

**ASSET  
OVERSIGHT  
MANUAL**

**501(c)(3) Properties  
2000-2003**

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### ATTACHMENTS

1. Site Visit Notification
2. TSAHC Observation Report
3. Corrective Action Letter
4. Non Response Letter
5. Incomplete or Insufficient Response Letter

## **TSAHC Asset Oversight Procedures**

### **Timeline**

**Calendar** - Refer to calendar of scheduled Asset Oversight site visits as set and assigned by the Asset Oversight/Compliance Manager.

**Notice** – Give written notice to the property manager and the owner of a property 30 days before a scheduled Asset Oversight site visit; Request required reports for delivery to TSAHC within 14 days.

**Preparatory Work** – Review reports and other documentation 14 days before a scheduled Asset Oversight site visit.

**Site Review** – Perform the site review as scheduled.

**Draft Observation Report** – TSAHC Asset Oversight Specialist submits the Draft Observation Report to the TSAHC Asset Oversight/Compliance Manager 7 calendar days after the site visit.

**Final Observation Report** – Send the Final Observation Report with any findings of deficiencies to the owner and property manager 30 calendar days after the site visit.

**Corrective Action** – With the Final Observation Report send correspondence to the owner and property manager giving 30 days to cure on most findings, except for serious health and safety concerns, which should be cured within the time prescribed.

## TSAHC Asset Oversight Procedures

### I. Overview

The Asset Oversight Reviews serve as a method of verifying that Borrowers are adhering to established guidelines in all areas of property operations as required by the Asset Oversight Agreements. The Texas State Affordable Housing Corporation (TSAHC), as the Asset Oversight Agent, shall take no action which in TSAHC's sole judgment is likely to be construed to be an exercise of management or control over the assets, activities or operations of the property. TSAHC will provide the Borrower with information about the activities of the properties.

Site visits are conducted annually or bi-annually as directed by the Bond Documents. The Annual Overview Report and all Observation Reports will be completed by November 30<sup>th</sup> of each year. The Annual Overview Report will be presented to the Board of Directors at the next scheduled Board meeting after completion.

#### Site Visits Per Year

<u>Annual</u>	<u>Bi-Annual</u>
White Rock	Worthing Oaks
HIC	AOH
Ashton/Woodstock	AHF
Reserve	South Texas
GTEX	

### II. Preparatory Work

- A. **Travel Schedule.** The travel schedule is set by the Asset Oversight and Compliance Manager two to three months in advance based on the Annual Travel Calendar.
- B. **Notice and Report Request.** The TSAHC Site Visit Notification Letter (Attachment 1) will be sent to the owner and property 30 days in advance of the site visit via fax. The letter also requests that the following five reports be sent to TSAHC at least 14 days before the site visit:
  1. Annual Budget
  2. Variance Report
  3. NSF Reports (for the past three months)
  4. Corresponding Resident ledgers (no more than 10)
  5. Monthly Occupancy Report (for the past 12 months)
- C. **Observation Report.** The following sections of the Observation Report (Attachment 2) will be filled out before the on-site visit:
  1. Average Occupancy Over Last 12 Months
  2. Accounts Payable
  3. Collections
  4. Returned Checks
- D. **Review Last Year's Observation Report.** A Review of the previous year's Observation Report will be conducted to ascertain whether specific areas of concern should be evaluated for potential improvement or further deterioration.

### III. Site Review

- A. **Initial Meeting.** TSAHC staff will explain the Asset Oversight review process to the Property Manager and will request the following reports:
  1. Work Order Report that shows the number of completed work orders for the past 30 days and the number of requests that were completed within 24 hours.

2. Traffic Summary Report for the past 30 days showing the number of prospects and leases by the traffic source.
  3. Unit Availability Report showing what is currently vacant, if it is made ready, and how long it has been vacant.
  4. Lease Renewal Report for the previous month showing percent of residents that renewed and the number of residents that are on month to month leases.
  5. Current Delinquency Report
- B. **Observation Report.** The following sections of the Observation Report will be filled out as described (see section VI, the Checklist for completing the Observation Report) using the information from the reports received at the initial meeting:
1. Work Order Requests
  2. Marketing
  3. Vacant/Make Ready Units (except for the Units Walked section)
  4. Lease Renewal
  5. Delinquencies
- C. **Property Inspection.** TSAHC staff will conduct a physical inspection of the property, including inspection of all common areas, leasing/office areas, and maintenance shops. After the inspection is complete, TSAHC staff will fill in the Physical Inspection section of the Observation Report.
- D. **Unit Inspection.** TSAHC staff will inspect three vacant made ready units selected by the inspector and will inspect all down units. If there are not three vacant made ready units to view, TSAHC staff will select occupied units as necessary to equal three. After the inspection, TSAHC staff will complete the Units Walked part of the Vacant/Make Ready Units section of the Observation Report.
- E. **Exit Interview.** During the exit interview TSAHC staff will ask the manager any questions that are still unanswered on the Observation Report, including questions within the Personnel section. After completing the Observation Report, TSAHC staff will discuss with the manager the status of the property, including any potential Observations and Findings.

#### IV. Post Site Review

- A. **Submission.** TSAHC staff will submit the Observation Report and Corrective Action Letter (Attachment 3) to Asset Oversight and Compliance Manager for final approval no later than 7 calendar days after the initial visit.
- B. **Delivery of Report.** TSAHC staff will send the Final Observation Report and Corrective Action Letter to the Owner and Property Manager via fax no later than 30 days after the initial visit.

#### V. Corrective Action

- A. **Findings.**
  1. **Findings.** All Findings must be clear, concise, and specific to the problem discussed. The problem that has been outlined as a Finding should state the specific problem, i.e., unit number, time frame, and/or building location number, if applicable. Findings represent violations that require that the owner/agent take corrective action as required by TSAHC.
  2. **Corrective Action.** Corrective Action requirements must also be concise and specific. The language must clearly state what the property must do to correct the issue, by what date it needs to be completed, and by what manner the property should notify TSAHC of the completed corrective action. For most Findings the property will have 30 days to cure, but all health and safety Findings should have a time frame suited to the specific issue. This could give the property a time frame as short as 24 hours for a serious health or safety violation.

**Example:** The owner/agent of XYZ Apartments must replace the smoke alarm on unit 21, bldg 6. A copy of the work order that evidences completion of this action is due to TSAHC no later than 7 calendar days from the date of this report.
- B. **Observations.**

1. **Observations.** Observations are used as an important tool to allow TSAHC to address certain areas of concern and/or need for improvement.
2. **Recommendations.** Recommendations accompany Observations in the same manner. Corrective Action requirements accompany Findings. Adherence is not necessarily required; however, TSAHC expects that the property would give serious consideration to its content.

**Example:** XYZ Apartments should consider purchasing industry related software that will allow its work order processing system to become automated and thus more efficient.

C. **Responses.**

1. **Non Response.** If TSAHC has not received a Corrective Action response within the prescribed time frame, a Non Response letter (Attachment 4) will be sent via certified mail, return receipt requested, requiring a response within 7 calendar days.
  2. **Incomplete or Insufficient Responses.** Incomplete or insufficient submissions of corrective action will warrant follow-up correspondence (Attachment 5) informing the Owner and Property Manager of the specific Findings lacking completion. The follow-up correspondence will be drafted specifically to the outstanding Finding at hand and will be sent within 7 calendar days of receipt of the inadequate response. The letter will state that the Owner has 7 calendar days to finish correcting the Finding. It will also clearly explain what action needs to be taken to completely resolve the issue.
  3. **Extensions.** Properties requesting an extension to cure Corrective Action requirements must submit a formal written request on company letterhead to the TSAHC Asset Oversight/Compliance Manager. A written response to this request will be sent within five calendar days. All extensions must be approved by the Asset Oversight and Compliance Manager. The length of extensions will be determined on an individual basis. Extensions will only be granted if the Finding can not be cured within 30 days and in TSAHC's judgment cure has commenced.
- D. **Phone Calls.** During the corrective action process the TSAHC staff member will be in contact with the Property Manager to address any outstanding questions about the required or suggested Corrective Action and to check on the status of the required work.
- E. **Borrower's Default.** If a property has not cured the outstanding Findings within the prescribed amount of time it can result in a Default.

## VI. Checklist for Completing Observation Report

### A. Physical Inspection

PHYSICAL INSPECTION	YES	NO	N/A
1) Are lawns neatly mowed, edged and clean?			
2) Are flower beds fresh, clean, attractive and free of weeds and debris?			
3) Is parking lot clean and in good repair with handicap parking properly marked and curbing accessible?			
4) Are all signs clean and in good repair with EHO logos? If NO, please comment			
5) Are recreational/common areas clean, maintained and accessible? If NO, please comment			
6) Are laundry facilities clean, being maintained and accessible? If NO, please comment			
7) Are hallways clean and being maintained?			
8) Are storage/maintenance areas clean, maintained and organized?			
9) Are all sidewalks clean and in good repair? If NO, please comment			
10) Do the roofs on all of the buildings appear to be in good condition? If NO, please comment			
11) Do all balconies and upper level walkways appear to be in good condition? If NO, please comment			
12) Does all exterior siding, wood and trim appear to be in good condition? If NO, please comment			
13) Does the exterior paint on all buildings appear to be in good condition? If NO, please comment			
14) Are there any other health and safety concerns that need to be addressed? If YES, please comment			
<b>COMMENTS:</b>			

1. **Landscaping.** While conducting the property inspection take note of the landscaping. If there are any major problems such as muddy areas, standing water, areas of dead trees, or seriously overgrown trees, make note of that in the comments section under Physical Inspection.
2. **Common Areas.** All common areas need to be inspected for cleanliness and safety. This includes looking at the driveways, parking areas, sidewalks, clubhouse facilities, pool, playground, and laundry facilities. Items such as cracked sidewalks would result in an Observation.
3. **Building Exterior.** Look at the exterior of buildings for signs of wood rot, peeling paint, roof damage, structural damage, and other signs of neglect. Any type of structural damage that is a safety concern would be a Finding.
4. **Building Interior.** Check common hallways and elevators for cleanliness, vandalism, and health and safety concerns.
5. **Health and Safety.** If there are any other health and safety concerns that have not been covered in the other questions make notation of it in Question 14. All serious health and safety violations result in a Finding.
6. **Documentation.** Give details in the comments section of any concerns you have observed while performing the physical inspection. Also provide positive comments when warranted.
7. **Photographs.** For any Observations and Findings provide photographs to document the item. Also take photographs of the monument sign, the exterior of the leasing office, a common area such as a pool or playground, and the exterior of an apartment building. A minimum of four photographs must be included in all completed Observation Reports.

**B. Security Program**

SECURITY PROGRAM	YES	NO	N/A
1) Is the property free of major security problems:			
- Break-ins?			
- Auto Theft?			
- Vandalism?			
-Personal Assault?			
-Other?			
2) Is the type and level of security appropriate for this community?			
3) Did the review of the police reports address the following:			
- Violent Crime Arrest?			
- Drug Activity?			
- Non-citizen Ineligible Aliens?			
- Other?			
4) Is the property suffering from the effects of criminal activity?			
5) List all security services being used.			
<b>COMMENTS:</b>			

1. **Visual Observation.** While walking the property look for signs of criminal activity such as graffiti, property damage, and loitering.
2. **Police Report.** The TSAHC auditor should request the police reports for the previous three months 60 days prior to the visit. The information found in the report should be used to complete the above questions as well as to help facilitate the conversation about this subject.
3. **Manager Questions.** Discuss with the Manager what types of the security is being used on site and if the criminal activity is increasing/decreasing and why.

**C. Office**

OFFICE	YES	NO	N/A
1) Is the office neat, the desk uncluttered?			
2) Are accurate office hours posted?			
3) Are emergency phone numbers posted?			
4) Are the following displayed in full view:			
Occupancy Qualifications?			
Fair Housing Poster?			
5) Are property licenses and permits on file and renewed on a timely basis?			
6) Are insurance binders maintained on vendors?			
7) Are proper procedures in place to ensure compliance with the set aside requirements and rent requirements?			
<b>COMMENTS:</b>			

1. **Office Organization.** During the initial interview ask the manager for binders regarding vendor insurance and the property’s licenses and permits. Review to ensure proper usage; for example, review to ensure that none of the coverage has expired. If it has expired it would result in a Finding.

2. **Signage.** When you arrive at the property take note of the signage outside the building. Look for the office hours and phone number. While inside the leasing office look to make sure that they have their occupancy qualifications and fair housing posters in plain view. If there is only one fair housing poster in English and none in Spanish, a Recommendation can be made if you feel the property demographics demonstrate a need for it. If there is not an English version of the fair housing sign, a Finding should be issued.
3. **Compliance.** Discuss with the Manager what their current Compliance policies and procedures are and look at their Occupancy Qualification criteria to see if it is accurate and acceptable.
4. **Overall Office.** Check for cleanliness and safety. If you have any concerns about the office make note of it in the Comments section. Make note of any positive items, such as an extremely organized office.

**D. Key Control**

KEY CONTROL	YES	NO	N/A
1) Are all property keys coded?			
2) Is key box locked and secured?			
3) Are locks being changed during turnover of vacant units?			
<b>COMMENTS:</b>			

1. **Key box inspection.** Look at the key box to make sure that it is locked and in a secure location. While looking at the key box check to see if the keys have a code that is different than the apartment number and not in any noticeable pattern. Also make sure that the key code log is not being stored with the box. If either of these situations are found they would be a serious safety concern resulting in a Finding with a corrective action requirement of 24 hours to cure from the date of the site visit.

**E. Work Order Requests**

WORK ORDER REQUESTS	YES	NO	N/A
1) Are service requests being responded to within 24 hours?			
2) Is a program in place and being utilized for staff to follow up on work orders?			
3) Is there an after hours emergency policy in effect?			
<b>The following information was reported for the month of</b>			
Number of service requests completed in the past 30 days:			
Number of service requests completed within 24 hours:			
Number of outstanding service requests:			
<b>COMMENTS:</b>			

1. **Work Order Report.** Use the Work Order Report to calculate the number of work orders completed within 24 hours, number completed within the last 30 days, and if there are any outstanding work orders. If the majority of the work orders are not being completed within 24 hours, it could result in a Recommendation.
2. **Manager Questions.** Have the manager explain the after hours emergency policies. Also have them show you where they keep track of follow up phone calls. Feel free to add any additional comments that the manager, maintenance supervisor, or other staff member makes that might be relevant to this section.

**F. Marketing**

<b>MARKETING</b>			
1) What is the current advertising being used?			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth			
Flyers			
Resident Referral			
Other (friend, relative, etc.)			
Housing Authority			
Locator Service			
Apartment Digest/For Rent/ Senior Living			
Greensheet			
Local Newspaper			
Internet			
Preferred Employer			
Other Source (list)			
<b>TOTAL</b>			
<b>(The rental activity reflected in the above table was for the month of .)</b>			
	<b>YES</b>	<b>NO</b>	<b>N/A</b>
2) Is market survey being updated monthly?			
3) Are competitors being "shopped" regularly?			
<b>COMMENTS:</b>			

1. **Traffic Report.** Use the traffic report from the past 30 days to fill in the Prospects and Leases columns in the table above.
2. **Monthly Costs.** To find out the monthly costs of all forms of marketing have the manager tell you the amounts spent last month in each of the areas. If they do not know the information it can be found by looking at the invoices for the previous month.
3. **Manager Questions.** Discuss with the manager what the marketing plan currently is and how effective it is. Also discuss how often the market survey is updated and how often the competition is being shopped. Feel free to add any helpful comments to the comments section. Any items of concern in this area should be listed as Observations.

**G. Vacant/Make Ready Units**

VACANT/MAKE READY UNITS			
1) Number of vacant units at time of activity report:			
2) Number of completed made ready units at time of activity report:			
3) Number of uncompleted made ready units at time of activity report:			
<b>COMMENTS:</b>			
			<b>YES</b>
			<b>NO</b>
			<b>N/A</b>
4) Does the number correspond with the status board?			
5) Are units being turned in a timely manner?			
6) Are there any down units?			
<b>Units Walked (minimum of 3)</b>			
<i>Unit #</i>	<i>Description</i>		

1. **Unit Availability Report.** Using the current Availability Report complete the first three questions of this section. This report should be compared to the Make Ready Status board in the office or maintenance shop to check for accuracy. Using the information on the report, select the three units you would like to inspect. You can also use it to see if there are down units and how quickly units are being turned.
2. **Manager Questions.** Discuss with the manager anything on the Availability Report that might seem odd or of concern. It is also important to ask the manager if there are any down units or major renovations currently being done to units.
3. **Physical Unit Inspections.** When inspecting made ready units check the quality of the unit to ensure that it is really ready to be lived in. Look for items such as heavily stained/worn carpet, dirty walls, or unclean appliances. Also look to see if proper preventative maintenance is being done such as changing air filters. Check for any health and safety concerns such as smoke detectors beeping or uneven sub flooring. If there are any other maintenance problems with the units such as leaking plumbing fixtures or broken windows also make notations of these items. Write down as many items as needed in the description section. If the unit is in good condition state that also. For all Observations and Findings photograph the items for documentation.

**H. Accounts Payable**

ACCOUNTS PAYABLE						YES	NO	N/A
1) Is operating statement reviewed monthly/daily?								
2) Are budget logs being maintained and expenses tracked as orders are placed and/or purchased?								
3) Are invoices processed on a timely basis?								
4) Explain variance of 10% or greater YTD.								
<b>Expense Items that Varied by 10% or Greater from the Budget for Year to Date Operations Ending</b>								
(Please note that a positive variance is under budget and a negative variance is over budget.)								
EXPENSE ITEM	ACTUAL	BUDGET	VARIANCE	%	EXPLANATION			
Comments:								

1. **Variance Report.** Use the Year-To-Date information in the Variance Report to fill in the table above. When using the property’s report do the mathematical calculations yourself to check for accuracy.
2. **Manager Questions.** During the exit interview discuss with the manager the questions above. If there are any large variances in the Variance Report this could cause an Observation or Finding.

**I. Lease Renewal**

LEASE RENEWAL						YES	NO	N/A
1) Is an effective lease renewal program in place? What percentage of residents renew?								
2) Is proper notification given to residents regarding lease renewal terms and/or rental increases? (At minimum, 60-90 days written notification.)								
3) Are individual files being reviewed to determine renewal/non-renewal status?								
4) Are market rate increases being implemented?								
5) Number of month-to-month leases:								
6) Is a premium being charged for a month-to-month lease?								
<b>COMMENTS:</b>								

1. **Lease Renewal Report.** If the property has a Lease Renewal Report or a Renewal Binder, use it to help answer the questions in this section. If the month to month leases are not shown on the reports have the manager pull a report that shows the number of people that are on month to month leases. Make sure that all month to month leases that are low income residents have a current TIC.
2. **Manager Questions.** Have the manager explain the renewal process, how effective it is, and why they feel that it is/is not working. If no policy is in place and the property has an extremely low renewal rate this would be considered a Finding. If a policy is in place, but the renewal rate is low and the staff is not doing a good job handling the renewals, this would be considered an Observation.

**J. Revenue**

<b>REVENUE</b>			
<b>FOR THE MONTH OF</b>		<b>YEAR TO DATE</b>	
Gross Potential	\$	Gross Potential	\$
Budgeted		Budgeted	
Variance + (-)		Variance + (-)	
Collected to Date		Collected to Date	
Other Revenue		Other Revenue	
Total Collected		Total Collected	
Budgeted		Budgeted	
Variance + (-)		Variance + (-)	
Comments:			

1. **Variance Report.** The above table should be completed using the Variance Report. Use both the month to date and the year to date information. Check to see if the Report is the most current available. Discuss with the manager any major concerns that might be identified from the Variance Report. Concerns would include items such as actuals being significantly lower than budgeted figures.

**K. Delinquencies**

<b>DELINQUENCIES</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
1) Is the delinquency report current and up to date?			
2) Have proper steps been taken to collect outstanding rents?			
3) Has legal action been taken against delinquent accounts?			
4) Attach Delinquency Report.			
<b>COMMENTS:</b>	Current:		\$
	30 Days:		\$
	60 Days and Over:		\$
	<b>TOTAL</b>		\$

1. **Delinquency Report.** Have the manager get you that day's Delinquency Report. Ask if there are any checks or money orders that have not been entered into the report. Use the report to fill out the dollar amount break out. This report is also instrumental in deciding if the staff is handling delinquent accounts correctly.
2. **Manager Questions.** Use the report to lead the discussion. Talk to the manager about how the property handles outstanding accounts.

**L. Returned Checks**

<b>RETURNED CHECKS</b>	<b>YES</b>	<b>NO</b>	<b>N/A</b>
1) Total number of returned checks in the past 3 months:			
2) Has manager collected and deposited all returned checks?			
If NO, total number/dollar amount outstanding:			
Status:			
3) Is manager following company policy on returned checks?			
<b>COMMENTS:</b>			

1. **NSF Report.** Use the NSF report to make sure that you have received the correct resident ledgers.

2. **Resident Ledgers.** Review all of the resident ledgers. Look to see how many NSF checks they have had, if they have paid them all, how much they were charged in late fees and NSF fees. Also check to see if the fees are being charged the same way to everyone. If they are not this would be an Observation.

**M. Personnel**

PERSONNEL	YES	NO	N/A
1) Does the property appear to be adequately staffed?			
2) Do personnel appear to be properly scheduled?			
3) Do personnel appear to be neat and appropriately attired?			
4) Are name tags/photo ID's being worn?			
5) Were requested pre-audit reports submitted on time?			
6) Is overtime being controlled?			
7) Does it appear that personnel are team oriented?			
8) Are staff meetings being scheduled weekly, monthly or quarterly?			
9) Have personnel been trained in Fair Housing? If NO, why?			
10) List all in-house or outside training attended by personnel:			
<b>COMMENTS:</b>			

1. **Observation.** Most of the Personnel questions will be answered through observing the staff during the site visit, such as observing name tags, attire, and team work.
2. **Manager Questions.** Ask the manager about any training that the office staff or maintenance personnel have attended within the last two years. Also ask about scheduling and if they are looking to hire someone. If they have not been sending staff to Compliance training on a regular basis this would be an Observation.

**N. Summary of Findings and Observations**

SUMMARY OF FINDINGS AND OBSERVATIONS

1. **Findings.** Cut and paste all of the Findings from the body of the report and add the appropriate Corrective Action requirements. Be very specific and include the date by which the Corrective Action needs to be taken and how you should be notified of the action taken.
2. **Observations.** Cut and paste all of the Observations from the body of the report. Then add the suggested Recommendation for each Observation.

**VII. Annual Budget**

TSAHC will review the annual budget submitted by the property manager, will make a recommendation to the Borrower regarding the property manager's budget proposal (such recommendation

will be based upon the Asset Oversight Agent's opinion as to whether income, expense and capital items are realistic within the context of the Property and its rental market), and will make recommendations to the Borrower concerning any proposed variations from such budget that would require the approval of the Borrower.

**THIS DOCUMENT IS REVISED WHEN NECESSARY. TO VIEW THE MOST UP TO DATE VERSION GO TO [WWW.TSAHC.ORG](http://WWW.TSAHC.ORG).**

Today's Date

Owner/Agent Name

Address

City,State, Zip

RE: Property's Name

Dear Owner/ Property Manager:

The purpose of this letter is to serve as notification that a TSAHC Representative will conduct an Asset Oversight review at **Property's Name** on **Review Date** at approximately **Time**. In order to facilitate an efficient review, we intend to complete as much of the review as possible in our office prior to our on-site visit.

Please review the list of required documents outlined below and forward them to our office no later than **14 days before your site visit**. These documents may be submitted via e-mail, fax, or regular mail. It is the intention of TSAHC to minimize the disruption to your staff's routine and the amount of time we spend at your site; therefore, we will need to begin our desk review of these documents as soon as possible.

- Ø Current Year Operating Budget
- Ø Current YTD Financial Statements
- Ø NSF policy along with NSF log for the past 3 months and a copy of the corresponding resident ledger (no more than 10)
- Ø Most recent Variance Report
- Ø Monthly Occupancy Report for the past 12 months

The site visit consists of an evaluation of property reports, a limited physical inspection, and a comprehensive interview with at least one member of the management staff. As part of the limited physical inspection, three vacant units will be randomly selected for inspection by the TSAHC staff member. If three vacant units will not be available for inspection, please send a notice to all residents that an inspection of their unit might occur on the date of the site visit.

The ability to develop a productive partnership is important to us, and we welcome the opportunity to serve you and your residents. We hope that our work together will assist in providing the best possible affordable housing within the State of Texas. As always, you may contact me via telephone or e-mail for assistance or information.

Respectfully,

Your Name

Position

E-Mail Address

# Texas State Affordable Housing Corporation

“Bringing Affordable Housing Closer to Home”

<b><u>Property</u></b>				
<b>Address</b>				
<b>City, State, Zip</b>				
<b>Owner:</b>	<b>Bond ID: NA</b>		<b>Date Built:</b>	
<b>INSPECTION DATE/ TIME:</b>				
<b>Number of Units:</b>	<b>Occupancy at Time of Report:</b>	<b>%</b>	<b>Average Occupancy Over Last 12 Months:</b>	<b>%</b>

PHYSICAL INSPECTION	YES	NO	N/A
1) Are lawns neatly mowed, edged and clean?			
2) Are flower beds fresh, clean, attractive and free of weeds and debris?			
3) Is parking lot clean and in good repair with handicap parking properly marked and curbing accessible?			
4) Are all signs clean and in good repair with EHO logos? If NO, please comment			
5) Are recreational/common areas clean, maintained and accessible? If NO, please comment			
6) Are laundry facilities clean, being maintained and accessible? If NO, please comment			
7) Are hallways clean and being maintained?			
8) Are storage/maintenance areas clean, maintained and organized?			
9) Are all sidewalks clean and in good repair? If NO, please comment			
10) Do the roofs on all of the buildings appear to be in good condition? If NO, please comment			
11) Do all balconies and upper level walkways appear to be in good condition? If NO, please comment			
12) Does all exterior siding, wood and trim appear to be in good condition? If NO, please comment			
13) Does the exterior paint on all buildings appear to be in good condition? If NO, please comment			
14) Are there any other health and safety concerns that need to be addressed? If YES, please comment			
<b>COMMENTS:</b>			

SECURITY PROGRAM	YES	NO	N/A
1) Is the property free of major security problems:			
- Break-ins?			
- Auto Theft?			
- Vandalism?			
-Personal Assault?			
-Other?			
2) Is the type and level of security appropriate for this community?			
3) Did the review of the police reports address the following:			
- Violent Crime Arrest?			
- Drug Activity?			
- Non-citizen Ineligible Aliens?			
- Other?			
4) Is the property suffering from the effects of criminal activity?			
5) List all security services being used.			
<b>COMMENTS:</b>			

# Texas State Affordable Housing Corporation

“Bringing Affordable Housing Closer to Home”

OFFICE	YES	NO	N/A
1) Is the office neat, the desk uncluttered?			
2) Are accurate office hours posted?			
3) Are emergency phone numbers posted?			
4) Are the following displayed in full view:			
Fair Housing Poster?			
Occupancy Qualifications?			
5) Are property licenses and permits on file and renewed on a timely basis?			
6) Are insurance binders maintained on vendors?			
7) Are proper procedures in place to ensure compliance with the set aside requirements and rent requirements?			
<b>COMMENTS:</b>			

KEY CONTROL	YES	NO	N/A
1) Are all property keys coded?			
2) Is key box locked and secured?			
3) Are locks being changed during turnover of vacant units?			
<b>COMMENTS:</b>			

WORK ORDER REQUESTS	YES	NO	N/A
1) Are service requests being responded to within 24 hours?			
2) Is a program in place and being utilized for staff to follow up on work orders?			
3) Is there an after hours emergency policy in effect?			
<b>The following information was reported for the month of</b>			
Number of service requests completed in the past 30 days:			
Number of service requests completed within 24 hours:			
Number of outstanding service requests:			
<b>COMMENTS:</b>			

# Texas State Affordable Housing Corporation

“Bringing Affordable Housing Closer to Home”

MARKETING			
1) What is the current advertising being used?			
SOURCE	COST	# of Prospects	# of Leases
Drive-By/Word of Mouth			
Flyers			
Resident Referral			
Other (friend, relative, etc.)			
Housing Authority			
Locator Service			
Apartment Digest/For Rent/ Senior Living			
Greensheet			
Local Newspaper			
Internet			
Preferred Employer			
Other Source (list)			
TOTAL			
<b>(The rental activity reflected in the above table was for the month of .)</b>			
	<b>YES</b>	<b>NO</b>	<b>N/A</b>
2) Is market survey being updated monthly?			
3) Are competitors being "shopped" regularly?			
<b>COMMENTS:</b>			

VACANT/MAKE READY UNITS			
1) Number of vacant units at time of activity report:			
2) Number of completed made ready units at time of activity report:			
3) Number of uncompleted made ready units at time of activity report:			
<b>COMMENTS:</b>			
	<b>YES</b>	<b>NO</b>	<b>N/A</b>
4) Does the number correspond with the status board?			
5) Are units being turned in a timely manner?			
6) Are there any down units?			
<b>Units Walked (minimum of 3)</b>			
Unit #	Description		

# Texas State Affordable Housing Corporation

“Bringing Affordable Housing Closer to Home”

ACCOUNTS PAYABLE						YES	NO	N/A
1) Is operating statement reviewed monthly/daily?								
2) Are budget logs being maintained and expenses tracked as orders are placed and/or purchased?								
3) Are invoices processed on a timely basis?								
4) Explain variance of 10% or greater YTD.								
<b><u>Expense Items that Varied by 10% or Greater from the Budget for Year to Date Operations Ending</u></b>								
(Please note that a positive variance is under budget and a negative variance is over budget.)								
EXPENSE ITEM	ACTUAL	BUDGET	VARIANCE	%	EXPLANATION			
Comments:								

LEASE RENEWAL				YES	NO	N/A
1) Is an effective lease renewal program in place? What percentage of residents renew last month, past 6 months and past 12 months?						
2) Is proper notification given to residents regarding lease renewal terms and/or rental increases? (At minimum, 60-90 days written notification.)						
3) Are individual files being reviewed to determine renewal/non-renewal status?						
4) Are market rate increases being implemented?						
5) Number of month-to-month leases.						
6) Is a premium being charged for a month-to-month lease?						
<b>COMMENTS:</b>						

REVENUE			
FOR THE MONTH OF		YEAR TO DATE	
Gross Potential	\$	Gross Potential	\$
Budgeted		Budgeted	
Variance + (-)		Variance + (-)	
Collected to Date		Collected to Date	
Other Revenue		Other Revenue	
Total Collected		Total Collected	
Budgeted		Budgeted	
Variance + (-)		Variance + (-)	
Comments:			

# Texas State Affordable Housing Corporation

“Bringing Affordable Housing Closer to Home”

DELINQUENCIES	YES	NO	N/A
1) Is the delinquency report current and up to date?			
2) Have proper steps been taken to collect outstanding rents?			
3) Has legal action been taken against delinquent accounts?			
4) Attach Delinquency Report.			
<b>COMMENTS:</b>	Current:		\$
	30 Days:		\$
	60 Days and Over:		\$
	TOTAL		\$

RETURNED CHECKS	YES	NO	N/A
1) Total number of returned checks in the past 3 months:			
2) Has manager collected and deposited all returned checks?			
If NO, total number/dollar amount outstanding:			
Status:			
3) Is manager following company policy on returned checks?			
<b>COMMENTS:</b>			

PERSONNEL	YES	NO	N/A
1) Does the property appear to be adequately staffed?			
2) Do personnel appear to be properly scheduled?			
3) Do personnel appear to be neat and appropriately attired?			
4) Are name tags/photo IDs being worn?			
5) Were requested pre-audit reports submitted on time?			
6) Is overtime being controlled?			
7) Does it appear that personnel are team oriented?			
8) Are staff meetings being scheduled weekly, monthly or quarterly?			
9) Have personnel been trained in Fair Housing?			
If NO, why?			
10) List all in-house or outside training attended by personnel:			
<b>COMMENTS:</b>			

SUMMARY OF OBSERVATIONS AND FINDINGS

# Texas State Affordable Housing Corporation

“Bringing Affordable Housing Closer to Home”

*Date*

*Owner*

*Address*

*City, State, Zip*

RE: *Property Name*

Dear Owner/Agent:

On *Date*, an Asset Oversight Review was performed at the above referenced property. Details of the review can be found in the enclosed Observation Report.

The results of this review may indicate items in need of correction in order to be in compliance with your TSAHC Multifamily Bonds. A list of Findings and/or Observations resulting from the review is enclosed. Each Finding will include Corrective Action dates for those items considered deficient. Properties with any Corrective Action Requirements will be placed on a Monitoring Status pending correction.

For Clarification:

**Observations** will address issues that can be improved upon, but do not require immediate action. An **Observation** will always be followed by a **Recommendation**. Management should consider **Recommendations** but there is no written response required. **Findings** address serious issues that need to be cured immediately. **Findings** will always be followed by **Corrective Action Requirements**. Management must complete the **Corrective Action Requirements** and send certification to TSAHC that they have been resolved as stipulated within each **Corrective Action Requirement**. This certification must be on company letterhead and address each item individually.

I appreciate the time and effort your staff allotted to our review. If you wish to discuss the report findings before preparing your response, please feel free to contact me at the number listed below.

Respectfully,

Emily Lah

Asset Oversight/ Compliance Manager

Date

By Facsimile/Original by Certified Mail  
Return Receipt Requested

**NON RESPONSE NOTICE**  
**REQUEST FOR CORRECTIVE ACTION**

Owner  
Owner/Agent's Address  
City/State/Zip

Re: Property's Name/

Dear Owner/Agent:

The Texas State Affordable Housing Corporation (TSAHC) has not received a response to the Findings identified on the Compliance Review Observation Report dated **Report Date** (“the Report”), sent to you (Date). To ensure compliance, we must receive documents meeting the Corrective Action Requirements set out in the Report no later than ***Extended due date*** (7 days from this letter). Please refer to the Narrative pages of the Report for the corrective action requirements.

Thank you for your attention to this important matter. If you have forwarded the required documents, please contact us to ensure we receive the documents. Please do not hesitate to call should you require additional information or clarification on this important request.

Respectfully,

TSAHC Staff Member

Date

By Facsimile/Original by Certified Mail  
Return Receipt Requested

Owner  
Owner/Agent's Address  
City/State/Zip

**INCOMPLETE OR INSUFFICIENT  
RESPONSE NOTICE REQUEST FOR  
CORRECTIVE ACTION**

Re: Property's Name

Dear Owner/Agent:

The Texas State Affordable Housing Corporation (TSAHC) has received an incomplete or insufficient response to the Findings identified on the Compliance Review Observation Report dated **Report Date** ("the Report"), sent to you (Date). Specifically, your response has not sufficiently addressed the following Corrective Action requirement: \_\_\_\_\_. To ensure compliance, we must receive documents meeting the Corrective Action Requirements set out in the Report no later than ***Extended due date*** (7 days from this letter).

Thank you for your attention to this important matter. If you have forwarded the required documents, please contact us to ensure we receive the documents. Please do not hesitate to call should you require additional information or clarification on this important request.

Respectfully,

TSAHC Staff Member