



Owner & Agent Training

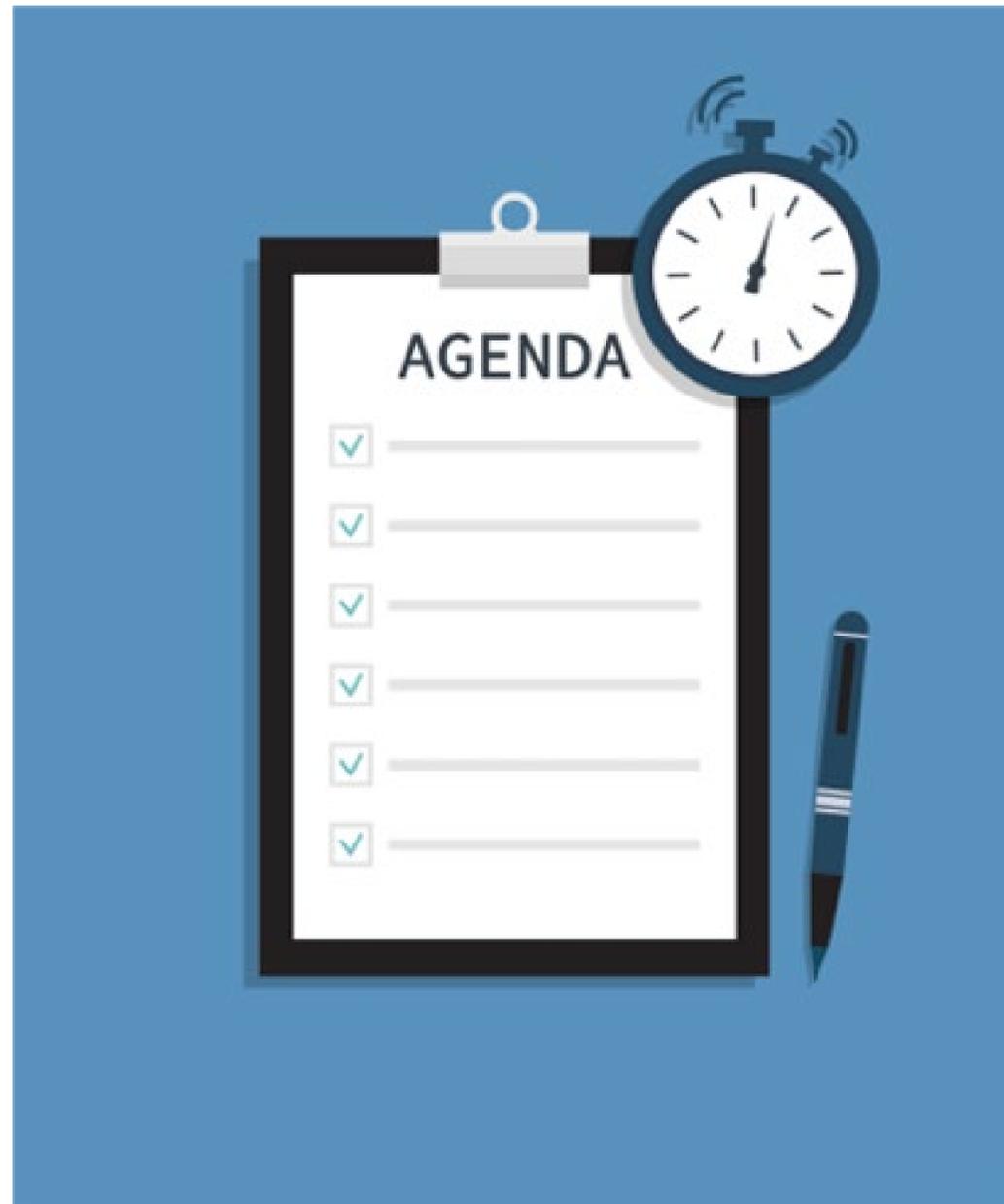
# Financial Regulatory Requirements

*Mastering Financial Regulatory  
Requirements & Reserve Request Best  
Practices*

Presenter: Charlie Walsh - Senior Financial Analyst (FA)



# Session Agenda



1

## Reserve Request Process

- Reserve Type Overview and Function
- Basic Request Requirements
- Walkthrough Demo

2

## Insurance Requirements Overview

- General Requirements
- Coverage Outline

3

## Financial Compliance

- Fiscal Year Budget Submission
- Financial Reporting and Audit Guidelines
- Exhibits / Examples
- Resources



# Reserve Requests



- Overview
- Required Documentation
- Walkthrough (New Process as of 3/4/24)



# What's New With Reserve Requests?

- Transitioned the entire reserve request process to an online platform for greater efficiency and transparency.
- Enabled electronic submission of reserve requests, reducing delays and streamlining documentation handling.
- Added additional team members to improve response times and support volume increases.
- Eliminated internal duplicate reviews while maintaining our standard of due diligence.
- Improved our payment disbursement system which assisted in reducing total turn - time from submission to payout (25 - business day average from 11/1/2025 - present, target being 30 business days)

# Most “Common” Reserve Requests

- Taxes
- Insurance
- Replacement



# Reserve Request Requirements (FA Key Review Points)



- W9 for the “Payee”
- Reserve Request Form
- Proof of Payment
- Schedule of Expenses
- Invoices/ Work Scope
- Authorized Signature



# Property Taxes Reserve Request



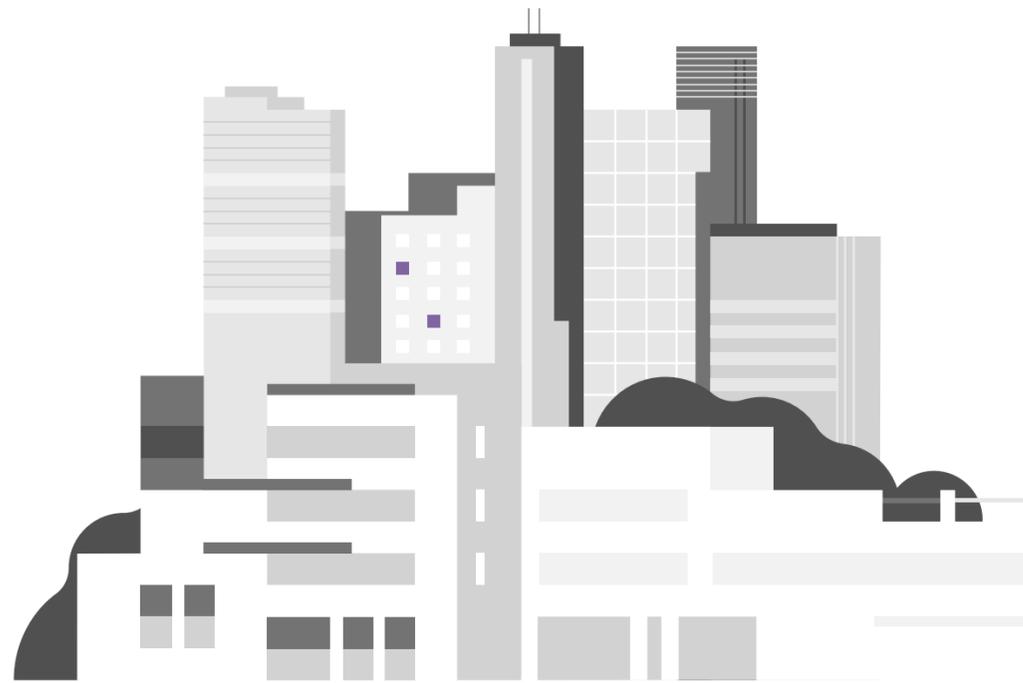
- Most portfolio developments don't need to submit regular property tax requests to IHDA.
- These IHDA properties use an automated "TPA" system for tax payments.
- Tax installments are processed independent of the reserve request process and do not need submissions.
- TPA participation depends on county involvement with the program, not preference.
- Owners/Agents should update their County Treasurer billing address, so tax bills go directly to IHDA.

# Insurance Reserve Request



- Requests for direct payment of insurance must be received by IHDA no less than thirty (30) days prior to the date of expiration.
- Insurance requests must include all documentation listed under Basic Requirements.
- Reimbursement can be submitted up to a year from when it was invoiced/paid.
- Insurance certificates can be forwarded to the [Insurance@IHDA.org](mailto:Insurance@IHDA.org).

# Replacement Reserve Eligible Items (Examples)



- Replacement of refrigerators, ranges, and other major appliances in the dwelling units.
- Major roof repairs, including major replacements of gutters, downspouts, and related eaves or soffits.
- Major plumbing and sanitary system repairs.
- Extensive replacement of siding.
- Extensive replacement of kitchen and bathroom sinks and counter tops bathroom tubs, water closets, and doors (exterior and interior).



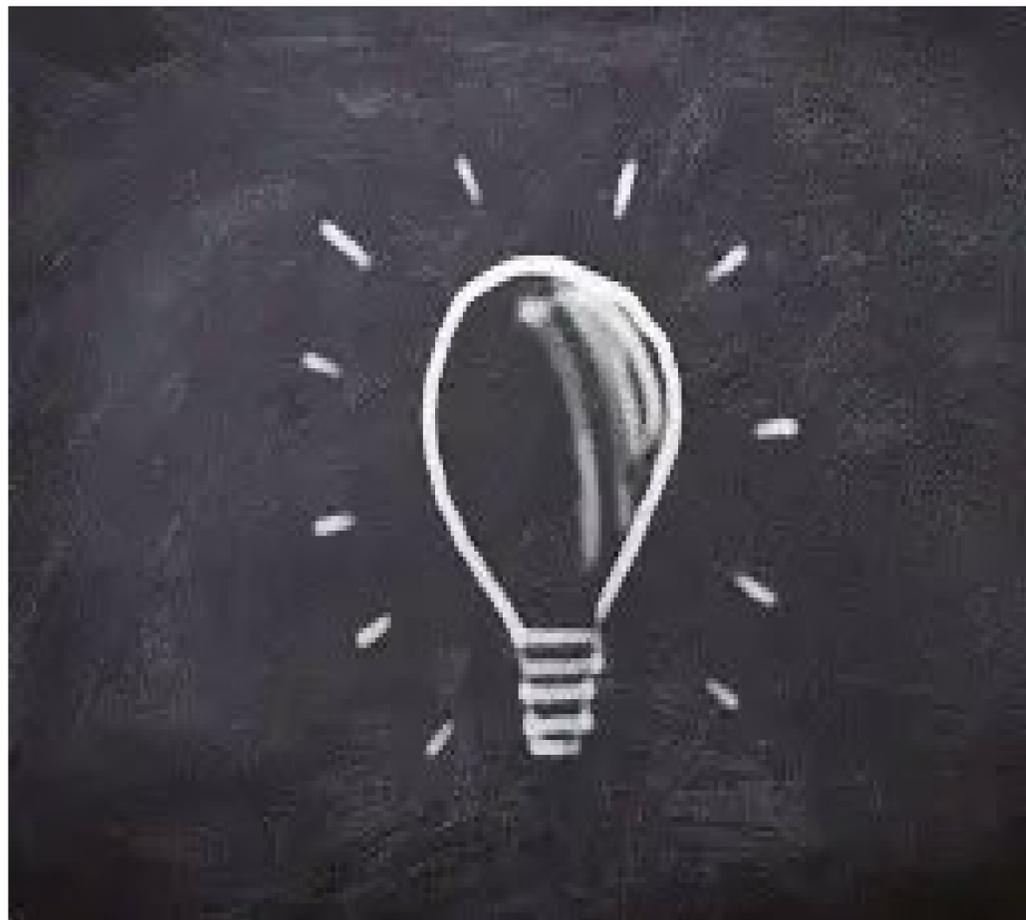
# Replacement Reserve **Ineligible** Items (Examples)



- Replacement of range burners, bibs, oven elements, controls, valves, wiring, etc.
- Minor repairs to central air conditioning and heating systems such as valve replacements and the cleaning of boiler interiors.
- Window and screen repairs.
- Purchase of maintenance tools and equipment such as lawn mowers or snow blowers.
- Minor paving repairs.



# Still Unsure? Ask the following questions:



1. Would result in enhancing the mortgage security?
2. Would upgrade the property and place the property in a more favorable competitive position in the rental market ?
3. Would be necessary to comply with changes in local, state, or federal laws ?
4. Would not inordinately deplete the Reserve Fund, i.e., the improvement must be affordable ?
5. Does the request appear to be for routine maintenance?

# Replacement Reserve Request: \$1,500/Unit Guideline



- A Minimum Balance of \$1,500/unit should always be maintained in a Replacement Reserve.
- If a property's Replacement Reserve falls below the minimum guideline, IHDA will consider reserve requests with the following documentation:

1. A written statement describing why the repair is necessary. Only items deemed emergencies will be considered.
2. Up-to-date financials showing items cannot be paid through property cash flow. Financials need to include a current balance sheet, income statement, cash flow statement, and outstanding payables report.



# Replacement Reserve Request: Bid Reviews & Capital Inspections

IHDA Bid Review & Capital Inspection will be required for any reserve requests of more than \$25,000 in contracted capital expenditures

## Bid Work Approval

- Requests must include three bids or written explanation if fewer.
- IHDA considers vendor preferences with written justification.
- Bid review required before work starts or contract execution.
- Work cannot begin until IHDA approval.

## Payment & Timeline

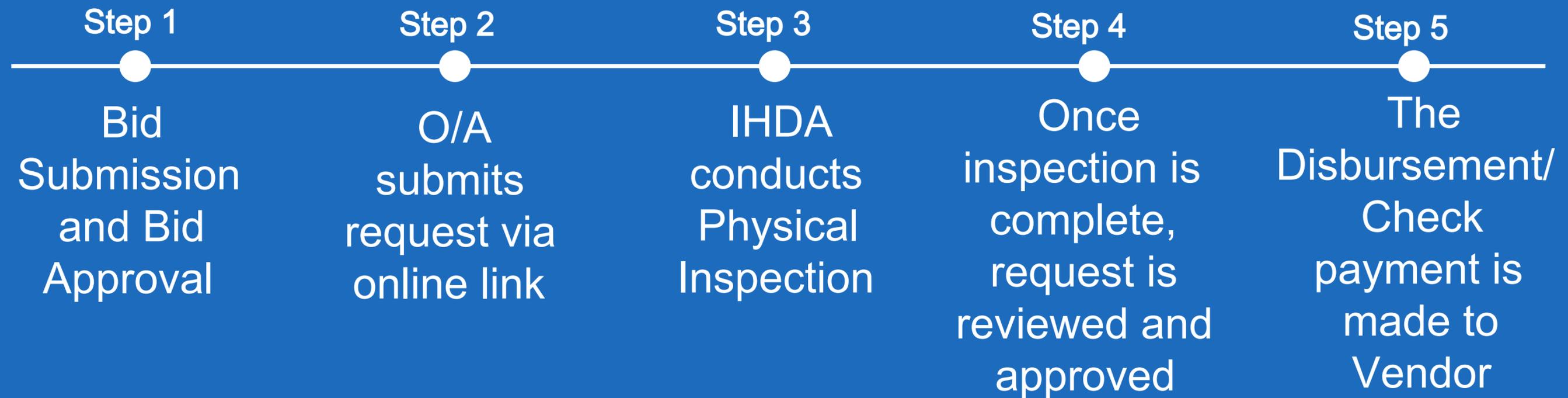
- Include approximate timeline for completion.
- Funds may be requested for down payments, but IHDA won't pay in full until work is complete.
- Final payout after IHDA Field Inspection.



# “Special” Reserve Requests

- Applies to General Operating, Operating Deficit, Rent Subsidy, etc.
- Owners/Agents may request reimbursement or direct vendor payment for necessary property expenses.
- Requests must include:
  - Current financial statements showing deficit or inability to cover payables.
  - Written narrative explaining deficit causes and plan to resolve.
- Approval depends on loan document verbiage.

# Request Processing Overview



# Submitting a Reserve Request



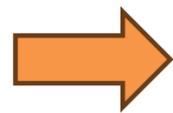
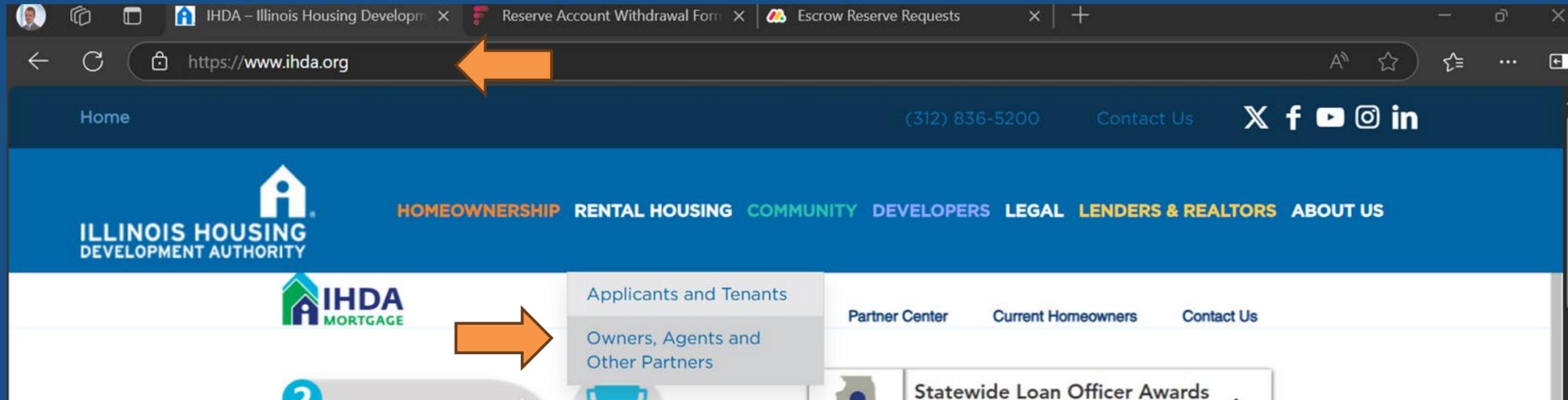
ILLINOIS HOUSING  
DEVELOPMENT AUTHORITY

*Online*  
Reserve Request

Making it easier for you to submit requests and faster to receive funds!

The advertisement features a photograph of a modern brick apartment building with multiple stories and large windows. The text is overlaid on a teal and yellow background. The Illinois Housing Development Authority logo is in the top left corner. The main title 'Online Reserve Request' is in the center, with 'Online' in italics. A yellow banner at the bottom contains the text 'Making it easier for you to submit requests and faster to receive funds!'.

# Resource Navigation



- + Portfolio Analysis
- + Reserve Account Withdrawal Form
- + Project Operations Compliance (POC)
- + Project Operations Compliance (POC) - Management Changes
- + Program Administration and Physical Inspections (PAPI)





# Insurance



- General Requirements
- Coverage Requirements



# Insurance Overview

- Insurance coverage outlined represents the minimum requirements for IHDA developments.
- Developments with greater than normal exposure may require additional coverage or higher limits.
- Requirements apply to all developments accepted by IHDA and remain in effect until IHDA is no longer involved with the property.
- Compliance notices are circulated monthly; receiving a notice indicates coverage is currently out of date or insufficient.



# General Requirements

1. All insurers must have, at a minimum, an AM Best Company rating of A.
2. All insurers must have, at a minimum, a Standard & Poor's rating of A.
3. In the event a development does not have sufficient insurance coverage or coverage has lapsed, IHDA reserves the right to obtain coverage at the Owner's expense. ( Any property that has IHDA Debt is subject to force placed insurance )
4. Certificates evidencing coverage in force shall be provided for each policy prior to policy expiration showing the Illinois Housing Development Authority at our corporate address as certificate holder.
5. Certificates should include all appropriate information for coverage, policy effective date, policy expiration date, policy numbers, policy limits, and deductible, etc.



# General Requirements

6. Certificates shall reference the IHDA project name and IHDA loan number on each certificate; if multiple projects are included, all project names and project numbers should be included on supplemental page(s).
7. Such insurance shall not be canceled, allowed to expire, or changed in any manner that will reduce coverage without 30 days prior written notice to the Illinois Housing Development Authority.
8. IHDA reserves the right to directly contact any insurer and/or insurance agent to independently verify the coverage evidenced.
9. Any deviations in coverage shall be at the discretion of IHDA.



# Coverage Requirements



## Commercial General Liability

- Covers injury or property damage to others due to business operations.

## Umbrella Liability

- Provides extra coverage beyond standard liability policies.

## Crime/Fidelity/Employee Dishonesty

- Protects against employee theft or fraud.

## Property Insurance

- Covers damage to owned property and assets.

# Coverage Requirements



## Additional Notes:

- Blanket Policies (if applicable): If an owner elects a blanket policy covering multiple developments, specific statements of value are required for each development, and renewal documentation must include the IHDA project name and project number for each.
- Insurance verbiage can be confusing. Excess Liability Is not the same coverage as Umbrella. Officer's Liability is not the same as Fidelity Bond or Employee Crime.

# Financial Compliance



- Fiscal Year Budget Submission
- Financial Reporting and Audit Requirements
- Exhibits / Examples
- Resources



# What is Financial Compliance?

Budget?

Audited Financials?

Income Statement?

Balance Sheet?



# Annual Operating Budget

“How do I know if IHDA requires an annual budget for a development?”

- Refer to Compliance Connection
- Ask your Financial Analyst
- Review the “Borrower Duties” section in your Regulatory Agreement (Loans and Grants)



# Annual Operating Budget

“When do I need to submit the annual operating budget by?”

- Operating Budgets are due by October 1<sup>st</sup> each year.



# Annual Operating Budget

“How do I submit the operating budget?”

- Operating budgets can be submitted to IHDA via our Portfolio Analysis proxy email, [FPATEAM@IHDA.org](mailto:FPATEAM@IHDA.org).



# Annual Operating Budget

“Does IHDA provide any template or formatting direction?”

- Yes, an annual budget form is available on our website in an Editable PDF.



# Annual Operating Budget

## Property Owners, Managers, & Other Partners – IHDA

- + Property Emergencies
- + Training
- + Relocation
- + Preservation
- Portfolio Analysis

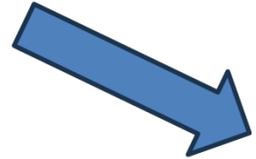
### *Financial Analysis*

Financial Reporting and Audit Guidelines

Exhibit A - Single Year Schedule of Financial Performance (Excel)

Audit - Sample of Owner & Agent Certifications

IHDA Annual Budget Input Form and Instructions



### *Loan Servicing*

W-9 Form for Direct payment or Reimbursement

Automated Clearing House (ACH) Enrollment Form for Payment Debit and Credit Including Escrow Disbursement

### *Portfolio Risk Management*

Portfolio Risk Management Request

Qualified Contract Guidelines

Insurance Requirements for IHDA Project - Renewals



# Populating the Budget Form

 **Illinois Housing Development Authority**  
Annual Operating Budget  
Property Input Form

Project ID:   
Project Name:   
Budget Year:

**Income and Expense Overview**

**Income**

Rental Income	<input type="text"/>	Subsidy Income	<input type="text"/>
Vacancy Loss	<input type="text"/>	Interest Income	<input type="text"/>
Rental Concessions	<input type="text"/>	Other Receivables	<input type="text"/>

**Total Income**

**Income Notes**

**Expenses**

*Administrative:*

Office Expenses	<input type="text"/>	Telephone	<input type="text"/>
Management Fees	<input type="text"/>	Marketing	<input type="text"/>
Social Programming	<input type="text"/>	Bad Debts	<input type="text"/>
Legal Expenses	<input type="text"/>	Miscellaneous	<input type="text"/>
Audit Expense	<input type="text"/>		

**ADMIN. TOTAL**

*Operating:*

Exterminating	<input type="text"/>	Landscaping	<input type="text"/>
Rubbish Removal	<input type="text"/>	Equipment	<input type="text"/>
Snow Removal	<input type="text"/>	Miscellaneous	<input type="text"/>

**OPERATING TOTAL**

*Maintenance:*

Structural Repairs	<input type="text"/>	Painting & Decorating	<input type="text"/>
Roofing Repairs	<input type="text"/>	Plumbing Repairs	<input type="text"/>
Carpeting	<input type="text"/>	Electrical Repairs	<input type="text"/>
Elevator Repairs	<input type="text"/>	Appliance Repairs	<input type="text"/>
HVAC	<input type="text"/>	Miscellaneous	<input type="text"/>
Security	<input type="text"/>		

**MAINTENANCE TOTAL**

- The sheet is programmed to calculate the “Totals.”

- Information must be entered electronically.



# Populating the Budget Form

1. Income

2. Expenses

3. Financing Structure and Payment Terms

4. Capital Improvement Projects



# ← Income

Income and Expense Overview			
<b>Income</b>			
Rental Income	<input type="text"/>	Subsidy Income	<input type="text"/>
Vacancy Loss	<input type="text"/>	Interest Income	<input type="text"/>
Rental Concessions	<input type="text"/>	Other Receivables	<input type="text"/>
<b>Total Income</b>	<input type="text" value="\$ 0.00"/>		
<b>Income Notes</b>	<input type="text"/>		

- Rental income, subsidy income, interest income and other receivables should be entered as positive values. Vacancy loss and rental concessions should be entered as negative values.

# Expenses →

- Administrative, operating, maintenance, materials, salaries & wages, utilities, taxes and insurance and reserve deposits should be entered as positive values. All expense categories must be populated. Enter a "0" in the field if a particular expense does not pertain to the property.

<b>Expenses</b>			
<i>Administrative:</i>			
Office Expenses	<input type="text"/>	Telephone	<input type="text"/>
Management Fees	<input type="text"/>	Marketing	<input type="text"/>
Social Programming	<input type="text"/>	Bad Debts	<input type="text"/>
Legal Expenses	<input type="text"/>	Miscellaneous	<input type="text"/>
Audit Expense	<input type="text"/>		
<b>ADMIN. TOTAL</b>	<input type="text" value="\$ 0.00"/>		
<i>Utilities:</i>			
Gas	<input type="text"/>	Water/Sewer	<input type="text"/>
Electricity	<input type="text"/>	Other	<input type="text"/>
<b>UTILITIES TOTAL</b>	<input type="text" value="\$ 0.00"/>		
<i>Taxes &amp; Insurance:</i>			
Real Estate Taxes	<input type="text"/>	Union Benefits	<input type="text"/>
Prop & Liability Ins	<input type="text"/>	Other Insurance Exp	<input type="text"/>
Payroll Tax	<input type="text"/>		
<b>TAX &amp; INS TOTAL</b>	<input type="text" value="\$ 0.00"/>		



# ← Financing Structure

- Lender # 1 and debt service should be entered for each property in the financing structure and payment terms table. Debt service should be entered as a positive value. Lender and debt service amounts should also be included for all subordinate or junior mortgages. These fields should remain empty if there is no additional financing on the property.

Financing Structure & Payment Terms	
Lender	Debt Service
#1	
#2	
#3	
#4	
#5	
<i>Total</i>	\$ 0.00

PROJECTED INCOME AFTER DEBT SERVICE

## Capital Improvements →

- Planned capital improvements should be entered as positive values in the Capital Improvement Projects table. If Owners/ Agents plan to request reserve reimbursement to cover project costs, “Yes” should be indicated using the dropdown field in the third column. If the Owner/ Agent does not anticipate requesting reserves to cover project costs, “No” should be indicated using the dropdown menu.

Capital Improvement Projects			
Project Description	Project Costs	Will Reserves be Requested to Cover Project Costs?	Project Start
#1		--	
#2		--	
#3		--	
#4		--	
#5		--	
Total Project Costs:		<input type="text" value="\$ 0.00"/>	



# Annual Operating Budget

- Owners/Agents may project a rent increase in the operating budget. Note that inclusion of a rent increase DOES NOT constitute approval of that increase. All requests for rent increase must be submitted to your IHDA Compliance Analyst for review and approval.
- Budgets that are submitted showing an operating deficit must include a written explanation as to how the development will fund the deficit. A budget evidencing a deficit that does not include a detailed explanation will not be approved.



# Financial Reporting and Audit Requirements

“How do I know if the development needs to submit Audited Financials?”

- Review your Regulatory Agreement under Financial and Expense Reports.
- “Due \_\_\_ days following the end of the Borrower’s fiscal year, Borrower will be required to send complete annual financial statement reports for the Development in accordance with the written requirements of the Authority and certified to Borrower by an Illinois licensed CPA.”

# Financial Reporting and Audit Requirements



“What else should be included in addition to the financials?”

- All annual financial statement reports should include a submission of the Exhibit A in Excel format.
- Signed Certification of Owner and Management Agents .

# Financial Reporting and Audit Requirements



- A “Financial Reporting and Audit Guidelines” informational packet can be found on our website. We encourage Auditors/CPA’s to review this resource.
- The Exhibit A - Single Year Schedule of Financial Performance is an excel document that functions much like the previously mentioned budget.
- Signed Certification of Owner and Management Agent must be included with every audit package.

# Financial Reporting and Audit Requirements



Resources for Owner Agents: [Property Owners, Managers, & Other Partners – IHDA](#)

– Portfolio Analysis

## *Financial Analysis*

- ➔ Financial Reporting and Audit Guidelines
- ➔ Exhibit A – Single Year Schedule of Financial Performance (Excel)
- ➔ Audit – Sample of Owner & Agent Certifications

# Financial Reporting and Audit Requirements



Statement of Operations		
Accounts	1/0/1900	
	<b>Revenue</b>	
Rental:	Apartment rentals	\$ -
	Rent subsidy	\$ -
	Less: Vacancy loss	\$ -
	Less: Rental concessions	\$ -
	Commercial rent	\$ -
	<b>Total Rental Revenue</b>	\$ -
Assisted Living:	Assisted living services - tenant	\$ -
	Assisted living services - Medicaid	\$ -
	Meal program revenue	\$ -
	Service revenue	\$ -
	<b>Total Assisted Living Revenue</b>	\$ -
Other:	Other interest	\$ -
	Reserve interest	\$ -
	Sundry	\$ -
	Other revenue	\$ -
	<b>Total Other Revenue</b>	\$ -
	<b>Total Revenue</b>	\$ -
	<b>Operational Expenses</b>	
Administrative:	Office expenses	\$ -
	Property management fees	\$ -
	Administration - contracted services	\$ -
	Social programming	\$ -
	Legal expenses	\$ -
	Audit expenses	\$ -
	Telephone	\$ -
	Bad debts	\$ -
	Marketing	\$ -
	Sundry	\$ -
	Other administrative	\$ -
	<b>Total Administrative Expenses</b>	\$ -
Operating:	Exterminating	\$ -
	Rubbish removal	\$ -
	Vehicle and equipment operating	\$ -
	Sundry	\$ -
	Other operating	\$ -
	<b>Total Operating Expenses</b>	\$ -

Statement of Operations		
Accounts	1/0/1900	
Maintenance:	Security	\$ -
	Structural Repairs	\$ -
	Grounds	\$ -
	Carpeting	\$ -
	Elevator	\$ -
	Heating and air conditioning	\$ -
	Plumbing	\$ -

Exhibit A  
Template

Exhibit A –  
Single Year  
Schedule of  
Financial  
Performance (Excel)

A	B	C	D	E	F
226	Partnership management fee paid	\$ -	-		
227	Incentive management fee paid	\$ -	-		
228	Investor services fee paid	\$ -	-		
229	Other fees paid	\$ -	-		
230	<b>Total Disbursements</b>	\$ -	-		
231	<b>Net cash provided by (used in) operating activities</b>	\$ -	-		
<b>Cash Flow Statement</b>					
Accounts	1/0/1900				
<b>Cash flows from investing activities</b>					
238	Purchases of fixed assets	\$ -	-		
239	Other investing activities	\$ -	-		
240	<b>Net cash provided by (used in) investing activities</b>	\$ -	-		
<b>Cash flows from financing activities</b>					
243	Mortgage principal payments - first mortgage	\$ -	-		
244	Mortgage principal payments - second mortgage	\$ -	-		
245	Mortgage principal payments - all other mortgage(s)	\$ -	-		
246	Contributions from (distributions to) partners	\$ -	-		
247	Developer fee paid	\$ -	-		
248	Net (reimbursements to) proceeds from affiliates	\$ -	-		
249	Other financing activities	\$ -	-		
250	<b>Net cash provided by (used in) financing activities</b>	\$ -	-		
251	<b>Net increase (decrease) in cash</b>	\$ -	-		
254	<b>Cash, Beginning</b>	\$ -	-		
255	<b>Cash, End</b>	\$ -	-		
<b>Long-Term Debt Detail (Inclusive of All Lenders)</b>					
Lien	Lender	Balance	Int. Rate	Annual D/S	Maturity
259	1				
260	2				
261	3				
262	4				
263	5				
264	6				
265	7				
266	8				
268	Required Replacement Reserve Deposits:	\$ -	-		
<b>Debt Service Coverage Ratio Calculation</b>					
272	Net operating income (NOI) before financing expenses, entity expenses and depreciation	\$ -	-		
273	Less: Required replacement reserve deposits	\$ -	-		
274	<b>NOI adjusted</b>	\$ -	-		
276	<b>Debt Service</b>				
277	Mortgage principal payments	\$ -	-		
278	Mortgage interest	\$ -	-		
279	Mortgage service fees	\$ -	-		
280	Mortgage insurance premium	\$ -	-		
281	<b>Total</b>	\$ -	-		
282	<b>Debt Service Coverage Ratio (DCR)</b>				#DIV/0!

# Financial Reporting and Audit Requirements



**SAMPLE FOR OWNER**  
IHDA DEVELOPMENT NO. XX-XXX  
CERTIFICATE OF OWNER

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I hereby certify that I have examined the foregoing financial statements and supporting data of Sample Partnership and, to the best of my knowledge and belief, the same are true statements of the financial condition and results of operations as of December 31, 20XX and for the year then ended.

Date \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Employer Identification Number:  
\_\_\_\_\_

## Owner Agent Certifications

### Audit – Sample of Owner & Agent Certifications

**SAMPLE FOR MANAGING AGENT**  
IHDA DEVELOPMENT NO. XX-XXX  
CERTIFICATE OF MANAGING AGENT

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We hereby certify that we have examined the accompanying financial statements and supplemental data of Sample Partnership and, to the best of our knowledge and belief, the same is complete and accurate.

Date \_\_\_\_\_ By: \_\_\_\_\_  
Title: \_\_\_\_\_  
Employer Identification Number:  
\_\_\_\_\_

# Contact Information



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[www.ihda.org](http://www.ihda.org)



# Additional Resources



[Property Owners, Managers, & Other Partners – IHDA](#)

[NEW Online Reserve Account Withdrawal Form](#)

[Online Reserve Request Training Video](#)

[Reserve Request Instructions](#)

[Process Guide for Authorized Signer in GetSign](#)

[Insurance Requirements for IHDA Project – Renewals](#)

[Financial Reporting and Audit Guidelines](#)



# We Appreciate Your Feedback!

Mastering Financial Regulatory  
Requirements

