted Monthly Rent.** The Available Monthly Income minus the Utility Allowance.
- i. **Tenant Rent.** The greater of the Adjusted Monthly Rent or the Base Rent.
- j. **Total Monthly Surcharge.** Two percent (2%) of the Adjusted Gross Income that is in excess of the Continued Occupancy Limit.
- k. **Total Monthly Payment.** The Total Monthly Surcharge added to the Tenant Rent.

2-11. Forms Used To Compute The Rent

- a. **Moderate Rental Housing Calculation Sheet** is used to calculate the Tenant Rent. It should also be used to determine if the applicant's Adjusted Gross Income exceeds the Admission Limit. The form appears in Exhibit 2-4.
- b. **Moderate Rental Housing Surcharge Calculation Sheet** is used to calculate the Total Monthly Surcharge and Total Monthly Payment for tenants whose incomes increase to a level above the Continued Occupancy Limits. The form appears in Exhibit 2-5.

Section 5. Annual Recertification and Continued Occupancy in Moderate Rental Housing

2-12. Procedure: A procedure for implementing the continued occupancy and annual recertification requirements in Moderate Rental Housing follows:

- a. Immediately after December 31, the owner shall mail an "Application for Continued Occupancy" to each tenant in the complex. The owner should also initiate the annual recertification process at this time (see Section 5 of chapter 9). The information collected during the recertification process will be needed to verify and compute each tenant's eligibility for continued occupancy. A schedule for coordinating these two procedures appears in Exhibit 2-6. The owner should aim to complete the "Applications for Continued Occupancy" and the Calculation Worksheets that are part of these procedures by February 25.
- b. Five or six days before March 1, the owner shall mail a notice to each over income tenant in the complex. Pursuant to Section 8-73 of the Connecticut General Statutes, the notice shall state that the tenant has sixty (60) days to vacate his dwelling unit and that his failure to do so will result in his paying a 2% surcharge effective May 1. The owner must ensure that each over income tenant receives this notice by March 1.
- c. On or about March 1, the owner shall submit a list of all over income tenants to the DECD's Audit & Asset Management Division. The owner shall also include a copy of the following documents for each over income tenant: application for continued occupancy, rent calculation worksheet, surcharge worksheet.

d. Five or six days before April 1, the owner shall mail a notice to each tenant that specifies the amount of his/her rent effective May 1. The tenant must actually receive the notice by April 1.

2-13. Any over income tenant who experiences a decrease of at least 10% in his/her adjusted gross income may reapply to the owner to have his/her surcharge and eligibility for continued occupancy redetermined. The owner should redetermine the tenant's rent by using his/her anticipated annual income. Anticipated annual income shall be computed by annualizing the tenant's current income. The owner must reduce the surcharge effective the first month commencing after the month in which the decrease in income is reported.

2-14. Any over income tenant who experiences a decrease of less than 10% in his adjusted gross income is subject to the reporting schedules contained in the Regulations for the Moderate Rental Housing Program.

2-15. Any over income tenant who remains in occupancy after the sixty day notice period is subject to eviction pursuant to Section 8-73 of the Connecticut General Statutes. The **Commissioner of DECD may waive the eviction requirements** of Section 8-73 **if** the vacancy rate caused by the eviction(s) would result in an inability of the project to provide an income adequate for debt service, if any, administration, including the state service charge, other operating costs and reserves for repairs, maintenance, replacements and collection costs. Inquiries concerning the waiver provisions of Section 8-73 should be directed to the DECD's Audit & Asset Management Division.

A schedule, sample notice, and the forms needed to implement the above procedures appear in Exhibits 2-4 through 2-10.

Chapter 9

OCCUPANCY REQUIREMENTS FOR STATE FINANCED HOUSING

Section 1. Definition of Family Income

- 9-1. Family Income is the total, gross annual income received from all sources by the Family head and spouse and each additional person residing in the unit, including all net income derived from assets, but exclusive of the following:
- a. Lump sum additions to Family assets, such as inheritances, lottery winnings, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses.
 - b. Income of a live-in aide. A "live-in aide" is a person who resides with an elderly, disabled, or handicapped person or persons and:
 - (1) is determined to be essential to the care and well being of the person;
 - (2) is not obligated for the support of the person; and
 - (3) would not be living in the unit except to provide the necessary supportive services
 - c. Temporary, nonrecurring or sporadic income (including gifts)
 - d. Food stamps
 - e. Energy Assistance Payments
 - f. Educational Scholarships
 - g. Rental Assistance and/or Renter's Rebate
- 9-2. **FAMILY INCOME INCLUDES**, but is not limited to:
- a. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
 - b. The net income from operation of a business or profession. Neither depreciation nor expenditures for business expansion shall be used as deductions in determining net income. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the Family.
 - c. Interest, dividends and other net income of any kind from real or personal property.
 - d. Depreciation shall not be used as a deduction in determining net income.
 - e. Any withdrawal of cash or assets from an investment will be included in income except to the extent the withdrawal is reimbursement of cash or assets invested by the family.
 - f. The full amount of periodic payments received from social security, public assistance, annuities, insurance policies, retirement funds, pensions (**Note: for periodic payments from IRA and KEOGH accounts, see the definition below under Assets**), disability or death benefits and other similar types of periodic receipts, including lottery winnings paid in periodic payments. **NOTE:** If the entity making the periodic payments is reducing the family's benefits to adjust for a prior overpayment, use the amount remaining after the adjustment for the overpayment.
 - f. Alimony and child support payments received by a person living in the unit.
 - g. Regular contributions or gifts received from persons not residing in the unit.
 - h. All regular pay, special pay and allowances of a member of the Armed Forces.

- i. Interest, dividends, and other income from net family assets; (including income distributed from trust funds.) On deeds of trust or mortgages, only the interest portion of the monthly payments received by the family is included.

NET FAMILY ASSETS INCLUDE:

- Cash held in savings and checking accounts, safety deposit boxes, homes, etc.;
- Trusts. Include the principal value of any trust available to the household. (Do not include irrevocable trusts - i.e., ones that no family member can control);
- Equity in rental property or other capital investments. Include the current market value less: (a) any unpaid balance on any loans secured by the property; and (b) reasonable costs that would be incurred in selling the asset - penalties, broker fee, etc.;
- Stocks, Bonds, Treasury Bills, Certificates of Deposit, Money Market Funds;
- Individual Retirement and Keogh Accounts are to be considered an asset. Do not count a distribution or withdrawal from these accounts as income. Imputed income from the asset should be considered, as described in DECD notice AAMD 99-17.
- Retirement and Pension Funds, while a person is employed, include only amounts the family can withdraw without retiring or terminating employment. At retirement or termination of employment, if benefits will be received in a lump sum, include the benefits in Net Family Assets. If benefits will be received through periodic payments, include the benefits in annual income;
- Lump sum receipts: Include inheritances, capital gains, one-time lottery winnings, settlements on insurance and other claims;
- Personal property held as an investment: Include gems, jewelry, coin collections, or antique cars held as an investment. (Wedding rings and other personal jewelry are not counted as assets).

NET FAMILY ASSETS DO NOT INCLUDE:

- necessary personal property (clothing, furniture, cars, etc.);
- vehicles specially equipped for the handicapped;
- life insurance policies;
- equity in the cooperative unit in which the family lives;
- assets that are part of an active business. A "business" does not include the rental of properties that are held as an investment and not as a main occupation;
- assets that are not effectively owned by the applicant - i.e., when assets are held in an individual's name but: (a) the assets and any income they earn accrue to the benefit of someone else; and (b) that other person is responsible for income taxes incurred on income generated by the assets. Example: Assets held pursuant to a power of attorney because one party is not competent to manage the assets or assets held in a joint account solely to facilitate access to assets in the event of an emergency;
- Assets that are not accessible to the applicant and provide no income to the applicant. Example: A battered spouse owns a house with her husband. Because of the domestic situation, she receives no income from the asset and cannot convert the asset to cash.

In computing assets, owners must use the cash value of the asset - the amount the family would receive if the asset were converted to cash. Cash value is the market value of the asset minus reasonable costs that would be incurred in selling or converting the asset to cash. Expenses which may be deducted include: (a) penalties for withdrawing funds before maturity; (b)

broker/legal fees assessed to sell or convert the asset to cash; (c) settlement costs for real estate transactions.

The following documentation of assets is acceptable:

- Verification forms, letters, or documents from a financial institution, broker, etc.;
- Passbooks, checking account statements, certificates of deposit, bonds, or financial statements completed by a financial institution or broker;
- Quotes from a stock broker or realty agent as to net amount family would receive if they liquidated securities or real estate;
- Real estate tax statements if tax authority uses approximately market value;
- Copies of closing documents showing the selling price, the distribution of the sales proceeds and the net amount to the borrower;
- Appraisals of personal property held as an investment;
- Applicant's notarized statements or signed affidavits describing assets or verifying cash held at the applicant's home or in safe deposit boxes;

NOTE: If the assets are owned by more than one person, prorate the assets according to their percentage of ownership. If no percentage is specified or provided by State or local law, prorate the assets evenly among all owners.

Imputed income from assets: Many assets, such as bank accounts, certificates of deposit, etc. produce interest income. Interest earned on these accounts must be counted in total family income. If a family owns assets that do not produce income. (Example: an elderly tenant moves into the unit before they sell their home). Owners must impute income from this asset by multiplying the total asset by the interest rate established by the DECD. Until further notice, owners must use a rate of 2.0 percent (.020). (Use the Worksheet in Exhibit 9-11 to calculate imputed income from assets.)

Section 2. Deductions For Elderly and Non-Elderly DECD Financed Housing

9-3. **GENERAL**. The following items must be included in the determination of Family Income. Deductions from income vary by individual housing program. The program calculation sheets provided in each chapter will provide guidance on applicable allowances to determine the households Adjusted Gross Income:

- a. Income from employment of dependents (including foster children) under 18 years of age.
- b. Payments received for the care of foster children.
- c. Payments received under the State Department of Children and Family (DCF) adoption program.
- d. Income from employment of full time students under 23 years of age. A full time student is a person who is carrying a subject load that is considered full-time for day students under the standards and practices of the educational institution attended. An educational institution includes a vocational school with a diploma or certificate program, as well as an institution offering a college degree.
- e. Annual medical expenses not covered by insurance which exceed 3% of the Family Income. Medical expenses include:
 1. services of physicians and other health care professionals;
 2. services of health care facilities;

3. medical insurance premiums (including Medicare premiums);
4. prescription/non-prescription medicines;
5. transportation to/from treatment, using IRS guidelines;
6. medical care of permanently institutionalized family member if his/her income is included in the family income;
7. dental expenses;
8. eyeglasses;
9. hearing aids, batteries;
10. attendant care or periodic medical care;
11. payments on accumulated medical bills;
12. Medical expenses also include attendant care and auxiliary apparatus expenses for a handicapped or disabled individual that are: (a) necessary to enable a family member (including the handicapped or disabled member) to be employed; (b) **not** paid or reimbursed by an outside source such as insurance, Medicare or grants by a State agency or charitable organization; and (c) **not** paid to a family member living in the household. Auxiliary apparatus includes, but is not limited to: wheelchairs, reading devices for the visually handicapped, and equipment added to cars and vans to permit their use by the handicapped or disabled family member. **For example,** include payments on a specially-equipped van to the extent they exceed the payments that would be required on a car purchased for transportation of a non-handicapped person. *If the apparatus is not used exclusively by the handicapped person, the owner must prorate the total cost and allow a specific amount for handicap assistance.* If the individual or organization providing attendant care for the handicapped member also provides other services to the family, the owner must prorate the total cost and allow a specific amount for attendant care. The allocation must be reasonable in terms of the hours and type of care (e.g., specialized medical vs companionship) provided. **NOTE:** The allowance for handicap assistance expenses is limited to the employment income the adult member(s) will earn because the handicap assistance is available.
- f. Annual child care expenses, but only if:
 1. such care will enable a family member to work;
 2. no adult household member capable of providing child care IS available during the hours the care is needed;
 3. the amount deducted is reasonable for the hours and type of care provided;
 4. the amount is not paid to a person living in the unit;
 5. the amount is not paid or reimbursed by an agency or individual outside the household;
 6. the child care expenses claimed as a deduction do not exceed the employment income derived because the care is available.
- g. Alimony and child support payments paid by a person residing in the unit as ordered by the courts;
- h. \$750 per dependent, a dependent is any person residing in the unit who derives more than 50% of his or her support from the household;
- i. Ten percent (10%) deduction for Moderate Rental Housing. This deduction is calculated as follows: {Family Income minus (-) Applicable Deductions} x .10 = Ten Percent Deduction. This deduction applies only to Moderate Rental Housing.

*Note: **Deductions for Elderly and Congregate Housing.** The deductions for Elderly Housing are limited to those listed above in Section 9-3 (e) and 9-3 (g) alimony, and annual medical expenses not*

covered by insurance which exceed 3% of the Family Income. See Chapter 4 for the deductions that apply to Congregate Housing.

Section 3. Income Verification

9-4. Verification Period. The income verification period shall be the Calendar Year January 1 to December 31 of the preceding year, unless there has been a ten percent increase or decrease in the Family Income since the end of the Calendar Year. The family's current income shall be verified if there has been a ten percent increase or decrease.

9-5. Acceptable Forms of Income Verification.

- a. Owners must verify and document all income, expenses, assets, household characteristics and circumstances that affect eligibility or tenant rent.
- b. Owners must maintain documentation of all verification efforts for at least three (3) years after the effective date of the certification or recertification.
- c. The following forms of income verification are acceptable:
 1. **Employment Income:** (a) employment verification form completed by the employer; (b) check stubs or earning statements showing the employee's gross pay per pay period and frequency of pay; (c) W-2 forms; (d) notarized statements, affidavits or income tax returns signed by the applicant describing self-employment and amount of income or income from tips and other gratuities;
 2. **Social Security, Pensions, Supplemental Security Income (SSI), Disability Income:** (a) benefit verification form completed by agency providing the benefits; (b) award or benefit notification letters prepared and signed by the authorizing agency (since checks or bank deposit slips show only net amounts remaining after deducting Medicare, they may be used only when award letters can't be obtained). In this case, add back the amount of the Medicare premium to determine the gross amount of Social Security.
 3. **Welfare:** Obtain the Welfare agency's written statements as to type and amount of assistance family is receiving
 4. **Alimony or Child Support Payments:** (a) copy of a separation or settlement agreement or a divorce decree stating amount and type of support and payment schedules; (b) a letter from the person paying the support; (c) copies of the last three support checks; (d) applicant's notarized statement or affidavit of amount received or that support payments are not being received and the likelihood of support payments being received in the future;
 5. **Net Income From a Business:** The following documents show the net income derived from a business: (a) IRS Tax Return, Form 1040, including any, Schedule C (Small Business), Schedule E (Rental Property Income), Schedule F (Farm Income); (b) audited or unaudited financial statement(s) of the business; (c) loan application listing income derived from the business during the previous 12 months; (d) applicant's notarized statement or affidavit as to net income realized from the business during previous years.
- d. **Recurring Gifts:**
 1. Notarized statement or affidavit signed by the person providing the assistance. Must give the purpose, dates and value of gifts
 2. Applicant's notarized statement of affidavit that provides the information in the above paragraph.
- e. Savings Account Interest Income and Dividends:

1. Account statements, passbooks, certificates of deposit, etc.;
 2. Broker's quarterly statements showing value of stocks or bonds and the earnings credited to the applicant;
 3. IRS Form 1099.
- f. Interest Income From Sale of Real Property Pursuant to a Purchase Money Mortgage, Installment Sales Contract or Similar Arrangement:
1. A letter from an accountant, attorney, real estate broker, the buyer, or a financial institution stating the interest due for 12 months;
 2. Amortization schedule showing interest for 12 months.
- g. Rental Income from Property Owned by Applicant:
1. IRS Form 1040 with Schedule E (Rental Income);
 2. Copies of latest rent checks, leases, or other records.
 3. Documentation of applicant's income and expenses in renting the property (tax statements, insurance premiums, receipts for reasonable maintenance and utilities, bank statements or amortization schedules showing monthly interest expense).
 4. Lessee's written statement identifying monthly payments due the applicant and applicant's affidavit as to net income realized.
- h. Full-Time Student Status:
1. Written verification from the registrar's office or appropriate school official;
 2. School records indicating enrollment for sufficient number of credits to be considered a full-time student by the school.
- i. Child Care Expenses:
1. Written verification from the person who receives the payments;
 2. Verifications must specify the hours and days during which the care is provided, the names of the children cared for, and the frequency and amount of compensation received. (Owners should recognize that child care costs may be higher during summer and holiday recesses);
 3. Applicant's certification as to whether any of those payments have been or will be reimbursed by outside sources.
- j. Medical Expenses:
1. Written verification by a doctor, hospital or clinic personnel, dentist, pharmacist, etc., of: (a) the medical costs incurred by the applicant and of regular payments on medical bills; and (b) extent to which those expenses were/will be reimbursed by insurance or a government agency;
 2. The insurance company's or employee's written confirmation of health insurance premiums paid by the applicant;
 3. Social Security Administration's written confirmation of medicare premiums paid by the applicant;
 4. For attendant care: (a) Doctor's certification that the assistance of an attendant is medically necessary; (b) Attendant's written confirmation of hours of care provided and amount and frequency of payments received from the family (or copies of cancelled checks the family used to make those payments); (c) Applicant's certification as to whether any of those payments have been or will be reimbursed by outside sources;
 5. Receipts, cancelled checks, pay stubs that indicate health insurance premium costs, or other documents that verify medical and insurance expenses.
 6. Copies of payment agreements with medical facilities or canceled checks that verify payments made on outstanding medical bills.

k. Medical Need For Larger Dwelling Unit: A reliable medical source must certify that such arrangements are medically necessary.

1. Handicap Assistance:
 1. Attendant Care:
 - a. Attendant's written certification as to: Amount received from the applicant/tenant; frequency of receipt, hours of care provided; and/or copies of canceled checks that applicant/tenant used to make those payments.
 - b. Certifications required by #3 below.
 2. Auxiliary Apparatus:
 - a. Receipts for purchases of, or evidence of monthly payments for, auxiliary apparatus.
 - b. In the case where the handicapped person is employed, a statement from the employer that the auxiliary apparatus is necessary for employment.
 3. In All Cases:
 - a. Written certification from a doctor or a rehabilitation agency that the handicapped person requires the services of an attendant or the use of auxiliary apparatus to permit the handicapped person to be employed or to function sufficiently independently to enable another family member to be employed.
 - b. Family's written certification as to whether they receive reimbursement for any of the expenses in paragraph 1 and 2 above and the amount of any reimbursement received.
 - m. Family Type and Membership In Family:
 1. For elderly household—age may be verified with: (a) copy of a birth certificate, baptismal certificate, census record, official record of birth or other authoritative document; or (b) receipt of SSI Old Age benefits or Social Security retirement benefits.
 2. For disabled head or spouse—disability may be verified with: (a) evidence of receipt of Supplemental Security Income for the disabled, handicapped, or blind; (b) Social Security disability benefits; or (c) certification from any Federal agency or board (e.g., the Veteran's Administration) that the head or spouse is totally disabled.
 3. For family membership of persons younger than age 17 -- birth certificate, adoption papers and/or custody agreements.

A sample release form, "Record of Third Party Verification" form and calculation worksheet for medical expenses appear in Exhibits 9-1, 9-2 and 9-3.

Section 4. Occupancy Standards

9-6. Determining Unit Size at Move-In. Owners must balance the need to avoid overcrowding with the need to make the best use of available space. Owners must consider both the number of persons in the household and the relationship and sex of those persons.

- a. Household members. To determine how many bedrooms a family may have, owners may count:
 1. all full-time members of the household,
 2. children who are away at school but live with the family during school recesses,
 3. children who are subject to a joint custody agreement but live in the unit at least 50% of the time,
 4. an unborn child,
 5. lost children, and
 6. live-in attendants.

NOTE: Owners may not provide bedroom space for individuals who are not members of the household such as adult children on active military duty, permanently institutionalized family members, incarcerated individuals, or visitors.

- b. General Occupancy Standards.
 - 1. children of the same sex should share a bedroom,
 - 2. unrelated adults and persons of the opposite sex (other than spouses) may occupy separate bedrooms, and
 - 3. children should not share a bedroom with parents.
- c. Smaller Units. Owners may approve a unit that is smaller than Paragraph b, above, permits if:
 - 1. doing so is consistent with the owner's tenant selection standards and will not cause serious overcrowding, and
 - 2. the family requests a smaller unit because the family would otherwise be rejected because no units of the appropriate size are available.
- d. Larger Units. Owners may assign a larger unit than Paragraph b, above, permits if:
 - 1. the family provides a certification that a larger unit is required for medical reasons, and
 - 2. no eligible family requiring the larger unit will be available to occupy the unit within 60 days; the project contains the correct size unit for the family; and the family agrees to move to the correct size unit, at its own expense, when one becomes available.

9-7. Overcrowded or Underutilized Units.

- a. After move-in, if the unit becomes overcrowded or underutilized because of changes in household composition, the owner should require the family to move to an appropriate size unit when one becomes available.
- b. In deciding whether the tenant should be required to move, the owner should consider the following:
 - 1. Is there an appropriately sized unit in the project?
 - 2. Is there a market for the size of unit the tenant would be vacating? If the tenant is occupying a unit that is larger than needed and there is no demand for that larger unit, the owner need not require the tenant to move from the larger unit until there is a demand for that size of unit.
 - 3. How long will the tenant remain in the project? Had he/she given an indication of moving out of the project? If the tenant will be moving within a few months, the owner need not require the tenant to transfer.
 - 4. The financial impact on the tenant.
- c. If the owner requests the tenant to transfer, the tenant must be given the option of:
 - 1. remaining in the unit and paying the higher of base rent for that unit or the approved percentage of their adjusted gross income
 - 2. moving within 30 days after the owner notifies him/her that a unit of the required size is available within the complex.

Section 5. The Annual Certification Process

9-8. General. The following procedures should be utilized for annual certifications. Owners should also review the annual certification guidelines contained in the Program Chapters (i.e., Chapters 1-7) to determine if there are additional procedures that apply to their particular complexes.

9-9. Certification Notices.

a. Initial Certification Notice. Immediately after December 31 of each year, the owner must mail a "Request for Certification Notice" to each tenant in the complex. The notice must specify the place, date and time for the certification interview and must advise the tenant to supply any documents in his/her possession that can be used to verify the amount of his/her income and/or deductions.

b. Follow-up Certification Notice. If the tenant fails to report for the certification interview, the owner should immediately mail the tenant a follow-up notice. The follow-up notice should reschedule the certification interview and state that any additional failure to comply with the certification requirements will result in the Authority starting the eviction process.

c. Final Certification Notice. A tenant who fails to respond to the follow-up notice will be mailed a final notice informing him that his/her noncompliance with the certification requirements will now become grounds for eviction.

NOTE: If the tenant reports after the scheduled interview, and in the event that it is determined that, based on verified income data, the tenant's rental should have been an amount which exceeds the amount actually paid by the tenant, the tenant shall be charged the higher rental retroactive to the date said rental was due. In the event that it is determined that the amount paid by the tenant exceeds the amount which should have been paid, in accordance with Sec. 8-79a-17 no refund or credit shall be made to the tenant, due to the fact that the housing authority has had to spend considerable effort to enforce the income reverification regulations.

9-10. The Certification Interview. The owner must review the "Certification of Income and Family Participation" and carefully question the tenant to identify all of the household's income sources and deductions. The owner must then verify all income, expenses, household characteristics and circumstances that affect the tenants rent and/or eligibility for continued occupancy. Note: A review of the previous year "certification" will help to identify sources of income/assets/deductions and can help you to ask pertinent questions in reviewing current information.

9-11. Completing the Certification Process.

- a. Owners of Moderate Rental and Affordable Housing complexes should aim to complete the certification process by March 1. This will enable the owners to send a sixty (60) day notice of surcharge to all overincome tenants on or before March 1. Owners of all other complexes should aim to complete the certification process by April 1. This will enable the owners to send a thirty (30) day notice of rent increase to the tenants on or before April 1. Adhering to these schedules will permit the owner to implement all rent increases on May 1.
- b. Owners of complexes charging the greater of a base rent or a "percentage of income" may want to schedule a change in the base rent and/or "percentage of income" so that it coincides with the annual certification process. Doing so will prevent the owner from having to increase some rents twice during a single year, once during the annual certification process, and then again when the base rent and/or the "percentage of income" is raised in conjunction with the submission of a new management plan (i.e., a new operating budget).

- 9-12. Effective Date of Changes in Tenant Rent.
- a. Increase in Tenant's Rent. If the owner or a third party causes a delay in the recertification processing, any increase in the tenant's share of the rent may only be implemented after the owner has given the tenant thirty (30) days advance written notice of the increase. If the tenant causes a recertification to be completed after the effective date, any resulting increase in the tenant's share of the rent must be retroactive to the scheduled effective date of the recertification.
 - b. Decrease in the Tenant's Rent. If the owner or a third party causes a delay in recertification processing, any decrease in the tenants share of the rent must be retroactive to the scheduled effective date of the recertification. If the tenant causes a recertification to be completed after the scheduled effective date, the effective date of the decrease **will be** the first day of the month commencing after the date that the tenant reports for his/her recertification interview.

A schedule, sample notices, and the "Certification of Income and Family Participation" needed to implement the above procedures appear in Exhibits 9-4 through 9-8. Owners should modify the terminology used in these Exhibits to match the terminology used for their programs (e.g., Owners of Limited Equity Cooperative complexes should substitute the terms "established carrying charge" and "carrying charge" for the terms "base rent" and "tenant rent").

Section 6. Interim Adjustments of Tenant Rent Due to Increases or Decreases in Income

- 9-13. Owner Responsibility for Processing Interim Adjustments. The owner must process an interim adjustment in the Tenant Rent if the tenant reports an:
- a. interim increase in adjusted gross income of at least 10%;
 - b. interim decrease in adjusted gross income of at least 10%;
 - c. interim change in household composition;
 - d. increase in deductions (number of dependents, child care expenses, etc.).

9-14. Effective Date Of Interim Adjustments. The Owner must notify the Tenant of any change in rent resulting from an interim adjustment. In the case of unit transfers, the change in rent is effective on the day on which the Tenant actually occupies the new unit. Rent increases and decreases should be implemented according to the following schedule:

- a. Rent Increase. If the Tenant's rent increases because of an interim adjustment, the Owner must give the Tenant 30 days advance written notice of the increase. The effective date of the increase will be the first of the month commencing after the end of the 30 day period.
- b. Rent Decrease. If the Tenant's rent decreases because of an interim adjustment, the Owner must make the decrease effective the first day of the month commencing after the date that the Tenant reports the decrease. The Owner does not have to give the Tenant 30 days notice of a rent decrease.

Section 7. Procedure for Increases in the Base Rent and/or the Percentage of Income Used to Determine the Rent

9-15. The following 90 day procedure must be adhered to whenever the owner proposes to increase the base rent and/or the percentage of income used to determine the Tenant Rent. The owner's failure to adhere to this procedure will invalidate the rent increase. Prior to implementing a change in the base rent and/or the percentage of income, the owner must:

WITHIN THE FIRST 30 Days:

- a. Send a notice to all tenants informing them that a change in the base rent and/or the percentage of income will be considered by the Owner during a formal meeting (include the date and time of meeting). This notice must be sent to all tenants, at least 30 days prior to the scheduled meeting. (Note: it is not sufficient to post a notice in the community room or any other area.) This notice must advise tenants that they can attend the meeting or submit written comments within the thirty (30) day notice period. The tenants should also be advised that they can review any documents supporting the proposed change in the base rent and/or percentage of income.

WITHIN THE SECOND 30 Days:

- b. At the end of the thirty (30) day notice period, the meeting is held to discuss the proposed increase. This should be done within the first (15) days of the second (30) day period. After the meeting is held and within the next (15) days, owners must submit to the DECD any tenant comments, minutes of the meeting and a Board resolution recommending the new rental rates in the proposed Management Plan (operating budget.)
- c. The DECD will approve, disapprove, or modify the proposed change in the base rent and/or percentage of income via the review and approval process for the management plan and will notify the Owner of its decision within that second fifteen (15) day period.

WITHIN THE THIRD 30 Days:

- d. If the change in the base rent and/or percentage of income is approved by DECD, the Owner must send all tenants a thirty (30) day notice of the rent increase that will result from the change. This notice must be received by the tenants 30 days prior to the implementation date of the new rent/percentage of income. The final approval of rent increases and/or percentage increases is done via approval of the owner's management plan. Without the approved operating budget, the increase cannot be implemented.

Section 8. Security Deposits

9-16. General. The collection, use and return of security deposits are subject to the provisions of Sections 47a-21 through 47a-22a of the Connecticut General Statutes.

9-17. Collection of Security Deposits.

- a. **Amount.** The amount of the security deposit is limited by statute to two months' rent for tenants under sixty-two years of age, and one month's rent for tenants sixty-two years of age or older. The amount of the security deposit is established at move-in and is not changed when the tenant's rent changes.
- b. **Unsubsidized Elderly and Congregate Housing Projects.** Security deposits for tenants in unsubsidized Elderly and Congregate Housing projects that are developed by housing authorities, community housing development corporations, or other corporations approved by the Commissioner of DECD for state financial assistance under the provisions of Parts VI and VII, Chapter 128, CGS, must be returned with interest after one year of occupancy. Interest must be paid in accordance with the provisions of Section 47a-22a, CGS. Collection of a security deposit is not recommended for these projects because of this requirement.
- c. **Elderly Housing Projects Subsidized by the Section 8 New Construction and Substantial Rehabilitation Programs.** The collection of a security deposit is a prerequisite for making a claim to HUD for reimbursement of unpaid rent and tenant damages. Owners must collect

(and then return with interest at the end of one year) the security deposit required by HUD regulations in order to be eligible for reimbursement of unpaid rent and tenant damages.

- d. **Unit Transfers.** When a family transfers to a new unit, the owner may:
 - 1. transfer the security deposit; or
 - 2. close out the deposit for the old unit and charge a new deposit.
 - (a) to close out the old deposit, the owner must deduct tenant damages, unpaid rent and other charges owed under the lease and refund the balance to the tenant.
 - (b) the new deposit must be based on the rent that will be required for the new unit.

9-18. **Escrow Deposit.** Owners must deposit the entire amount of all security deposits into one or more escrow accounts in a financial institution. The escrow account(s) established for this purpose is subject to the provisions of Section 47a-21 (h), CGS.

9-19. **Interest.** For programs other than Elderly and Congregate, the rate of interest to be paid is published annually by the State Banking Commission and forwarded to owners by DECD through AAMD notices. Interest must be paid to the tenant or credited toward the next rental payment due from the tenant on the anniversary date of the tenancy and annually thereafter. Paying interest only upon move-out does not meet the requirements of Section 47a-21, CGS.

- a. If the tenancy is terminated before the anniversary date of such tenancy, or if the owner returns all or part of a security deposit prior to termination of tenancy, the owner must pay the accrued interest to the tenant within thirty days of the termination or return.
- b. If the tenant has been delinquent for more than ten days in the payment of any monthly rent, he shall forfeit any interest which would otherwise be payable to him for that month.

9-20. **Return of Security Deposits.**

- a. The tenant must notify the owner in writing of his forwarding address upon termination of tenancy. Within thirty days after termination of tenancy, or within fifteen days of notification of forwarding address, **whichever is later**, the owner must deliver to the tenant at such forwarding address either (1) the full amount of the security deposit plus any accrued interest, or (2) a written notice advising the tenant of the nature of any damages suffered by the owner by reason of the tenant's failure to comply with his/her obligations.
- b. Owners may deduct delinquent rent, other charges owed under the lease, and the cost of cleaning, repairs, and replacements due to tenant neglect or abuse, from the security deposit.
- c. If there are deductions, the balance of the security deposit and accrued interest must be returned to the tenant with a written statement itemizing the nature and amount of the damages within sixty days of the termination of tenancy, or fifteen days after the owner receives written notice of the tenant's forwarding address, whichever is later.

Section 9. Tenant Fraud

9-21. **General.** If a Tenant fails to supply required reports of interim changes in income or other factors, or submits incorrect information on any application, certification or recertification and, as a result, is charged a rent less than the amount required by the DECD's rent formulas, the Tenant must reimburse the Owner for the difference between the rent the Tenant should have paid and the rent he/she was charged.

9-22. Recertifying Improper or Inaccurate Information for Certification and Recertification of Tenant Rent. When the Owner becomes aware that a Tenant may have provided improper or inaccurate information during the processing of a Tenant's certification or recertification, the Owner shall do the following:

- a. The Owner must investigate and document the Tenant's statements or any conflicting information the Owner has received. To investigate questionable information, the Owner may:
 1. Confront the Tenant with the Tenant's information and any conflicting information;
 2. obtain additional information from other persons or agencies; or
 3. take other actions to verify either the Tenant's information or the conflicting information.

For Example: A Tenant may state that he/she does not receive child support payments. The Tenant's ex-spouse may then be contacted by the Owner and asked to supply copies of canceled checks and/or receipts for monthly child support.

- b. If the efforts outlined in paragraph (a) above lead the Owner to conclude that the Tenant supplied incorrect information, the Owner must document his/her findings in writing. The Tenant must then be notified in writing of the error, identifying what information is believed to be incorrect. In addition, the Tenant must be provided with an opportunity, within 10 calendar days, to meet with the owner and discuss the allegations.
- c. If the Tenant responds and convinces the Owner that his/her submissions were correct, the Owner should document the record accordingly. If the Owner determines that the Tenant is wrong, the Owner should adjust the Tenant's rent to reflect any corrected income, allowances, and family composition and require the Tenant to make arrangements to pay the amounts that were previously underpaid because of the Tenant's submission of incorrect information.
- d. The meeting with the Owner shall be with a designated representative of the owner who has not been involved in any manner with the review of the allegedly false information.

9-23. Lease Provisions. Owners must develop lease provisions that permit the termination of the Tenant's lease if the Tenant deliberately supplies false information. The lease should also specify that the Tenant must report the following changes:

- a. a household member moves out of the unit;
- b. an adult member of the household who was reported as unemployed on the most recent certification or recertification obtains employment;
- c. the household's income cumulatively increases by \$40 or more a month.