

Exhibit 13-3 Owner Debarments and Exclusions

The information in this Exhibit is intended for current owners participating in MSHDA's HCV Program as well as new owners interested in participating in the HCV Program. The information in this Exhibit provides an explanation as to when MSHDA may elect to debar or exclude an owner from participation in the HCV program. **NOTE:** This information is subject to change at the sole discretion of MSHDA.

A debarment from MSHDA's HCV program suspends the owner's ability from participating in the HCV program for a specified period of time. The period of time for suspension is based on the infraction committed. With an exclusion, the owner is permanently excluded from receiving rental assistance from MSHDA for any HCV Program applicant or participant.

Debarments

The following are MSHDA developed reasons as to when an owner debarment from MSHDA's HCV program may occur:

1. Unreported Property Foreclosure at the end of the redemption period.
 - Will not be allowed to participate in the HCV Program for twelve (12) months from the date the infraction was confirmed by MSHDA
2. Unreported Transfer of Property (example: Quit Claim Deed)
 - Will not be allowed to participate in the HCV Program for twelve (12) months from the date the infraction was confirmed by MSHDA.
3. Criminal Activity conducted by the owner
 - Criminal Activity – Lifetime Sex Offender
 - Lifetime ban from the HCV Program (See Exclusion)
 - Criminal Activity – Illegal Drugs. Drug-related criminal activity is defined by HUD as the illegal manufacture, sale, distribution, use, or the possession of a drug with intent to manufacture, sell, distribute or use the drug.
 - Lifetime ban from the HCV Program if a criminal screening confirms the owner has manufactured or produced methamphetamine on the premises of MSHDA or other federally assisted housing. (See Exclusion)
 - All other illegal drugs; If a criminal screening confirms the owner has engaged in illegal manufacture, sale, distribution, use or possession of an illegal drug, the owner will not be allowed to participate in the HCV Program for two (2) years from the earlier of the arrest or charge date on the MSHDA criminal screening.
 - Criminal Activity – Violent. Violent criminal activity is defined by HUD as any criminal activity that has as one of its elements the use, attempted use, or threatened use of physical force substantial enough to cause, or be reasonably likely to cause, serious bodily injury or property damage. Examples include but are not limited to:

- Arson
- Burglary
- Explosives
- Homicide
- Kidnapping
- Leading Organized Crime
- Machine gun use in felony
- Malicious explosion of substance
- Malicious placement of an explosive
- Manslaughter
- Possession of explosive device
- Possession, manufacturing or disposal of incendiary devices
- Robbery
- Setting a spring gun
- Trafficking
- Treason

- If a criminal screening confirms the owner has engaged in violent criminal activity, the owner will not be allowed to participate in the HCV Program for two (2) years from the earlier of the arrest or charge date on the MSHDA criminal screening.

- Criminal Activity – Other. Examples include but are not limited to:

- Gang activity
- Fugitive felon
- Identify theft
- Sex offender – non-lifetime
 - If a criminal screening confirms the owner has engaged in other criminal activity, the owner will not be allowed to participate in the HCV Program for twelve (12) months from the earlier of the arrest or charge date on the MSHDA criminal screening.

4. Breach of Housing Assistance Payment (HAP) contract. Examples include:

- Did not pay owner-responsible utilities with or without a shut-off notice
- Side-lease, written or oral agreement
- Owner is a prohibited relative as outlined in the HAP contract
- Owner resides in the assisted unit
- Owner did not report to MSHDA:
 - Participant does not live in the assisted unit
 - Participant is deceased
 - Participant was evicted
 - Criminal activity in the unit conducted by the participant
 - Unauthorized household members
 - If the owner has breached the HAP contract as outlined above, the owner will not be allowed to participate in the HCV program for two (2) years from the date of the identified infraction.

5. Any other potential reason for debarment presented to MSHDA's Chief Housing Solutions Officer and the manager of MSHDA's Auditing, Compliance and Fraud Investigations Unit that is unanimously agreed upon to receive a timed debarment from the HCV Program. These may include instances of violations already included above; however, the severity, occurrence of several violations concurrently, and/or the context of the situation may warrant a greater suspension period to protect program participants and the integrity of the HCV Program. In these instances, the owner will not be allowed to participate in the HCV Program for the timeframe identified and documented by the represented parties.

Exclusions

Owners are considered a business and do not have a right to conduct business with MSHDA. If an owner violates the HCV Program under one of the following criteria, they will be permanently excluded from receiving rental assistance from MSHDA for any HCV Program applicant or participant.

1. Incorrect Tax ID and/or Business Name
 - Generally, this is identified by MSHDA via the CP-2100 IRS report from submitted 1099 forms or from the TIN Matching Program completed by MSHDA's Office of Finance.
 - A lifetime ban from the HCV Program, unless and until the proper documentation is provided to MSHDA's Finance staff for resolution. If the information provided resolves the discrepancy in the opinion of MSHDA, the exclusion will be lifted, and the owner may resume business.
2. Incorrect Address
 - Generally, this is identified by MSHDA via the return of 1099 documents throughout the year.
 - A lifetime ban from the HCV Program, unless and until the proper documentation is provided to MSHDA's Finance staff for resolution. If the information provided resolves the discrepancy in the opinion of MSHDA, the exclusion will be lifted, and the owner may resume business.
3. IRS W-9, IRS W-8, or Payee Authorization (MSHDA 220) Is Not Signed
 - Generally, this is identified by MSHDA's Office of Finance when reviewing documents for entry into MSHDA's payment system.
 - A lifetime ban from the HCV Program, unless and until the proper documentation is provided to MSHDA's Finance staff for resolution. If the information provided resolves the discrepancy in the opinion of MSHDA, the exclusion will be lifted, and the owner may resume business.
4. Accounts Receivable Debt Owed to MSHDA
 - Generally, this is identified by MSHDA staff or Contracted Partners through financial reports in MSHDA's payment system.

- A lifetime ban from the HCV Program, unless and until the debt is paid in full, a repayment agreement is executed, or the recapture of future rents by MSHDA eliminates the debt. If one of the above remedies occurs and the information provided resolves the discrepancy in the opinion of MSHDA, the exclusion will be lifted, and the owner may resume business. If the owner defaults on a repayment agreement, the exclusion will be reapplied.

5. Criminal Activity – Lifetime Sex Offender as an Owner/Business Member

- Generally, this is identified by MSHDA staff, Contracted Partners or a reported claim.
- If any member, partner, manager, or other individual with authority is identified as a lifetime sex offender, a lifetime ban from the HCV Program will be in place unless and until proper documentation is provided to refute the claim and/or the business member is removed from the legal documentation.

6. Criminal Activity – Illegal Drugs by an Owner/Business Member

- Generally, this is identified by MSHDA staff, Contracted Partners or a reported claim.
- If any member, partner, manager, or other individual with authority is identified as having manufactured or produced methamphetamine on the premises of MSHDA or other federally assisted housing, a lifetime ban from the HCV Program will be in place unless and until proper documentation is provided to refute the claim and/or the business member is removed from the legal documentation.

7. Owner Never Owned the Rented Property

- Generally, this is identified by an internal audit, investigation or a reported claim.
- A lifetime ban from the HCV Program will be in place for any and all partners, members, managers or other individuals with authority identified to be tied to any owner/member of the offending business.

8. Prosecution by HUD’s Office of Inspector General or the State of Michigan Attorney General

- Generally, this is identified by MSHDA staff.
- A lifetime ban from the HCV Program will be in place for any and all businesses identified to be tied to any owner/member of the offending business.

9. Repeated Offenses Identified Under the Debarment Section

- Generally, this is identified by MSHDA staff through reports and other records.
- A lifetime ban from the HCV Program will be initiated if a business commits a second offense that is identified under the Debarment Section if the second offense committed is the same or substantially similar as the initial offense (i.e. repeat offender).
 - Example: A side lease is identified by MSHDA staff or Contracted Partner. The business is subject to the Debarment timeline for this offense. The business is later reinstated with MSHDA and another side-lease is identified.

- A lifetime ban from the HCV Program will be initiated if a business commits a third offense that is identified under the Debarment Section if at least two of the offenses committed are unique (i.e. not a repeat offender). The three offenses must be committed on three different occasions.
 - Example: Two side-leases are identified in one investigation. The identification of this issue will be considered one offense and the business is subject to the debarment timeline for the offense. The business is later reinstated with MSHDA and it is identified that they did not pay the unit utilities as required. The identification of this issue will be considered the second offense and the business is subject to the debarment timeline for the offense. The business is later reinstated with MSHDA and it is identified that they evicted the participant but kept collecting MSHDA's Housing Assistance Payment. The identification of this issue will be considered the third offense and a lifetime ban will be initiated.

10. Any case presented to MSHDA's Chief Housing Solutions Officer or the manager of MSHDA's Auditing, Compliance and Fraud Investigations Unit that is unanimously agreed upon to be permanently excluded from the HCV Program.

- Generally, this is identified by MSHDA staff, Contracted Partners or a reported claim.
- A lifetime ban from the HCV Programs will be in place for any and all businesses identified to be tied to any member of the offending business.