MINNESOTA HOUSING

Frequently Asked Questions (FAQs): Minnesota Affordable Rental Investment Program (MARIF)

The 2000 session of the Minnesota Legislature appropriated funds and authorized the Minnesota Housing Finance Agency (Minnesota Housing) to develop an affordable housing program to serve households with children who are current or recent participants in the Minnesota Family Investment Program (MFIP). Refer to the Minnesota Families Affordable Rental Investment Fund (MARIF) Program Procedural Guide (Program Guide) and other MARIF requirements.

MARIF funding is no longer available via a Request for Proposals (RFP); therefore, the Program Guide is not routinely updated. These FAQs are intended to answer questions and provide supplemental guidance related to the occupancy of MARIF units.

Direct any additional questions to your assigned compliance officer or housing management officer.

Eligibility to Occupy a MARIF Unit

1. **Q. Who is eligible to occupy a MARIF unit?**

   A. To occupy a MARIF-assisted unit, a household must be:

   - A current MFIP participant, or
   - A recent MFIP participant (within 24 months) with gross annual household income at or below 160% of the federal poverty level, or
   - A household with children that does not receive MFIP but whose gross annual household income does not exceed 30% of the metro median income limit, adjusted for households of five or more

     NOTE: For the last option, only a percentage of MARIF-assisted units may be rented to non-MFIP households. Refer to FAQ #7.

2. **Q. What is the definition of a <u>current</u> MFIP participant? Do current MFIP participants need to income qualify?**

   A. A current MFIP participant is a household who, at the time of application for tenancy in a MARIF unit, is receiving assistance from the Minnesota Department of Human Services' (DHS) MFIP or tribal MFIP. Verification of current participation in MFIP using the MARIF Eligibility Verification Form is required. Households who are current MFIP participants do not need to income qualify, but their gross annual household income is used to determine the amount of rent they will pay.

3. **Q. What is the definition of a <u>recent</u> MFIP participant? Do recent MFIP participants need to income qualify?**

   A. A recent MFIP participant is a household who was receiving MFIP but has been off the program (for reasons other than fraud) for no longer than 24 months prior to the date of application for tenancy in a MARIF unit (i.e., the date the applicant signs the application). Verification of recent MFIP participation using the MARIF Eligibility Verification Form is required. The household must income qualify; their gross annual household income must be at or below 160% of the federal poverty level for the household size.

4. **Q. Can alternate verifications of MFIP be used?**

   A. No. Not every public assistance program constitutes MFIP participation and only a social service agency can verify current or recent MFIP participation. For example, participation in the Diversionary Work Program does not constitute MFIP participation. Receipt of cash assistance may or may not constitute MFIP participation. **NOTE:** If the county social service agency does not return the MARIF Eligibility Verification in a timely manner, owners may send the form to Kristen Shouman with the Minnesota Department of Human Services at kristen.a.shouman@state.mn.us.

5. **Q. What if no current or recent MFIP participants apply to my property?**

   A. Owners must do their best to market and lease MARIF units to current or recent MFIP participants and must document their marketing efforts. Such documentation may be reviewed as part of the compliance inspection. If no current or recent MFIP participants are available for a vacant unit, some units may be rented to non-MFIP households with children; however, their gross annual household income must be at or below 30% of metro median, adjusted for households of five or more.

6. **Q. How long must the MARIF unit remain vacant before it can be rented to a non-MARIF household?**

   A. If after sixty days of marketing and if an eligible MFIP household is not approved, the unit may be rented to a non-MFIP household.

7. **Q. How many units can be rented to non-MFIP households?**

   A. At least 60% of the required number of MARIF units must be rented to current or recent MFIP participants. The remaining MARIF units may be rented to non-MFIP households who meet the income limit described above. If 60% of the MARIF units result in a fraction, you must round up to the next whole unit. For example, a property has nine MARIF units. Sixty percent of nine equals 5.4. Six units must be rented to current or recent MFIP participants. Owners must keep records of which units are rented to non-MFIP households as they may be requested, as part of a monitoring review, to demonstrate that the allowable percentage of non-MFIP units has not been exceeded.

8. **Q. What income is included for income eligibility?**

   A. MARIF calculates income consistent with project-based Section 8. Use HUD Handbook 4350.3 for income and assets that are included and excluded and for verification and supporting documentation requirements. The streamlined method of income verification can be used for MARIF.

   The Under $5,000 Asset Certification used by the Housing Tax Credit program may also be used for MARIF units. This certification replaces the need to third party verify assets when combined household assets are less than $5,000.

In addition, income for households assisted by a Section 8 housing choice voucher can be verified using the Verification of Section 8 Eligibility form also used by the Housing Tax Credit program.

9. **Q. What form of tenant income certification can be used to certify income eligibility?**
   A. Owners may use the initial Housing Tax Credit, HOME, National Housing Trust Fund (NHTF), U.S. Department of Housing and Urban Development (HUD) or U.S. Department of Agriculture (USDA) Rural Development tenant income certification (TIC) forms and their verifications and supporting documentation, if the MARIF household must also income-qualify for those programs. If a household is not income qualifying for any of those programs, owners may generate and sign the Tenant Income Certification (TIC) form in Minnesota Housing's Property Online Reporting Tool (PORT), or a similar TIC form found in property management software. Refer to the PORT User Guide for instructions.

10. **Q. Do MARIF units need to be recertified each year?**
    A. Yes. MARIF households must be recertified at least annually, no later than the anniversary date of the previous certification. The recertification is used to determine the amount of rent to be paid by the household as described in the Security Deposits and Rents section, below. In addition, MARIF households may request one interim recertification annually, in which tenant rent can be lowered to reflect a reduction in gross annual household income. If household composition changes or income increases mid-year, that change does not need to be captured until the next annual recertification.

11. **Q. A recent MFIP participant has applied at my property. They were disqualified from MFIP due to fraud. Are they eligible to occupy a MARIF unit?**
    A. An applicant that was disqualified from MFIP due to fraud cannot occupy a MARIF unit as a recent MFIP participant. The household may occupy a MARIF unit if they income qualify at 30% of metro median, adjusted for households of five or more, and if doing so does not cause the property to exceed its allowable non-MFIP households.

Security Deposits and Rents

In this section, the base MARIF rent limit equates to the MARIF rents stated in the Program Guide or as approved by Minnesota Housing.

12. **Q. Can the same security deposit be charged for MARIF units that is charged for non-MARIF units?**
    A. A security deposit for a MARIF-assisted unit cannot exceed 30% of the household's monthly gross income or the development's standard deposit amount, whichever is less (this is also true for households who receive a Section 8 housing choice voucher). If the security deposit is paid by a government agency, nonprofit group, etc. and not by the applicant, then the owner/agent may collect the standard deposit amount.

13. **Q. What happens if the MARIF household has been inadvertently overcharged for the security deposit?**
    A. The owner/agent must adjust the security deposit and refund the difference, with the appropriate interest, to the resident.

14. **Q. What are the maximum allowable rents for MARIF units?**
    A. Households occupying MARIF units are required to pay no more than the greater of 30% of their monthly gross income or the base MARIF rent limit. When the program first launched, the base MARIF rent limit was set at $400.00 per month for a two-bedroom unit, $450.00 per month for a three-bedroom unit, and $475.00 per month for a four-bedroom unit. The Program Guide has not been updated to increase these amounts. All rent limits are gross rent limits that must include a utility allowance for tenant-paid utilities.

15. **Q. What is a utility allowance (UA)?**
    A. A UA is an allowance for any resident-paid utilities. If the owner pays all utilities, the UA is $0. If the resident pays for any utilities (not including phone or cable), the owner must factor the UA for those utilities into the rent calculation. If a MARIF property also has HUD financing or rental assistance, USDA Rural Development financing or rental assistance, or housing tax credits, owners may use the UA for those programs. Otherwise, the UA for the Section 8 housing choice voucher program from the local housing and redevelopment authority (HRA) or public housing authority (PHA) is acceptable.

    Utility allowances must be updated annually. It is the owner's responsibility to obtain utility allowance documentation. Minnesota Housing does not collect or maintain utility allowance information.

16. **Q. How do I calculate 30% of monthly gross income?**
    A. After calculating a household's gross annual household income using the rules for project-based Section 8, divide by twelve to get monthly gross income. Multiply monthly gross income by 30%. For example, if a household's gross annual income is $20,000, divide 20,000 by 12 ($20,000 /12 = $1,666.66) and multiply by .3 ($1,666.66 x .3 = $500). This is how the 30% rent calculation is determined.

17. **Q. How do I determine what rent the household should pay?**
    A. Start with the higher of the 30% rent calculation or the base MARIF rent limit for the unit size. Subtract the UA to determine the maximum tenant-paid rent.

    For example, if the base MARIF rent limit is $450.00 and the 30% rent calculation is $600.00, start with $600.00. If the UA is $50.00, the owner cannot charge more than $550.00 for rent (subtract $50 from $600).

18. **Q. Is there a maximum for the 30% rent calculation?**

A. Yes. For properties where 100% of the units are MARIF-assisted, if the 30% rent calculation exceeds the HUD-published Fair Market Rents (FMR) for the area, the household cannot be required to pay more than the FMR.

For properties that are not 100% MARIF-assisted, if the 30% rent calculation exceeds the market rate rents for comparable units in the property, the household cannot be required to pay more than the market rate rent. The household is no longer considered a MARIF household and the owner must rent the next comparable unit in the property to a MARIF-eligible household.

19. **Q. My property is not 100% MARIF-assisted, but there are no true market rate units. Other units are assisted by housing tax credits or another funding source. What is my cap then?**

A. MARIF will not require an owner to charge more rent than allowed by other programs. If the 30% rent calculation exceeds the allowable housing tax credit or other program rent limit (and there is no rental assistance involved), the owner is not required to charge more than the other program's rent limit.

20. **Q. Can a MARIF unit be rented to a household with a Section 8 housing choice voucher (HCV)?**

A. Yes. In fact, owners are prohibited from refusing an application based solely on the households' receipt of an HCV Units assisted with an HCV (including project-based vouchers) are deemed to comply with the rent limit for MARIF (up to the full payment standard may be accepted).

21. **Q. If a household no longer qualifies for their Section 8 housing choice voucher, what is the process?**

A. The owner would need to perform an annual recertification, even if one is not yet due, to determine the household's current gross annual household income and the amount of tenant rent that must be charged (also refer to FAQ #18).

22. **Q. The MARIF rent limits have not been increased since the program was launched. My property will not be able to sustain its operations without a rent increase. Can the MARIF rent limits be increased?**

A. Yes, but rent increases for MARIF-assisted units require Minnesota Housing's written approval. Requests for rent increases may not be made more than once annually. Proposed rental rates may not exceed the amount necessary to meet the monthly operating expense budget for each unit (excluding debt service) and must be commensurate with rent increases for non-MARIF units. Rent increases must be done in accordance with lease requirements.

- For properties **without a Minnesota Housing amortizing first mortgage**, submit a request to increase MARIF rents along with the Request for Rent Increase form and supporting documentation to the assigned compliance officer. Submit the request via the Secure Upload Tool and use MHFA.compliance@state.mn.us as the recipient address (**do not** email directly to this address). Include the D number and name of the compliance officer in the subject line. View the Secure Upload Tool instructions.

- For properties **with a Minnesota Housing amortizing first mortgage**, submit a request to increase MARIF rents as part of the regular rent increase approval process. Follow the instructions from your assigned housing management officer.

Correcting Errors: If you discover a calculation error or a household has not accurately reported all their income, and, therefore the household has not paid the correct amount of rent, contact your assigned compliance officer or housing management officer to discuss options for correction.

Operating Subsidy Reserve

23. **Q. Are properties required to have a MARIF operating subsidy reserve account?**

A. A MARIF operating subsidy reserve account may be funded for a first mortgage or deferred loan using one or both methods outlined below:

- **Six-month MARIF operating reserve:** During the development underwriting phase, the MARIF team may have reviewed an owner's request for this reserve and determined the development qualified for a reserve account as part of the total development cost. It would have been established with MARIF funds at closing and would be held by Minnesota Housing in a separate designated reserve account. Not all developments that have MARIF program funds have or qualified for this MARIF operating reserve. Contact your assigned compliance officer or housing management officer if you want to know whether Minnesota Housing holds a MARIF operating reserve for your property.
- **Properties with project-based Section 8 or any property serving households assisted by Section 8 housing choice vouchers:** These properties are required to fund a MARIF operating reserve account with any excess income received (refer to FAQ #24), but not until the owner begins receiving their maximum allowable distribution. Management is responsible for knowing when the owner has taken the maximum allowable distribution and the operating reserve must be funded. Minnesota Housing will not notify management. Prior to receiving the maximum allowable distribution, the excess MARIF income remains with development operations.

  Once the maximum distribution has been attained, Minnesota Housing requires the owner to create a separate operating reserve account for the excess income that results from units assisted by project-based Section 8 and Section 8 tenant-based or project-based housing choice vouchers. This account will be held by the owner/agent and funded annually.

Owners of properties with an amortizing first mortgage must annually certify the amount of owner distribution being taken. Financial statements must be submitted to Minnesota Housing within 60 days after the end of the fiscal year. For properties without a Minnesota Housing amortizing first mortgage, owners must disclose the amount of funds they hold in their MARIF operating reserve by submitting annual operating data in the Property Online Reporting Tool. The due date for submitting annual operating data is March 31.

24. **Q. The owner has taken the maximum distribution. How do I determine excess income?**
A. Any amount the owner receives for units assisted with project-based Section 8 or Section 8 housing choice vouchers that exceeds the base MARIF rent limit is considered excess income.

Example:

Rent charged based on payment standard	$700 –
Minus Base MARIF rent	$400 =
Equals MARIF excess income	$300

25. **Q. What can MARIF operating reserve funds be used for and how do we access them?**
A. Funds in the MARIF operating reserve account may at times be released for use by the development to cover capital needs and/or operating cash deficits. Minnesota Housing is responsible for determining whether the development qualifies for release of these funds, regardless of whether the funds are held by Minnesota Housing or by the owner. Submit a request for release of funds to the assigned compliance officer or housing management officer. Any funds remaining in the MARIF operating reserve account at the end of thirty years must be returned to the MARIF program. Funds do not remain with the property or owner.