

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
Compliance Monitoring

POLICY STATEMENT

REQUIREMENTS FOR SUBSTITUTING A REAC OR RHS INSPECTION FOR A MSHDA INSPECTION

MSHDA's Compliance Monitoring unit realizes that developments often have several different inspections throughout the year. Through various initiatives, including the physical inspection PILOT, MSHDA's goal is to eliminate duplicative inspections. This policy establishes the proper procedures for responding to a HUD REAC or RHS inspection conducted in lieu of a MSHDA inspection. **Note: MSHDA reserves the right to conduct inspections on a more frequent basis, if MSHDA deems this necessary and appropriate based on the results of a previous inspection or for any other reason(s).**

To aid in the goal of reducing duplicative inspections, the following should be submitted upon receipt and/or at the conclusion of the REAC and RHS inspection processes. Failure to do so will result in the need to conduct a MSHDA inspection.

- Copy of the scheduling letter from REAC or RHS
- Copy of the inspection report
- MSHDA Owner Certification and Attachment A (as described in this policy)

INSTRUCTIONS FOR RESPONDING TO A REAC INSPECTION

When a REAC inspection is conducted in lieu of a MSHDA inspection as permitted by Physical Inspection PILOT, the owner/agent must respond to all deficiencies identified during the inspection.

1. EH&S must be addressed immediately (24 hours) and a written response must be submitted within 72 hours to HUD and a copy to MSHDA's Compliance Monitoring unit on the HUD Attachment A and Owner Certification.
2. The owner/management agent has up to 60 days from the date of the REAC inspection to address the remaining deficiencies found during the inspection.
 - a. The correction of all deficiencies must be documented on the MSHDA Owner Certification and Attachment A. (These forms are found on the MSHDA website: http://www.michigan.gov/mshda/0,4641,7-141-8002_26576_26589-90761--_00.html) The REAC inspections will not be in MSHDA's Owner Physical Inspection Certification (OPIC) system and therefore the forms must be completed manually.
3. All physical inspection deficiencies must be corrected by the deadlines noted above. If, due to extenuating circumstances (including appeals to HUD REAC), any corrections cannot be completed on time, the owner/management agent may submit a request for an extension. The Extension Request Form must be e-mailed to Compliance Monitoring for approval. MSHDA will only approve an extension of up to 6 months from the date of the inspection. The Extension Request form is available on the MSHDA website.

4. As required by IRC Section 42, properties with LIHTC funding will have IRS 8823 forms issued based on deficiencies identified at the REAC inspection, if the property is within the initial 15 year compliance period.

INSTRUCTIONS FOR RESPONDING TO A RHS INSPECTION

When an RHS inspection is conducted in lieu of a MSHDA inspection as permitted by Treasury Regulation 1.42-5 and MSHDA's Memorandum of Understanding with the Rural Housing Service, the owner/agent must respond to all deficiencies identified during the inspection.

1. The owner/management agent has 60 days from the date of the RHS inspection to address the deficiencies found during the inspection.
 - a. The correction to all deficiencies must be documented on the MSHDA Owner Certification and Attachment A (These forms are found on the MSHDA website: http://www.michigan.gov/mshda/0,4641,7-141-8002_26576_26589-90761--_00.html). The RHS inspections will not be in the Owner Physical Inspection Certification (OPIC) system and therefore the forms must be completed manually.
 - b. Please enter all physical deficiencies (equivalent to HUD's UPCS deficiencies) cited in the RHS inspection, the corrective actions and the date corrected or planned to be corrected.
2. All physical inspection deficiencies must be corrected by the deadlines noted above. If, due to extenuating circumstances, any corrections cannot be completed on time, the owner/management agent may submit a request for an extension. The Extension Request Form must be e-mailed to Compliance Monitoring for approval. MSHDA will only approve an extension of up to 6 months from the date of the inspection.
3. As required by IRC Section 42, properties with LIHTC funding will have IRS 8823 forms issued based on deficiencies identified at the RHS inspection, if the property is within the initial 15 year compliance period.

CONTACT INFORMATION CONCERNING REAC/RHS INSPECTIONS

Please address and send all original signed documents to:

Michigan State Housing Development Authority
Attn: Compliance Monitoring
735 E. Michigan Avenue
PO Box 30044
Lansing, MI 48909

Email your requests to: mshdacompli@michigan.gov
Telephone #: 517-241-2560
Fax #: 517-335-0125