

Acing an OHCS Regulatory Review



Oregon AHMA Spring Symposium
May 20, 2026
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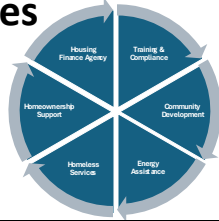
Today's Agenda

- What OHCS Reviews and Why
- Predocs That Pass the "First Glance" Test
- The 3 Layers of a Compliant Tenant File
- Common Findings – How to Avoid Them
- How To Respond Cleanly & Close Reviews Fast

OHCS Compliance Acronym Glossary

- AFHMP – Affirmative Housing Marketing Plan
- AM – Asset Management
- ARH – Affordable Rental Housing
- BIN – Building Identification Number
- CA – Compliance Analyst
- CM – Compliance Mandatory
- HFA – Housing Finance Agency
- HOTMA – Housing Opportunity Through Modernization Act
- MA – Management Agent
- MI – Move-in
- MRQ – Management Review Questionnaire
- MTSP – Multifamily Tax Subsidy Program
- NSPIRE – National Standards for the Physical Inspection of Real Estate
- O/A – Owner/Agent
- OHCS – Oregon Housing & Community Services
- RSP – Resident Service Plan
- RA – Regulatory File Audit
- RI – Regulatory Inspection
- RR – Regulatory Review
- TIC – Tenant Income Certification
- TSP – Tenant Selection Plan

Oregon Housing & Community Services



ARH Portfolio Administration

Programs We Monitor (At-a-Glance)

- LIHTC (Section 42)
- HOME & National HTF
- LIFT
- Risk Share
- Elderly & Disabled Bonds



How Often & When

Compliance Monitoring

- Owner's Annual Certification of Continued Program Compliance (the annual "CCPC")
- Regulatory Review ("RR")
 1. Management Operations and Tenant Files ("RA")
 2. Maintenance Operations and Physical Condition ("RI")



Review Method Types

Initial Lease-Up Review: At or near lease-up, confirms first year certifications are accurate

On-Site: The compliance analyst visits the property audits the files AND inspects units

Electronic: Remote file review, Owner/Agent uploads files through Procorem

Special/Triggered: Initiated by multiple non compliance concerns with either files or the physical inspection



The Review Journey

Regulatory Review Process

Notify the O/A in writing of the Review Date and approximate Time

Conduct an on-site File Audit and Physical Inspection (RR) – OR – a File Audit without a Physical Inspection (RA) - OR -

Conduct an Electronic File Audit (remote) with a Physical Inspection (RR) – OR – an on-site Physical Inspection only (PI)

The CA will email the noncompliance findings in a Report to the O/A and will include:

- Corrective Actions Required
- 45-day Submission due date
- An Extension, if needed (*must be communicated to your CA before the due date*)

Predocs: What & When

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Day of Review:

- Resident Services Report Plan
- AFHMP with marketing materials
- Utility Allowance Source Document with Calculations
- Managements Written Policies (as selected)
- Preventative Maintenance Plan
- Other items as requested


Owners Responsibility

- ORS 456.515-456.725

This statute gives OHCS the authority to inspect any property it funds and to review all related records.

Owners must maintain accurate, complete documentation and provide it to OHCS upon request to ensure compliance with program requirements.

REQUIRED



What's one part of Predocs that feels most stressful or confusing?



The 3 Layers of a Compliant File

Eligibility	Certification	Lease & Unit Documentation
<ul style="list-style-type: none"> • Application • Screening Summary • Income • Assets 	<ul style="list-style-type: none"> • Tenant Income Certification • OHCS Compliance Mandatory & Recommended Forms • Timelines • Student Rule 	<ul style="list-style-type: none"> • Rental Agreement • Lease Addenda • Utility Allowance • Rent

All compliance mandatory and recommended forms are on the OHCS website at:
<https://www.oregon.gov/hcs/compliance-monitoring/Pages/portfolio-administration.aspx>

Layer 1: Eligibility Essentials

- Application
- Screening (or criterion summary) report. If denied, appeal & override letter is present.
- Income & Asset Verifications and documentation
- Completed Tenant Income Certification (TIC)
- OHCS Compliance Mandatory and Recommended forms
- Project move-in date verification

Verification Hierarchy from HUD

• Always use the highest-level, most reliable form of verification available before moving to a lower level.

Level	HUD's Verification of Hierarchy	Ranking Order of Acceptability
5	Upfront Income Verification (UIV) using non EIV system - e.g., The Work Number, web-based state benefit systems	Highest
4	Written third-party verification from the source provided by the tenant - e.g., paystubs, bank statements, benefit letters, etc. Also, may be referred to as IIV.	High
3	Written, third-party verification form	Medium - use if applicant or tenant is unable to provide Level 4 documentation
2	Oral, third-party verification	Medium
1	Self-Certification (not third-party)	Low - use as last resort if unable to obtain any third-party

Layer 2: Continued Eligibility

- Annual recertifications (if required)
- Self-certifications
- Updated income/asset verifications
- Updated TICs
- Rent changes and utility allowance adjustments
- Unit transfer documentation
- Student status documentation (if applicable to your program)

Layer 3: Lease & Unit Documentation

- Executed lease: all adults listed; matches TIC composition
Required addenda: LHTC/HOME/VAWA; signed & dated
- House rules and occupancy agreements
- Move-in/Move-out Inspection documentation
- Utility Allowance & Gross Rent: correct schedule/version; ≤ max limit
- Unit designation & dates consistent across all docs

Organize for Readability

- Consistent File Order Across Units
- Clear Labels (income, assets, student status, lease addenda, etc.)
- Combine PDFs (if electronic) or hole-punched together. Avoid loose papers.



Before uploading your files, double check your work, confirm and include:


- Application of all adult household members
- Screening Report of all adult households
- Lease Agreement
- Move-in Unit Inspection Checklist
- LIHTC (Tax Credit) Rider / Addendum
- HOME or HTF Lease Compliance Form (Required for HOME and HTF units)
- VAWA Lease Addendum (HUD-91067)
- Lead Based Paint disclosure, if required
- Unit Transfer Certification, if applicable
- Rents are correctly listed and consistent in Lease Agreement and TICs
- Income and Utility Allowances amounts are current and calculated correctly
- Certification move-in/effective dates are accurate and completed on time
- Current mandatory forms are being used



Common Pitfalls

- Missing third-party verifications
- No student status documentation
- Missing asset verification
- No explanation for zero income
- Income calculated differently in two places
- Household composition differs between TIC, lease, and application
- Rent roll doesn't match TIC
- Utility allowance on TIC doesn't match the UA schedule used
- Move-in/Effective dates incorrect





What's one part of the file review that feels most stressful or confusing?



IMPORTANT ANNOUNCEMENT


ANNOUNCEMENT – 100% LIHTC ONLY

100% LIHTC Properties in the First Compliance Period

- First Year Annuals are NO longer required.

CERTIFICATION SCHEDULE:

<u>Certification:</u>	<u>Required Documentation:</u>
• Move-in:	Full Certification with verifications
• First Year & Beyond:	100% LIHTC: Self-Certification
	Non-100% LIHTC: Full Certification with Verifications and Source Documentation



Layered Funding Annual Certifications

- HOME/HTF still requires full income verification at move-in and IDIS years:
 - Full certification at move-in
 - Full certification in IDIS years
 - Self-certification allowed in interim years

Any unit with HOME/HTF funding must follow the income verification rules for that program, even if the LIHTC portion of the property qualifies for self-certification.



A Required Practice

- Although OHCS no longer requires full first-year income recertifications for 100% LIHTC properties, owners must still exercise due diligence consistent with IRC §42 requirements to support accurate initial eligibility and protect against reportable noncompliance.

This expectation is not limited to the LIHTC program.



A Required Practice


Internal Audit

- A review of all income sources and documentation
- Confirmation that no income or household information was omitted at move-in, or within six months of placement.
- An assessment of whether the discrepancy indicates possible fraud or an honest mistake on the part of the tenant or management.
- Documentation of the owner's findings and any corrective actions taken.



Internal Audit Checklist


- Re-verify income sources & documentation
- Confirm no omissions at move-in or within six months of placement.
- Assess mistake vs fraud; take corrective action.
- Document findings and resolutions clearly.





Common Findings & Clean Responses

Common File Audit Findings



1	Missing/expired income verification	Qualified household cannot be determined
2	TIC signed after move-in	Household was not properly qualified prior to move-in
3	Incorrect Utility Allowance	Gross rent may exceed limit
4	Income miscalculated	Income understated; household may be over-income
5	Annual certification completed late	Inability to confirm the household remained program eligible.
6	Missing required lease addendums	Program requirement not met
7	Incorrect program set-aside applied to the unit	Improperly qualified household, placing the unit out of compliance.

Mandatory Forms: Current & Complete

Forms used in the files must meet specific standards:

- Must be the most current form approved (or HUD, where applicable)
- Must be completed in full — no blank required fields
- Must be signed and dated

Correcting Documents (No White-Out!)

Acceptable

Strike-through + correction + Initials + Date
Clear, legible, unaltered original information.
Notes explaining adjustments and reason for.

Unacceptable

- White-out, tape, or any method that hides text.
- Erasing or overwriting original information.
- Recreating or replacing pages to remove errors.



Risks & Consequences

Non-Compliance Risks

- Findings during OHCS monitoring
- Federal audit issues (HUD/IRS).
- Questioned or ineligible costs (HOME)
- Potential tax credit recapture (LIHTC)
- Increased documentation requests and corrective actions.



What Makes a Strong Audit Response

Clear	Accurate	Concise	Supported	Professional
• Directly answers each finding.	• Reflects verified information	• No unnecessary details.	• Includes all requested documentation and confirmation.	• Avoids negative or defensive statements

Top 10 Ways to ACE Your Review

- Hit Timelines (move-in & annual), and the 7-day preproc deadline
- Use current forms; no blanks on required fields.
- Verify Income & Assets thoroughly; apply hierarchy
- Cross-check Lease, UA, and Rent
- Document student status and zero-income clearly.
- Organize files in the 3-layer structure
- Apply the most restrictive rule in layered funding.
- Run internal audits when triggers appear
- Correct transparently (no white-out).
- Respond clearly – accurate, concise, clear.

Common Takeaways from a Regulatory Review Training

- Accuracy Matters More than Volume
- Consistency is Crucial in Compliance
- Organization is a Compliance Tool
- Use Correct Forms Every Time
- Clarifications Are Your Friend
- Compliance is a Team Effort



Steps to Maintain Program Compliance



Knowledge Check



You've received a tenant file for a new household moving into a unit funded with both LIHTC and HOME.

During your internal audit, you notice that the household qualifies under the LIHTC income limits but is just slightly over the HOME income limit.

You also notice that the student rule is stricter under one of the programs but isn't clearly documented in the file.

What is the correct compliance outcome for both programs?

- A. The household qualifies for both LIHTC and HOME; income limits are averaged.
- B. The household qualifies for LIHTC only; the unit cannot be counted as a HOME unit.
- C. The household is ineligible for both programs due to the student rule.
- D. The household can qualify for HOME if the LIHTC limit is met.

Questions & Discussion

Mandatory Forms – Quick Access



Low-Income Housing Tax Credit Mandatory Forms



HOME/HTF Mandatory forms
