

CHAPTER 15

HOUSING TRUST FUND PROGRAM (HTF)

15-1 APPLICABILITY. This Chapter provides guidance for conducting in-depth monitoring of the HTF Program. Grantees are permitted to use HTF funds for three basic types of programs:

- Rental housing production, including operating cost assistance and operating cost assistance reserves;
- Homebuyer housing production; and
- Homebuyer downpayment assistance.

When monitoring HTF, the HUD reviewer must assess compliance with program requirements in one or more of these program areas. Consequently, the HTF monitoring Exhibits are organized to facilitate monitoring of projects in each of these program types, as well as the policies and procedures associated with the administration of each program activity. In total there are two activity-specific monitoring Exhibits. They include:

- Exhibit 15-4: *Guide for Review of Rental Development or Rehabilitation Projects and/or Policies and Procedures*
- Exhibit 15-5: *Guide for Review of Rental Project Compliance and/or Policies and Procedures*
- Homeownership activity related Exhibits are forthcoming.

Reviewers should note that rental activity monitoring is divided into two separate exhibits. Exhibit 15-4: *Guide for the Review of Rental Development or Rehabilitation Projects and/or Policies and Procedures*, is used to monitor HTF-assisted rental projects from development through project completion. Exhibit 15-5: *Guide for Review of Rental Project Compliance and/or Policies and Procedures*, is used to monitor completed HTF-assisted rental projects for compliance with ongoing HTF rental requirements during the period of affordability.

In accordance with the requirements of [24 CFR 93.404\(a\)](#), the grantee is responsible for managing the day-to-day operations of its HTF program and is required to develop and follow comprehensive written program policies and procedures for the administration of its HTF program. The regulation at [24 CFR 93.101\(d\)](#) requires the grantee to ensure that its subgrantees comply with the requirements of 24 CFR part 93 and carry out the applicable grantee responsibilities.

When reviewing subgrantee project files during a monitoring, the reviewer must also include a citation to [24 CFR 93.101\(d\)](#) when citing a regulatory violation. When the subgrantee fails to comply with an HTF requirement, the finding is made on the grantee.

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The finding will cite to 24 CFR 93.101(d) because the violation is a failure of the grantee in managing the day-to-day operations of its HTF program, requiring that HTF funds are used in accordance with all program requirements and written agreements, and taking appropriate action when performance problems arise.

Inadequate written policies and procedures may adversely affect project compliance. Where applicable, these Exhibits pair each policy and procedure requirement with the corresponding project requirement. As noted above, the reviewer may use these Exhibits to complete a project file review, a policies and procedures review, or a combination of both project files and policies and procedures. Reviewers are not required to complete both sets of questions if the monitoring is not addressing both policies and procedures and project requirements. However, if project noncompliance is found, the reviewer must examine the related policies and procedures to determine if the finding is associated with a lack of or inadequate policies and procedures, or a failure of grantee/subgrantee staff to follow the written policies and procedures.

Since written agreements are central to initial and ongoing compliance with HTF requirements, reviewers must evaluate the written agreements related to the HTF activities being monitored. Reviewers are required to complete the written agreement sections in each activity-specific Exhibit. Subgrantee written agreement questions, as noted below, are contained in a separate Exhibit.

In addition to the activity-specific Exhibits, this chapter includes HTF Exhibits addressing:

- Exhibit 15-2: *Guide for Review of Program Oversight, Financial Management, and Cost Allowability*
- Exhibit 15-3: *Guide for Review of Subgrantee Written Agreements and Oversight*

Depending on the focus of the monitoring, the Exhibits may refer reviewers to other Federal cross-cutting requirements exhibits in the following Chapters of this handbook:

- Chapter 19: Citizen Participation
- Chapter 20: Section 3 of the Housing and Urban Development Act of 1968
- Chapter 21: Environmental Monitoring
- Chapter 22: Fair Housing and Equal Opportunity
- Chapter 24: Lead-Based Paint Compliance
- Chapter 25: Relocation and Real Property Acquisition, and
- Chapter 34: [2 CFR Part 200](#), Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards

Reviewers should make every effort to examine as many requirements as possible to obtain an accurate representation of the grantee's compliance with applicable statutes and regulations.

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The scope and depth of the monitoring, as indicated by Risk Analysis results and outlined in the Monitoring Strategy, will determine whether all or only a portion of the questions in a given Exhibit will be answered. Reviewers are not required to complete all questions in an Exhibit if there are areas that are not being reviewed. To clearly note which areas are included in the monitoring, reviewers must check the program areas under review in the Instructions section of each activity-specific Exhibit. In addition, the reviewer should note whether a particular area was not reviewed during the monitoring by checking the applicable “Not Reviewed During Monitoring” box at the beginning of each program area section. The reviewer should also note the reason why the section was not reviewed in the text box provided.

- 15-2 PREPARING FOR MONITORING. The risk assessment process will determine the specific HTF program areas or requirements to be monitored (see additional guidance provided in Chapter 2). Before monitoring, the reviewer should review the HTF program requirements and the design and operation of the grantee’s HTF program, particularly those areas that have been identified as high risk or that are the subject of the monitoring. In addition, the monitor should review the approved HTF allocation plan(s) associated with the projects or programs being examined. The allocation plans will inform the reviewer of the housing needs and goals the grantee/subgrantee plans to address with each HTF grant. Whether monitoring on-site or assembling materials for remote monitoring, reviewers will need specific items to successfully monitor a grantee/subgrantee’s HTF Program.

Resources required for monitoring include:

- The [HTF Interim Rule](#);
- Applicable cross-cutting regulations and Notices;
- CPD Notices dealing with HTF; and
- The applicable HTF income, rent, and subsidy limits for the monitoring period;
- HTF portions of the grantee/subgrantee’s consolidated plan (i.e., HTF allocation plan) and Consolidated Annual Performance and Evaluation Report (CAPER).

The reviewer may also want to examine the following grantee/subgrantee-specific information prior to conducting the monitoring:

- IDIS reports and Web-based Performance Reports (PR100, PR 103, PR 104, PR 109, Snapshot, Vacant Unit, Open Activities and Deadline Compliance reports);
- Grantee/subgrantee policies and procedures
- Written agreement templates
- Relevant correspondence
- HTF program waivers; and
- Previous monitoring reports and audits.

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For on-site monitoring, the reviewer may wish to bring some of the relevant checklist materials (e.g., program design descriptions, procedures manuals). If site visits are planned, the reviewer may also wish to bring a camera and information regarding the grantee/subgrantee's property standards (such as State and local residential and building codes, ordinances and zoning) if available. Most resources required for monitoring (e.g., exhibits, HTF reports, HTF FAQs, CPD notices) are available on the [HUD.gov](https://www.hud.gov).

- 15-3 PRE-MONITORING CHECKLIST. To ensure that the time available for monitoring is used efficiently, the reviewer may want to collect and review additional information about the grantee/subgrantee and its administration of the program before beginning the review. This is particularly important if the subject area to be reviewed either appears to pose a high risk or has not been monitored by the HUD Field Office, or the grantee/subgrantee has altered its program design since the last monitoring was performed. *Exhibit 15-1, HTF Pre-Monitoring Checklist* is included with this Chapter. The checklist identifies relevant HTF program oversight and activity-related documents and IDIS reports the reviewer may want to collect and examine prior to monitoring.
- 15-4 FILE SELECTION AND SAMPLING. As described in Chapter 2, the risk analysis process will be used to determine which grantees and program areas should be reviewed. Once that process has been completed, where it is indicated that a file review is necessary to answer Exhibit questions, the HUD reviewer should consider the following factors when determining the specific files that will comprise the review sample:
- A. Where feasible, initial file selection should be made using a random selection method.
 - B. The reviewer should add more files to this selection in order to:
 - i. Include a file or files from each staff person working in the respective program area being monitored;
 - ii. Expand the sample, if possible, to include additional files with the same characteristics, (i.e., same problem category, staff person, activities or other characteristics), if the review of the initial selection identifies noncompliance.

Expanding the sample aids in determining whether problems are isolated events or represent a systemic problem.
 - C. The reviewer may also add files to the selection from any project that the HUD reviewer has reason to believe may have compliance problems or that is substantially different in terms of size, complexity, or other factors from other projects the grantee has undertaken.
 - D. The reviewer should add more files to this selection if the grantee distributes funds through one or more subgrantees. Expand the sample to include files from both the grantee and subgrantee to assess compliance with the HTF allocation plans and the HTF program requirements.

Because the HTF-assisted projects have ongoing affordability requirements, the reviewer will typically want to sample completed projects. However, the reviewer has the discretion to include projects that are still underway in the sample and may particularly wish to do so if:

- there are concerns about a project that is underway;
- there has been staff turnover or program design changes that make it desirable to review the most recent projects; or
- construction management practices will be a focus of the monitoring.