

Section 42

FAQ for Residents and Applicants

What is Section 42 Housing?

Section 42 is an affordable rental housing program. You may also hear the program referred to as either the “low-income housing tax credit program” or the “rental housing tax credit program.” This is because Section 42 is an affordable housing program established by the federal tax code that allows developers of affordable housing to receive a federal tax credit. In exchange, the developer agrees to keep the housing income restricted, rent restricted, and in safe, decent, and sanitary condition.

What is IHCD’s Role?

The Indiana Housing & Community Development Authority (IHCD) awards Section 42 tax credits for the State of Indiana. In addition, IHCD conducts file audits, physical property inspections, and annual reviews of all active Section 42 properties in the state to ensure program compliance.

How Do I Apply to Live at a Section 42 Property?

Applications must be made at the Section 42 property’s leasing office. IHCD does not receive or review applications for residency. IHCD can, however, help provide a listing of Section 42 properties statewide or in particular counties or cities in Indiana.

What Determines My Eligibility?

Eligibility to live at a Section 42 property is based on two factors: (1) income eligibility and (2) student status eligibility. The income and assets of all household members must be verified by the property management in accordance with program requirements. Once the total household income has been calculated, this is compared to the income limits in effect at the property. All Section 42 units are income restricted for households at or below 20%, 30%, 40%, 50%, 60%, 70% or 80% of area median income. If the applying household is determined to be income eligible, then it is eligible to move into the property.

The household must also meet the program’s student status eligibility requirements. Generally, any household in which all members are full-time students is not eligible for a Section 42 unit. However, there are some exceptions to this rule. During the application intake, property management will require all applicants to fill out forms to determine student eligibility based on the regulation and possible exceptions.

What Will I Pay in Rent?

This depends on the restrictions on the property at which you are applying and the county in which you are applying to live. Each county has its own set of rent limits and the property can have units designated at either 20%, 30%, 40%, 50%, 60%, 70% and/or 80% rent limits. Rents are restricted and strictly monitored for program compliance.

How Do I Get More Information?

See IHCD’s more detailed guide entitled “Tenants’ Guide to Section 42.”

