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Exhibit 3-1: Request for Exception to Limitations on Admission of Families with Incomes Above 50% of the Area Median Income

TO: HUD Field Office

FROM:
:

SUBJECT: Request for Exception to Limitations on Admission of Families Whose Income Exceeds Very Low-Income Limit

Project Name: _____

Contract No. _____

FHA Project No. _____

This request is for permission to lease (number) unit(s) in the subject project to families with incomes between 51% and 80% of the area median income. We believe this project meets the applicable conditions under situation ____ Chapter 3 of Handbook * 4350.3 REV-1.*

The following justifies the request for exception:

(Provide the supporting documentation required by the following four pages of this Exhibit).

For further information, you may call _____ at _____. I certify that the statements and supporting documentation in this request are true and complete. I also certify that:

- a. I have admitted all available very low-income, qualified applicants; and
- b. I will lease assisted units to families with incomes above 50% of median income only when no very low-income, qualified applicants are available.

NOTE: Include this certification only if you are requesting an exception for Situation 6D.

Signed by:

Name (Owner or Owner's representative)

Signature

Title

Date

IMPORTANT: At a minimum, requests for exceptions must include the supporting justification listed below. Situations (1) through (6) are described in paragraph 3-7 D of this handbook.

SITUATION 1: Displaced Tenant

- A. State the name of the tenant for whom the exception is being requested.
- B. State approximately when the tenant would be displaced and why. Name the program under which the rehabilitation is being funded.
- C. State how long the tenant has lived in the project, the tenant's current rent, and the rent the tenant would pay after rehabilitation (without assistance).

SITUATION 2: Project Financed Under Section 11(b) or Section 103

- A. Submit a copy of the portion of the bond documents or other controlling document that specifically obligates the project to lease to low-income families with incomes above 50% of the area median. Provide evidence of the date the document was signed and the period for which it is effective.
- B. Submit evidence that the bondholder or mortgagee has and will continue to enforce that policy. This could be a statement signed by the entity that established a policy.
- C. State what penalties the project will incur for failure to comply with the economic mix described in subparagraph a above.

SITUATION 3: Project Supervised by a State Agency

- A. Submit a copy of the State agency's policy and any document you signed obligating the project to that policy. Provide evidence of the date the policy was first published, the date your agency signed that document, and the term of the document you signed.
- B. Submit evidence that the State agency has been and will continue to enforce its income mix policy. This evidence could be a statement signed by the Agency. The statement must clearly explain both how and how frequently the State agency has monitored and enforced its requirements.

SITUATION 4: Project Approved Based on Agreement to Comply with Local Government's Income Mix Requirements

- A. Submit a copy of the letter the local government sent to the HUD Field Office during development. Be sure the letter shows the date the local government wrote the letter. Also submit a copy of any document you signed or any letter the HUD Field Office issued obligating you to comply with the local government policy.
- B. Discuss whether and how the local government has monitored and enforced its income mix policy.

SITUATION 5: Units Designed for a Specific Occupant Group

- A. Name the group.
- B. Submit a chart showing occupancy of assisted units by unit type (e.g., 2-bedroom, 1-bath; 2-bedroom, 2-bath) for the specific occupant group.

Contract Units Designed For This Occupant Group				
Unit Type	Total Number	Number Vacant	Number of Families on Waiting List for These Units	
			Very Low-Income	Low-Income But Not Very Low-Income

- C. Provide the information requested in subparagraphs B-3, 4, 5, and 6 under Situation 6, but consider **ONLY UNITS DESIGNED FOR THE SPECIFIC OCCUPANT GROUP**.
- D. State the average number of days these units were vacant during the last six months. Divide the total days vacant by the number of units that were vacant. (If this is a new project, use the period since the project has been occupied.)

SITUATION 6: Insufficient Number of Very Low-Income Applicants

- A. Submit a chart showing total occupancy and occupancy of assisted units by unit type (e.g., 2-bedroom, 1-bath; 2-bedroom, 2-bath).

Unit Type	Total Units in the Project		Contract Units		Number of Families on Waiting List	
	Total Number	Number Vacant	Total Number	Number Vacant	Very Low-Income	Low-Income But Not Very Low-Income

- B. Submit the following data:
 - 1. Average number of days units were vacant during the last six months. Divide the total days vacant by the number of units that were vacant. (If this is a new project, use the period since the project has been occupied.)
 - a. For Section 8 units: _____
 - b. For PRAC units: _____
 - c. For all other units: _____
 - 2. State the vacancy factor used in development processing.
 - 3.
 - a. Number of assisted families admitted in last two years. (For new projects, state date of initial occupancy and period the data covers.) _____
 - b. Number of families in 3.a who were very low-income at admission: _____
 - c. Line 3.b divided by line 3.a: 3.b / 3.a: _____

4. Number of current tenants who are:
 - a. Low-income but not very low-income: _____
 - b. Very low-income: _____
 - c. Paying market rent: _____
 5. Describe what you have done to attract very low-income applicants. Specify dates, methods, and whom you contacted. Marketing must include ****contacting**** the local Housing Authority to verify if there is anyone on the Housing Authority waiting list that is income/age eligible. Include copies of recent advertisements. The text of each advertisement must mention the availability of the subsidy to reduce tenant rent to 30% of income and give an example of income eligibility.
 6. Describe what more you will do to attract qualified very low-income applicants and indicate how many you expect to attract during each of the next four quarters.
- C. Submit the following only if you are requesting an exception because the very low-income population is too small to provide sustaining occupancy.
- List all market studies and surveys of which you are aware.
- Include studies you, State agencies, the Rural Housing Service, or anyone else has done. Briefly summarize those studies' conclusions as to the income levels of potential applicants in your project's market area and any nearby market area.
- D. Submit the following additional information if you are requesting an exception because a default is likely.
1. Explain why vacancy payments will not provide adequate protection while you seek very low-income applicants.
 2. State the cause of any vacancy payments or cash-flow problems. State which types of units, if any, are particularly hard to rent.
 3. For each of the last six months, provide the financial and vacancy information listed below. If some of this information is available on monthly accounting reports already sent to the Field Office, the Field Office may authorize you to submit only the information those reports don't cover.

Financial and Vacancy Data Required for Exceptions Under Situation 6D

Provide the following data for each of the last six months.

Income Expenses

Month-End Accounts

- | | |
|---|--|
| 1. Monthly apartment rent potential for whole project | 1. Number of units vacant
a. Section 8 units
b. Other units |
| 2. Apartments rents collected from HUD and tenants | 2. Number of units not in rentable condition |
| 3. Percent potential collected (Line 2/Line 1) | 3. Accounts receivable
a. From tenants
b. HUD
c. Others |
| 4. Other income earned (specify source) | 4. Accounts payable
a. From routine operations
b. Mortgage delinquency
c. Other |

Provide the following data for each of the last six months.

Income Expenses

Month-End Accounts

- | | |
|--|-----------------|
| 5. Total income earned (line 2 + line 4) | 5. Cash on hand |
| 6. Mortgage payment (principal + interest) actually required (use workout amount, if applicable) | |
| 7. Operating expenses incurred | |

**Exception to Limitations on
Admission of Families**

**U.S. Department of Housing
and Urban Development**
Office of Housing
Federal Housing Commissioner

OMB Control No. 2502-0204
(exp. xx/xx/xxxx)

8. Net income/loss from operations