

The CCAH Office will be closed Tuesday, September 4 through Wednesday, September 19. The office will re-open on Thursday, September 20.

CAROLINAS COUNCIL FOR AFFORDABLE HOUSING



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Message from the President

Are we doing our job? Is your team doing its job? Most of us think we know what our job is, but with reports to complete, deadlines to make, meeting after meeting to attend and regulation after regulation to keep up with it is easy to forget what our job is. Interestingly, every one of us in this fascinating, turbulent, and fast-paced business of affordable housing has exactly the same purpose. Our purpose is to provide families with a place they can proudly call home at an affordable price. A noble goal, yet one we sometimes lose sight of.

It's amazing how well-trained people left unnoticed by management for any length of time can forget what their jobs' real purpose is. Recently, I was in desperate need of a new laptop and reluctantly decided to spend my Saturday shopping at a couple of the national electronics stores that are in just about every town. My boss, you know him, had ok'd this purchase, and I wanted to get a nice computer before he came back from vacation and changed his mind.

At the very first store I was swarmed upon by a squad of geeks, like bees drawn to nec-

tar. Well, I thought this was ok since I like to see people eager to do their job, and since I had done my homework I was ready to buy. The swarm soon realized I was not ready for massive apitherapy and left me alone with alpha geek to do his job.

After I told him precisely what I was looking for, he proceeded for the next fifteen minutes to tell me all about the new Mac laptop and how inferior Microsoft was and a dozen other tech things. Remember, I told him upfront exactly what I wanted, and a Mac was not what I wanted. But he did pique my interest, so I said, "Ok, show me one." Then he said, and I'm not joking, "We don't sell them."

WHAT? I could not believe my ears. This was a national retailer and this guy was very well trained about computers and was passionate about them. But he did not know what his job was. His sole purpose was to sell me a computer. He was so interested in impressing me with what he knew that he forgot what his job was.

Just like the computer salesman, in this business we too are required to have a great

deal of extraneous knowledge. With everything we are expected to know, it's easy for us to forget what our real job is.

I never cease to be amazed by affordable housing industry personnel and their vast knowledge of regulations, procedures and acronyms. Every day we manage people, processes, machinery, suppliers, contractors, voice mail, e-mail, phone calls, contracts, forms, deadlines, inspections, regulation changes, complaints and a thousand other situations.

Whenever I get overwhelmed with processes and regulations, I know it's time to get out and talk to my residents. One "thank you" from a resident is all it takes to remind me what my job really is.

The majority of our families and seniors have very little housing choices available. They know this and appreciate everything we do for them. I am confident that everyday CCAH members and our Agency partners are working to provide affordable and nice housing opportunities for Carolina residents. Our real job is to provide homes. Remind yourself and your team of this every chance you get.

A Washington Report

August 13, 2007

Summer Heat in Washington

It seemed like such a good idea that even after the Capitol building was air conditioned in 1928—eliminating the need to flee the oppressive heat and humidity of the Washington summer—Congress continued its traditional August recess.

This year, the August respite is again as much for escaping high temperatures (body heat) as for constituent work, vacations, campaigns and travel.

When Congress returns in September, no one is forecasting that the partisan temperatures will have cooled, or remain that way if they moderated some over the summer. When you move from the minority to the majority, or vice versa, memories become either very long or very short and very selective.

Here is a look at where some of our key issues stood when Congress (after threats from both Democratic leaders and the President to keep them in session) finally left for the summer.

Appropriations

Congress is slightly ahead of last year's pace: it has 11 rather than 12 of the major appropriations bills left to finish by the October 1 start of fiscal year 2008.

The House has approved all 12 money bills and the Senate just one (Homeland Security). And the President has threatened or promised to veto eight or nine of them because discretionary domestic spending cumulatively is estimated at \$23 billion more than the White House requested.

The House-passed bills and the Senate versions reported out by the appropriations committees vary in their specific amounts for HUD and USDA housing programs. But cuts recommended by the administration have been rejected and the final program-by-program totals will equal or exceed this year's funding levels.

This includes the various prepayment incentives and initiatives contained in appropriations legislation. Housing legislation on preservation/prepayment this year is still uncertain.

The Transportation, Housing and Urban Development and Related Agencies bill passed the House 268-153. Ninety-nine percent of the Democrats voted for the measure and 78 percent of the Republicans opposed it.

The Agriculture, Rural Development, Food and Drug Administration and Related Agencies bill passed the House 237-18 with 13 voting "present."

The vote on Ag Appropriations is misleading, however, since most Republicans walked out and did not vote. The procedural fuss that led to the Republican protest—and lasted until the House finally adjourned after a rare Saturday session—was one of the wildest scenes I have seen in 30 years working with Congress.

Housing

The House Financial Services Committee approved National Housing Trust Fund legislation. The funding for the program to build, rehabilitate and preserve 1.5 million affordable housing units over 10 years comes from non-appropriated funds.

If this legislation progresses, there is still a strong contingent that would like to give state housing finance agencies responsibilities for the funds rather than the current formula which requires a local match and gives 60 percent of the funds to local governments and 40 percent to the states (with a proportionate amount going to rural areas).

The House, on a 333-83 vote, approved Section 8 Voucher Reform legislation. [A summary of the reform provisions is available.]

Energy

In its final hours, the House passed (241-172) a New Directions for Energy Independence bill and a \$16 billion package of tax incentives (through 2012) for renewable energy production tax credits, on a 221-189 vote.

Procedurally, the two House bills were combined for conference with the Senate, which passed its version of the energy production and conservation legislation in June.

The House bill imposes \$16 billion in new taxes on the oil industry to pay for its tax credits and requires utilities to generate 15 percent of their electricity from renewable resources.

The Senate bill does not include the extension of incentives, the new taxes or the 15 percent generation requirement, but does, among other things, require more fuel efficient cars, which is not in the House package.

In addition, language in the HUD appropriations requires the department to "incorporate a robust green building and rehabilitation standards into its housing programs, including a focus on energy efficiency."

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A Washington Report
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Tax Policy

In July, I noted that Treasury Secretary Henry Paulson was making the rounds in the business community to set the stage for a possible Bush administration plan to cut corporate tax rates from 35 percent to 27 percent.

A Treasury study on business taxation and global competitiveness suggests that elimination of the LIHTC and the exclusion of the deductibility of the interest on state and local bonds and other “special tax provisions” could be used to help offset the costs of the corporate rate reduction. [A copy of the Treasury study is available.]

President Bush, after an early August meeting at Treasury and a subsequent news conference, confirmed he is considering such a proposal. But in the same remarks, the President called for making the Research and Development Tax Credit (one of the “special provisions” referred to by Treasury) permanent.

I am not particularly concerned about any threat to the credit or bond programs; I just don't like having the possibility tossed around as an option.

Chances for, Big Gulp, swallowing the cost of permanent relief from the increasingly invasive Alternative Minimum Tax this year or next are even less than I indicated in a recent *Washington Report*.

Ways and Means Chairman Charlie Rangel and other House Democrats had planned to introduce by now a rewrite

of the AMT to provide a “once-and-for-all” solution to the problem.

The apparently non-starting House plan contemplated increasing taxes (a four percent surcharge) on incomes above \$500,000 to where the marginal rate was in 2000.

Another short-term fix, at about \$50 billion a year, to delay discussion of tax increases until after the 2008 elections is expected.

The legislative agenda for other tax legislation, including that related to affordable housing, is totally up in the air.

Miscellany

Nevada Republican Senator John Ensign, a supporter of affordable housing tax policy in the Senate and in his previous life in the House, has been appointed to fill the vacancy on the Senate Finance Committee.

If you would like a copy of either the Section 8 reform proposal or the Treasury study on corporate tax rates and global competitiveness referred to in this report, please let me know.

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2007 Training Opportunities

The PTE Committee for 2007 consists of Lisa McGee, Debbie Honeycutt and Terry Nutt. The committee has scheduled two PTE trainings to offer to members and non-members this year.

1. **Fair Housing Training with Mark English** will take place in Greensboro, NC, on October 16, 2007. Registrations for this training are available on E & A Services Inc. & Fair Housing Solution's Web site: www.AccessEA.com.

2. **USDA, Rural Development** training conducted by Bill Hobbs and staff will take place in three locations in North Carolina: Kinston, Greensboro and possibly Asheville or Hickory. This training will be held in late October or early November. We will keep you posted on a definite date.

These two training sessions will enable you to use your PTE credits for the year. Both of these will be excellent training opportunities for our members and non-members. We encourage each of you to participate in the training that best fits the needs of your company.

Our committee would love for you to offer any suggestions for training needs for your position. Please send any training requests to me at lmcgee@greyco.com. We look forward to hearing from you.

President's Message
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On a lighter side, our 2007 Annual Meeting in Myrtle Beach was well attended by over 150 attendees again this year. Two days of great networking, training and motivational opportunities were available. Thanks to everyone who attended and especially to our sponsors and exhibitors who help make this annual event a success. I am happy to tell you our Annual Meeting Committee has again chosen the Marriott Grande Dunes as the venue for the 2008 Annual Meeting. This committee is already working hard to make next year's meeting even better. Mark your calendars to attend in 2008 on April 20-21.

See you there.

Rick Allen
August 16, 2007

CCAHA Annual Meeting Golf Tournament Grande Dunes Resort Myrtle Beach, South Carolina April 17, 2007



Annual Meeting in Action

May 17-19, 2007

Myrtle Beach, SC



Mike Holoman, President, Partnership Property Management, moderates the popular Agency panel.



Bill Hobbs of North Carolina Rural Development presents the 2006 Site Manager of the Year - Elderly Award to Patsy Oliver of Landura Management Co.



Bill Hobbs, NCRD, and Larry Floyd, SCRD, always find a way to "compromise" over policies.



Larry Floyd of South Carolina Rural Development presents the 2006 Site Manager of the Year - Family Award to Joyce Smith of Harris Brown Management.



Ed Graves, CCAH Secretary/Treasurer, delivers his report on behalf of the Nominating Committee.

Sara's Corner

Newsworthy Updates from Sara Carr Newsom, Manager Rental Assets North Carolina Housing Finance Agency

Changes, Changes, Changes

The affordable housing industry is changing rapidly these days. The IRS Guide for the Low Income Housing Tax Credit Program is out, and now HUD has issued a rather large change to the 4350.3 Handbook. Changes to the HUD Handbook always have an effect on tax credit developments. When Congress created the tax credit program, they intended developments to use HUD's definitions of area median income limits and the determination of eligibility as defined under Section 8 of the United States Housing Act of 1937. Therefore, when HUD makes changes to the rule book, we have to stop and evaluate policies and procedures for qualifying residents.

The changes to the HUD Handbook are effective June 29, 2007; however, even this is a little vague. The HUD transmittal says the changes are effective June 29, 2007, but that owners/managers have 90 calendar days for the effective date, or September 24, 2007, to implement those changes requiring modification to their TRACS software. The 90 calendar-day delay is only intended for TRACS modification. Which means you should implement all possible changes now, unless the change requires changes to TRACS software.

When HUD makes changes, everyone should listen. The changes to the HUD Handbook are felt by most, if not all, affordable housing programs including Low Income Housing Tax Credits, HOME, State Housing Trust Funds, and Tax Exempt Bonds as well as developments with project-based Section 8.

Many state housing finance agencies such as NCHFA already extended the expiration date of verifications from 90 days to 120 days, so this may not be a change for you. Now HUD is also on the bandwagon. The 4350.3 HUD Handbook under section 5-17(B) (1) now officially states that "verifications are good for 120 days from the date of receipt by the owner." Keep in mind that if verifications are older than 120 days, the owner must start over and obtain new verifications.

For quite some time there has been confusion surrounding how many check stubs are needed to verify employment income. When it is not possible to obtain third party verifications, owners may review documents such as paycheck stubs to verify income. Section 5-13 (C)(3)(b) of the Handbook says owners may not accept pay stubs to document employment income **unless** the applicant or tenant provides the most recent four to six pay stubs. As a Housing finance agency that monitors tax credit developments, we observe that employment income is typically documented with less than

4-6 pay stubs. Sometimes there is only one pay stub in the file to document employment income. If your management practices include documenting employment income with pay stubs, be sure that you are collecting for 4-6 pay stubs. Fewer than this required number may result in the issuance of an 8823 because the HFA is not able to determine whether or not the household is qualified.

Valuing Assets

Back to the old ways. Change 2 now requires any periodic withdrawals of cash or assets from an investment to be counted as income. Prior to the change, the 4350.3 Handbook excluded periodic payments received from an asset (such as an annuity) as a source of income until the resident was reimbursed for their initial investment. The change requires us to count withdrawals of cash or assets received as periodic payments from investments regardless of the cost of the investment. Lump sum receipts from pensions and retirement funds are still counted as assets. Many times in the investment world when someone starts receiving periodic payments it is no longer possible to convert the annuity to cash. For example, the value of the annuity is no longer counted as an asset once the owner begins receiving payments. The type of annuity varies, so it is important to ask whether the holder of the annuity has the right to withdraw the balance. For investments such as an IRA, the owner can withdraw all or some of the balance at any time. In other words, the owner has access to the principal and can convert the asset to cash. In this case, the balance in the IRA is counted as an asset.

While you may not see this type of asset very often, there is a change in how Deeds of Trust held by a household member are valued. The value of the asset is now determined by using the unpaid principal balance as of the effective date of the Income Certification. This balance will decline annually as the loan is paid down. The interest portion of the mortgage payment received is counted as income to the household.

There are more changes. For a complete copy of the revised 4350.3 HUD Handbook go to www.hudclips.org.

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