

## How to Prepare for a HUD Compliance Audit

As a real estate investor who utilizes government tax credits such as the US Department of Housing and Urban Development - HUD program, you have compliance requirements to prepare for.

What is the HUD Program?

The HUD program was established to provide rental housing for eligible low-income families, the elderly and those with disabilities. As a real estate investor, you need to understand that HUD does not finance loans; they insure 100% of the loan, allowing investors to lock in the lowest interest rates available.

- The HUD vetting process is extensive, which mitigates risk factors for investors.
- HUD requires sponsors to carry additional cash in the deal.
- HUD loans are primarily asset-based with pro forma requirements on rent and expenses.

Because there are stringent requirements to be approved for the HUD program, the probability of the success of the project is high, making it attractive to investors.

### Compliance Audit Requirements

- Financial audits are required for HUD programs with the following pre-determined objectives:
  - The financial data and reports are reviewed to report how the funds were used accurately.
  - The internal control procedures are reviewed to ensure reasonable assurance that the HUD programs are managed to comply with applicable laws and regulations.
  - The management complies with the terms and conditions of federal awards and guarantees and has supporting documentation.
- There are [guidelines for durability](#) and minimum standards required by HUD
- There are rent control guidelines you will need to abide by. These are based on rental properties in your area rather than designed by a federal number.

For more information on utilizing the HUD program and the audit requirements, give SVA a

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