



Housing Consultants of America



# The 10 Most Common LIHTC Compliance Mistakes - and How to Avoid Them

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Low-Income Housing Tax Credit (LIHTC) compliance is built on details. A file can look complete at first glance and still contain an income calculation error, an unresolved student-status issue, a missing verification, or a rent problem that creates exposure during a state agency review. Property managers and compliance teams reduce risk when they treat every certification as a documented compliance decision - not simply a collection of forms.

Below are ten of the most common LIHTC compliance mistakes Housing Consultants of America sees in file-review and compliance-support work, along with practical ways property teams can prevent them.

## 1. Incorrect Household Income Calculations

Income errors can occur when staff annualize wages incorrectly, overlook anticipated changes, mishandle irregular income, or fail to apply the applicable program rules to all household members. Even a small calculation error can affect eligibility.

**How to avoid it:** Use a consistent income-calculation worksheet, reconcile source documents to the certification, document assumptions, and require a second-level review when income is complex or close to the applicable limit.

## 2. Missing, Incomplete, or Inconsistent Verifications

A file may contain a verification but still be deficient because it is unsigned, undated, stale, incomplete, or inconsistent with other information in the file. Unresolved discrepancies are especially risky because reviewers may question whether eligibility was adequately established.

**How to avoid it:** Maintain a verification checklist, review documents for completeness before finalizing the certification, and document how conflicting information was resolved.

## 3. Student-Rule Errors

LIHTC student rules are frequently misunderstood. A household composed entirely of full-time students may be ineligible unless it meets a qualifying exception. Problems arise when student status is not verified for every applicable household member or the exception is not properly documented.

**How to avoid it:** Ask student-status questions at move-in and recertification, verify status when required, and retain clear documentation supporting any exception being used.

## 4. Late or Poorly Managed Annual Recertifications

Where annual income recertification is required under the property's applicable rules, late certifications can create a compliance finding and make it harder to establish continuous eligibility. Backlogs also increase the chance that staff rush files and miss important documentation.

**How to avoid it:** Work from a 120/90/60/30-day recertification calendar, assign ownership for follow-up, track outstanding documents, and escalate files that are approaching the deadline.

## 5. Incorrect Rent Calculations

LIHTC gross-rent compliance requires more than comparing the tenant-paid rent to a published limit. Utility allowances and other required components can affect whether the gross rent is within the maximum.

**How to avoid it:** Verify the correct rent limit, bedroom size, set-aside, utility allowance, and effective dates before approving a rent. Recalculate whenever a utility allowance or rent schedule changes.

## 6. Using the Wrong Utility Allowance

Using an outdated or inapplicable utility allowance can cause an otherwise acceptable rent to exceed the LIHTC maximum gross rent. Problems also occur when changes are not implemented within the required timeframe.

**How to avoid it:** Maintain a utility-allowance log showing the source, effective date, implementation deadline, and affected units. Build a formal review step into every rent change.

## 7. Household Composition Is Not Properly Documented

Eligibility depends on who will occupy the unit. Files become vulnerable when household members are added or removed without adequate documentation, when custody or anticipated occupancy is unclear, or when household changes are not reflected consistently throughout the file.

**How to avoid it:** Reconcile the application, certification, lease, verifications, and household-change documents. Any difference should be explained and documented before the file is approved.

## 8. Asset Information Is Incomplete or Misapplied

Asset-related errors can stem from missed accounts, incomplete documentation, incorrect treatment of disposed assets, or inconsistent application of current program requirements. These mistakes may also affect income calculations.

**How to avoid it:** Ask complete asset questions, follow the property's current compliance procedures, and make sure asset documentation supports both the asset value and any income attributed to it.

## 9. Files Do Not Tell a Clear Compliance Story

A reviewer should be able to understand how the household was determined eligible without guessing. Files with unexplained corrections, inconsistent dates, missing signatures, contradictory documents, or scattered notes often create avoidable findings.

**How to avoid it:** Organize files in a consistent order, use clear compliance notes, correct errors transparently, and complete a quality-control review before the certification is finalized.

## 10. Staff Rely on Habit Instead of Current Requirements

LIHTC compliance practices evolve through federal guidance, state allocating-agency procedures, property-specific regulatory documents, and changes affecting layered programs. 'We have always done it this way' is not a compliance standard.

**How to avoid it:** Keep written procedures current, train staff regularly, review state agency guidance, and confirm that property-specific requirements are incorporated into day-to-day file processing.

**A strong LIHTC file should do more than contain the right forms. It should demonstrate, in a logical and well-documented way, why the household was eligible, why the rent was compliant, and why the certification was completed under the requirements applicable to that property.**

### Why Independent LIHTC File Reviews Matter

Internal teams are often reviewing files while also managing move-ins, recertifications, resident issues, vacancies, audits, and daily operations. That workload can make it difficult to spot patterns that have become routine. An independent LIHTC file review provides a fresh compliance perspective and can identify recurring calculation errors, documentation gaps, student-rule concerns, rent or utility-allowance issues, and procedural weaknesses before those problems are identified by the state monitoring agency.

Third-party reviews are especially valuable before a scheduled monitoring visit, after staff turnover, when a property has accumulated a certification backlog, when a new management company assumes responsibility for a site, or when leadership wants to test the quality of its current compliance process. Finding an issue internally creates an opportunity to research it, correct what can appropriately be corrected, strengthen procedures, and train staff before an external reviewer arrives.

**Housing Consultants of America** supports affordable housing owners, management companies, and property teams with LIHTC file reviews, compliance audits, corrective-action support, training, and ongoing third-party compliance services.

*Compliance note:* LIHTC requirements can vary based on the property's placed-in-service date, extended-use agreement, state housing finance agency guidance, elections, and layered funding programs. Property teams should apply the rules and regulatory documents specific to each property.