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**Net Family Assets**




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**New Definition:  
Net Family Assets**

- *Net family assets* is the *net cash value* of all assets owned by the family, after deducting reasonable costs that would be incurred in disposing real property, savings, stocks, bonds, and other forms of capital investment




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**What are reasonable costs?**

- Reasonable costs to convert an asset to cash may include:
  - Real property
    - Broker fees, closing costs
  - Certificates of deposit
    - Penalty for early withdrawal
  - Stocks
    - Broker fees




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### Net Family Assets

- To determine net family assets, the PHA calculates the net cash value of each asset



- *Market value* is what an asset is worth
- *Net family assets* is the *net cash value* of all assets added together

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### Example: Net Family Assets

- Dave has a CD with a \$51,000 market value and a non-interest-bearing checking account worth \$10,000




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### Example: Net Family Assets

- The PHA uses the current balance of the checking account as its net cash value
- For the CD, the PHA verifies the early withdrawal penalty is \$400

Market value	\$ 51,000
- Expenses	- \$ 400
Cash value	\$ 50,600




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### Example: Net Family Assets

- Dave's net family assets are:
  - Checking account    \$ 10,000
  - + CD                            + \$ 50,600
  - Net family assets    \$ 60,600**




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#### 6. Assets

6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income	
Dave	1	CD	Y	\$ 50,600	\$	\$	
Dave	1	chkg	Y	\$ 10,000	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
6g. 6h. 6i. Total net family assets, total actual income, total imputed income				\$ 60,600	6g. \$	6h. \$	6i. \$
6j. Passbook rate (written as decimal)						6j.	
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.	




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### Income from Assets




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**Income from Assets**

- Income or returns from assets are generally considered to be:
  - Interest
  - Dividend payments
  - Other actual income earned on the asset
- Some assets generate no income such as non-interest-bearing checking accounts




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**Income from Assets**

- Unless the income is specifically excluded, actual income from assets is always included in a family's annual income
  - Regardless of the total value of net family assets
  - Regardless of whether the asset itself is included or excluded from net family assets




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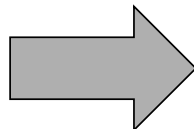
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**Income from Assets**

- Income from assets is always anticipated, regardless of the certification type




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**Net Family Assets of \$50,000 or Less**




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**\$50,000 or Less**

- When combined net family assets total \$50,000 or less:
  - The PHA may rely on self-certification from the family (including for new admissions)
  - Except the PHA must obtain 3<sup>rd</sup> party verification of all family assets every 3 years
  - Optional policy. The PHA may still third-party verify all assets




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**\$50,000 or Less**

- When combined net family assets total \$50,000 or less:
  - The actual income from assets must be included on the 50058
    - If using self-certification, the family must declare the amount of income generated by each asset
  - The PHA may not calculate any imputed income from assets




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### Example

- Jenny Jones states her only asset is a savings account
- She declares:
  - The value of the account is \$1,400
  - The income earned is \$1




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### Example

- Is self-certification an acceptable?
  - Yes, provided PHA policy allows for self-certification
- Is her savings account an asset?
  - No, her non-necessary personal property does not exceed \$50,000
- How much income does the PHA include on her 50058?
  - \$1 in actual income




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#### 6. Assets

6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income
Jenny	1	svgs	N	\$	\$ 1	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
6g. 6h, 6i. Total net family assets, total actual income, total imputed income				\$	6g. \$ 1	6h. \$ 6i.
6j. Passbook rate (written as decimal)						6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.




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**Net Family Assets Exceeding  
\$50,000**




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**Assets Exceeding \$50,000**

- When net family assets exceed \$50,000:
  - The PHA may not rely on self-certification
  - Third-party verification of assets is required




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**Income from Assets**

- If actual returns can be calculated, the PHA must include actual income from assets on the 50058
  - For example, a savings account, stocks, or CDs where the rate of return is known


Market Value

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Rate of return

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Anticipated Income




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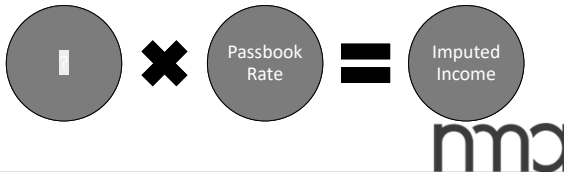
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### Income from Assets

- If actual returns cannot be calculated, the PHA must calculate imputed returns using the HUD-determined passbook rate
  - For example, real property




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### Passbook Rates

- The passbook rate used to be established by the PHA
- HUD will publish a passbook rate annually
- For 2024, the passbook rate is 0.40%




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### Imputed Income from Assets

- An asset with an actual return of \$0 (such as a non-interest-bearing checking account), is not the same as an asset for which an actual return cannot be computed (such as non-necessary personal property)




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**Imputed Income from Assets**

- If the asset is a financial asset and there is no income generated (for example, a no-interest-bearing bank account or a stock that does not issue cash dividends), then the asset generates zero actual asset income, and imputed income is not calculated




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**Income from Assets**

- What if the PHA can compute actual income from some, but not all assets?
  - Compute actual income where possible
  - Use the HUD-determined passbook rate for assets where actual income cannot be calculated
  - Add the two together to determine final asset income




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**Imputed Assets**

- The passbook rate is never applied when net family assets are \$50,000 or less
- The passbook rate is only applied when net family assets exceed \$50,000 and only to those assets where the rate of return is unknown




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**Example 1: Assets Over \$50,000**

- Dave has a CD with a \$51,000 market value and a non-interest-bearing checking account worth \$10,000




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**Example 1: Assets Over \$50,000**

- Checking account: \$0
- For the CD, the PHA verifies it pays 4% interest annually

Market value           \$ 51,000  
X Interest rate       x     4%  
 Income from CD       \$ 2,040

- Since the rate of return is known for all assets, the passbook rate is not used




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**6. Assets**

6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income
Dave	1	CD	Y	\$ 50,600	\$ 2,040	\$
Dave	1	checking	Y	\$ 10,000	\$ 0	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
6g. 6h, 6i. Total net family assets, total actual income, total imputed income				\$ 60,600	6g. \$ 2,040	6h. \$ 6i.
6j. Passbook rate (written as decimal)						0.04 6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						\$2,040 6k.




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**Example 2: Assets Over \$50,000**

- The Jorgensen family owns vacant land with a cash value of \$25,000 and a savings account worth \$55,000 that pays 1% interest




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**Example 2: Assets Over \$50,000**

- Net family assets: \$25,000 + \$55,000 = \$80,000
- Actual income from savings account:
  - \$55,000 x 1% = \$550
- Imputed income from vacant land:
  - \$25,000 x 0.04% = \$10
- Final Asset Income: \$560




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**6. Assets**

6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income	
Glenn	1	land	Y	\$ 25,000	\$	\$ 10	
Glenn	1	svgs	Y	\$ 55,000	\$ 550	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
6g. 6h. 6i. Total net family assets, total actual income, total imputed income				\$ 80,000	6g. \$ 550	6h. \$ 10	6i.
6j. Passbook rate (written as decimal)						0.04	6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						\$560	6k.




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**Learning Activity 3-1**



- **Asset Inclusions and Exclusions**




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**Scenario 1**

- **Sally Silverton (age 24) is head of household**
- **She has a non-interest-bearing checking account worth \$4,500**
- **This is her only asset**




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**Learning Activity 3-1 Answers**

- **Scenario 1:**
  - **Is the account an asset?**
  - **How much anticipated income is included?**




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**Scenario 2**

- Jack Gomez (age 39) is head of household.
- He has a savings account worth \$4,500
- It pays 1.5% interest annually
- This is his only asset



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**Learning Activity 3-1 Answers**

- Scenario 2:
  - Is the account an asset?
  
  - How much anticipated income is included?



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**Scenario 3**

- Steven Saunders (age 28) is head of household
- He has a savings account worth \$14,500
- It pays 1% interest annually
- He has a retirement account worth \$300,000 that pays 4% interest annually
- These are his only assets.



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### Learning Activity 3-1 Answers

- Scenario 3:
  - Are they assets?
  
  - How much anticipated income is included?



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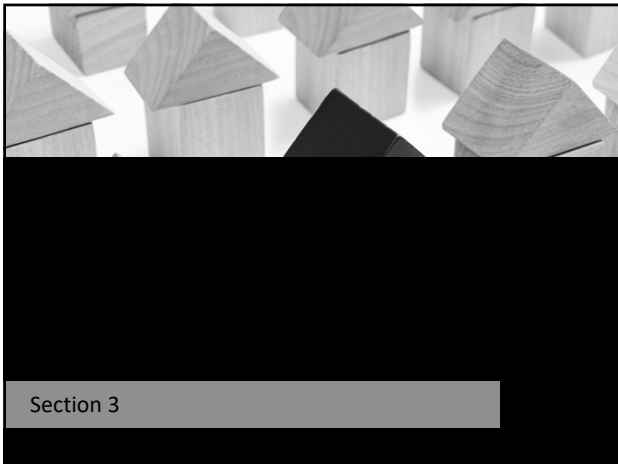
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### Assets Disposed of for Less Than Fair Market Value

- In deterring net family assets, the PHA must include the value of any business or family assets disposed of by an applicant or participant for less than fair market value during the two years preceding the date of application or reexam



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### Assets Disposed of for Less than Fair Market Value

- Cash value listed on the 50058 is the *difference* between the actual cash value of the asset and the amount received




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### Example

- Home had a market value of \$90,000 but was sold for \$5,000
  - Broker fees and closing costs: \$15,000
- |                      |                   |
|----------------------|-------------------|
| Market value         | \$90,000          |
| - Fees               | <u>- \$15,000</u> |
| = Cash value         | \$75,000          |
| - Amount received    | <u>- \$5,000</u>  |
| = Imputed cash value | \$70,000          |




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#### 6. Assets

6a. Family Member Name	No.	6b. Type of asset	6c. Is this asset included in net family assets?	6d. Cash value of asset	6e. Actual Income	6f. Imputed Income	
Angela	1	home	Y	\$70,000	\$0	\$28	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
6g. 6h. 6i. Total net family assets, total actual income, total imputed income				\$ 70,000	6g. \$ 0	6h. \$ 28	6i.
6j. Passbook rate (written as decimal)						0.04	6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						\$28	6k.




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**Assets Disposed of for Less than Fair Market Value**

- Not considered disposed of for less than fair market value if the reason for the disposition is:
  - Bankruptcy
  - Foreclosure
  - Divorce or separation
    - Disposition not considered less than fair market value if the individual receives consideration not measurable in dollar terms




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**Trusts**

- A disposition in trust when the family creates a trust for the benefit of someone outside of the assisted family is considered an asset disposed of for less than fair market value
- If the family establishes a nonrevocable trust for the benefit of someone in the assisted family, this is not considered disposed of for less than fair market value




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**Retirement Accounts**

- An asset moved to a retirement account held by a member of the family is not considered an asset disposed of for less than fair market value




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Section 4

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**Asset Limitation**

- HOTMA created a limitation on net family assets for the first time
- There are two different limitations



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**Asset Limitation**

- The asset limitation is mandatory at admission
  - The PHA has no discretion when it comes to the asset limitation and applicants
  - The PHA must deny program assistance for failure to meet asset restrictions by applicants



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**Asset Limitation**

- PHAs have discretion at reexamination in enforcing the asset limitation
  - HUD will issue additional guidance on the use of this discretionary authority



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**Asset Restriction**

1. A present ownership interest in, a legal right to reside in, and the effective legal authority to sell, real property that is suitable for occupancy by the family as a residence
2. Net family assets exceeding \$100,000 (adjusted annually for inflation)



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**Ownership in Real Property**



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### Exceptions

- The real property restriction does not apply to families:
  - Receiving assistance for a manufactured home
  - Participating in the HCV Homeownership program




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### Asset Restriction

- Assistance may not be provided if the family has real property that is *suitable for occupancy* by the family as a residence and the family has:
  - A present ownership interest in; and
  - A legal right to reside in; and
  - The effective legal authority to sell




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### Real Property Definition

- What is real property?
  - HUD defines *real property* as having the same meaning as that provided under the law of the State in which the property is located
- What is effective legal authority to sell?
  - Defined under state or local law as well




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### Suitable for Occupancy Definition

- A property is not *suitable for occupancy* if it:
  - Does not meet the disability-related needs of all members of the family
  - Is not sufficient for the size of the family
  - Is located so as to be a hardship to the family
  - Is unsafe because of physical condition
  - Is not a property that a family may reside in per local and state laws




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### Examples

- Properties that are not suitable for occupancy include:
  - A storefront zoned for commercial use only
  - A location that would be a hardship for the family's commute to work or school
  - A home that does not meet the family's physical accessibility requirements or need for additional bedrooms or proximity to accessible transportation




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### Asset Restriction

- If the PHA verifies the family has:
  - A present ownership interest in the property;
  - And they have a legal right to reside in the property;
  - And they have effective legal authority to sell the property
- Then the PHA determines if the family meets one of the exceptions to the restriction




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**Exceptions**

- The real property restriction does not apply:
  - If the family is offering the property for sale
  - To any person who is a victim of domestic violence, dating violence, sexual assault, or stalking




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**Exceptions**

- Real property restriction does not apply:
  - If the property is jointly owned by a member of the assisted family and at least one person who is not a member of the assisted family and who does not live with the family and the non-household member resides at the jointly owned property




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**Example**

- Judy Grant is an applicant
- She is the only member of her household
- Her parents passed away, and she inherited a share of their house along with her two brothers
- Her brothers will not live in assisted housing
- One of her brothers lives in the inherited house
- Judy meets an exception for real property ownership




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**Verification**

- The PHA must ask each applicant and participant family whether or not they own real property that is suitable for occupancy
  - PHA should update intake and annual reexam forms with this question




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**Verification**

- If the family declares they do not own real property that is suitable for occupancy:
  - The PHA may accept self-certification
    - The certification states the family does not have any present ownership interest in any real property at the time of the income determination or review




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**Verification**

- If the family declares they have a present ownership in real property, the PHA verifies if:
  - The family has the legal right to reside in the property; and
  - The family has effective legal authority to sell the property; and
  - The property is suitable for occupancy as a residence; or
  - The family meets one of the exceptions




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**Verification**

- However, when a family asks for or about an exception to the real property restriction because of VAWA, the PHA must comply with the confidentiality requirements under § 5.2007
  - The PHA must accept self-certification from the family member, and the restrictions on requesting documentation under § 5.2007 apply




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**Net Family Assets Exceed \$100,000**




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**Asset Restriction**

- Assistance may not be provided initially or at reexam if the family has net family assets that exceed \$100,000
- This amount will be adjusted annually for inflation around January 1 of each year




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**Learning Activity 3-2**



- **Calculating Family Assets**




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**Scenario 1**

- The PHA is processing Mandy Moore's first annual recertification on the program.
- She has a non-interest-bearing checking account worth \$800.
- This is her only asset.




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**Learning Activity 3-2**

- **Scenario 1**
  - May the PHA accept self-certification?
- Will the PHA included Mandy's checking account as an asset on the 50058?




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**Scenario 2**

- The PHA is processing an annual for Kathy and Steven Velez. They declare they have the following assets:
  - Joint non-interest-bearing checking account worth \$3,000
  - Joint savings account worth \$500 which pays \$5 in interest annually
  - Steven has a 401(k) with a balance of \$60,000 that pays 3% interest annually



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**Learning Activity 3-2**

- Scenario 2
  - What is the cash value of assets?
  
  - May the PHA accept self-certification?



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**Learning Activity 3-2**

- Scenario 2
  - Will the PHA include the checking account, savings account, and 401(k) on the 50058 as assets?



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**Learning Activity 3-2**

- Scenario 2
  - What is the income from assets included on the 50058?




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**Scenario 3**

- The PHA is processing a new admission for Brian and Michelle Brister. They declare they have the following assets:
  - Joint non-interest-bearing checking account worth \$30,000
  - Joint savings account worth \$10,000 which pays 1% interest annually
  - A vacant lot worth \$40,000. If the family were to sell, they'd pay \$3,200 in fees. The owe no money on the land




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**Learning Activity 3-2**

- Scenario 3
  - What is the cash value of assets?
  - May the PHA accept self-certification?




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**Learning Activity 3-2**

- Scenario 3
  - Will the PHA include the checking account, savings account, and vacant land on the 50058?



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**Learning Activity 3-2**

- Scenario 3
  - How would the PHA calculate anticipated income from the vacant lot?



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**Learning Activity 3-2**

- Scenario 3
  - What is the family's total anticipated income from assets?



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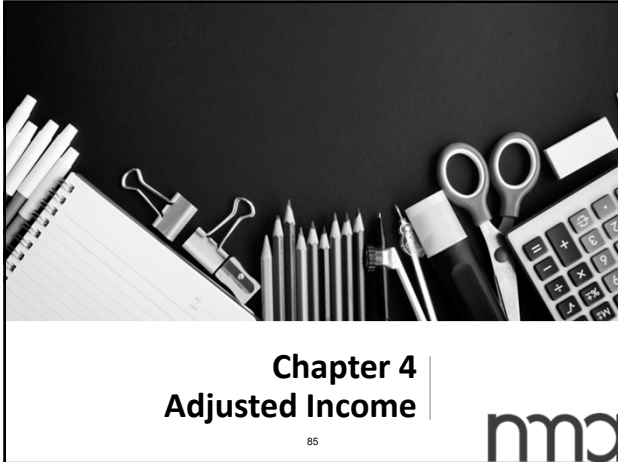
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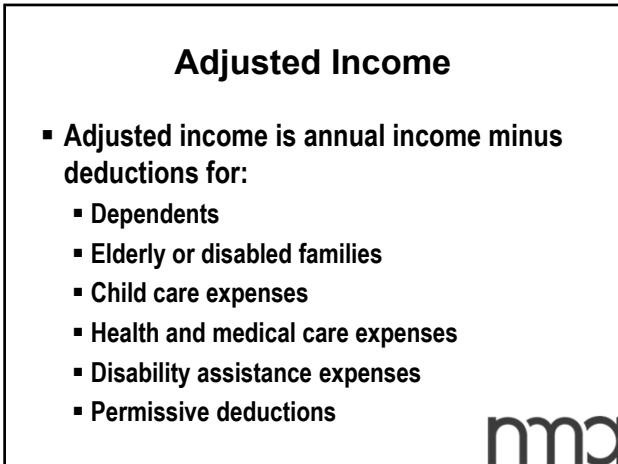
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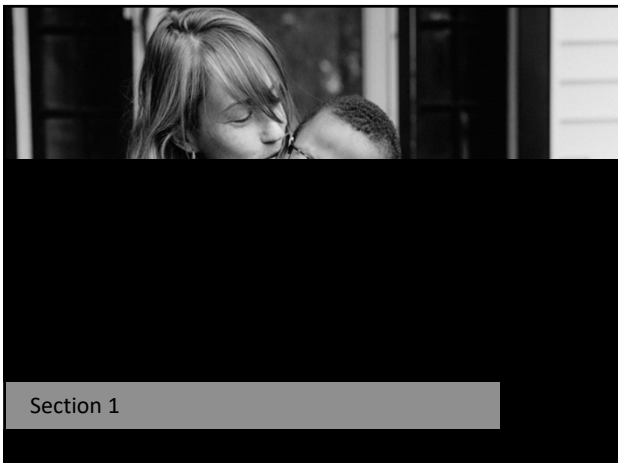
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**Dependent Deduction**




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**Dependent Deduction**

- **Who is considered a dependent?**
  - Minors under the age of 18
  - Full-time students
  - Persons with disabilities
- **Who is never a dependent?**
  - Head, spouse and/or cohead
  - Live-in aides
  - Foster children/adults




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**Dependent Deduction**

- Remains \$480 per dependent for 2024
- However, will be adjusted annually for inflation
  - No later than September 1 annually
  - Software will need to be updated


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### Dependent Deduction

- Also impacts:
  - Earned income included for a dependent FT student
    - Exclude earned income in excess of the dependent deduction
  - Income included for adoption assistance payments
    - Exclude adoption assistance payments in excess of the dependent deduction




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### Example

- The Marsh family consists of HOH Stan (age 41) and his wife Marge (age 42) who is a person with disabilities
- They have a 4-year-old daughter, a 7-year-old foster child, and a 19-year-old son who is a full-time student
- Marge’s sister Mandy (age 29) (who is a person with disabilities) also lives with them




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### Example

- Who in the family qualifies for the dependent deduction?
  - 4-year-old daughter (minor)
  - 19-year-old son (full-time student)
  - Sister Mandy (adult person with disabilities)
- Who in the family does not qualify for the dependent deduction?
  - The head household, spouse, and foster child are never dependents




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**Elderly/Disabled Deduction**



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**Elderly/Disabled Deduction**

- How does HUD define an elderly family?
  - Head, spouse, or cohead is age 62 or older
- How does HUD define a disabled family?
  - Head, spouse, or cohead is a person with disabilities



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**Elderly/Disabled Deduction**

- Changing from \$400 per family to \$525 per family in 2024
- Notice PIH 2023-27 states: “PHAs must implement the adjusted elderly/disabled family deduction for all income examinations that are effective on January 1 or later.”



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### Elderly/Disabled Deduction

- Amount will be adjusted annually for inflation
- No later than September 1 annually
- Software will need to be updated




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### Example 1

- The McKenzie family consists of HOH Miles (age 81) and his wife Marta (age 79)
- Their adult son Manny (age 40), who is a person with disabilities, lives with them




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### Example 1

- Does the family qualify for the elderly/disabled deduction?
  - Yes, the HOH and spouse are elderly
- How much is the deduction?
  - \$525




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**Example 2**

- The Miller family consists of HOH Maria (age 35) who is a person with disabilities and her 3-year-old daughter



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**Example 2**

- Does the family qualify for the elderly/disabled deduction?
  - Yes, the HOH is disabled
- How much is the deduction?
  - \$525



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**Child Care Expenses**



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### Child Care Expenses

- Includes reasonable child care expenses
- PHA determines what is reasonable
- Care provided for children under 13 years of age
  - Including foster children




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### Child Care Expenses

- Care enables a family member to
  - Work
  - Actively seek work
  - Further education




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### Child Care Expense

- The PHA determines whether child care costs are reasonable
- A PHA may *not* disallow a deduction for childcare expenses because there is an unemployed adult family member who may be available to provide the care
- A PHA may *not* decide:
  - Who will provide childcare
  - Type of childcare




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### Childcare Expenses

- Childcare allowance to permit employment cannot exceed the earnings of the family member enabled to work that are included in annual income (line 7f on 50058)
  - If more than one member working – which worker enabled by childcare?




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### Example

- Edna and Ray Hawes have 2 children under the age of 13
- Ray has been working full-time for the last several years and earns \$40,000 per year
- Edna just started working part-time and earns \$20,000 per year
- Both children are in child care while she is at work




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### Example

- Since Edna is enabled to work by the child care, the PHA would use Edna's income of \$20,000 per year as the cap on the family's child care expense deduction




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### Child Care Expenses

- When a family member works and attends school
- The PHA must prorate the expense so that the portion of the total child care expense that is specifically related to work can be compared to the amount earned




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### Example

- Sofia pays \$1,000 per month for full-time child care for her 3-year-old son
- The PHA verifies Sofia works 15 hours per week on weekday mornings and attends school 15 hours per week on weekday afternoons
- She earns \$7.50 per hour at her job




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### Example

- Annual child care costs:  $\$1,000 \times 12 = \$12,000$
- Cost attributed to work: \$6,000
- Cost attributed to school: \$6,000
- Annual earned income:  $\$7.50 \times 15 \times 52 = \$5,850$
- Allowable child care costs:
  - Work: \$5,850 (capped by earnings)
  - School: \$6,000
- Total allowable deduction:  $\$5,850 + \$6,000 = \$11,850$




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**Learning Activity 4-1**



- **Dependent and Child Care Allowances**



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**Scenario**

- **Becky Walker (age 37) has three children under age 13. She is not a person with disabilities.**
- **She works full time and earns \$16,640 per year**
- **She pays \$60 per week for child care while she works**



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**Learning Activity 4-1 Answers**

- **What is Becky's adjusted income?**



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**Disability Assistance Expense**




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**Adjusted Income**

- The sum of the following that exceeds 10% of annual income:
  - Unreimbursed health and medical care expenses for elderly/disabled families
  - Unreimbursed disability assistance expenses
- Increased from 3% of annual income




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**Disability Assistance Expense**

- Reasonable anticipated expenses for
  - Care attendants
  - Auxiliary apparatus
    - Wheelchairs, ramps, vehicle adaptations, special equipment for the blind, etc.


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**Disability Assistance Expense**

- If such expenses:
  - Enable a family member (could be person with the disability) to WORK
  - Are unreimbursed




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**Disability Assistance Expense**

- Cannot exceed the earnings of person enabled to work
  - If the disability assistance expense enables more than one person to be employed, PHA must combine the incomes of those persons to determine the cap
  - Use earnings prior to exclusions (line 7d on 50058)




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**Disability Assistance Expense**

- Question:
  - Must a family meet HUD's definition of a disabled family in order to qualify for disability assistance expenses? No




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### Disability Assistance Expense

- Disability assistance expense/childcare
  - If both childcare and disability assistance expense are needed to enable a person in the family to work
    - The employment income used to justify the childcare allowance may NOT also be used to justify disability assistance allowance




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### Example

- The Green family: Graham (age 37) and Ashely (age 36) and two children; a 9-year-old daughter and a 16-year-old son who is a person with disabilities
- Graham and Ashley both work
- While they are at work, a care attendant cares for both children and charge \$400 per week
  - Cost for daughter is \$175 per week
  - Cost for son is \$225 per week
- Child care enables spouse to work




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### Example

- Graham earns \$35,000 per year
- Ashley earns \$30,000 per year
- Total annual income is \$65,000
- Child care expense:  $\$175 \times 52 = \$9,100$
- Disability assistance expense  $\$225 \times 52 = \$11,700 - (\$65,000 \times 10\% = \$6,500) = \$5,200$
- Child care deduction is capped by Ashley's \$30,000
- Disability assistance deduction may be capped by \$65,000 total annual income




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**Health and Medical Care Expenses**




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**Medical Expenses**



- The term “medical expenses” has changed to “health and medical care expenses”




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**Health and Medical Care Expenses**

- Permitted **ONLY** for family where head, spouse or cohead is at least 62 or disabled
- If family is eligible, medical expenses deducted for all family members
- Only unreimbursed expenses qualify




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**Example**

- Doug (age 65) and Sheryl (age 55) have out-of-pocket health and medical care expenses totaling \$5,000 per year
- Their annual income is \$43,000 per year




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**Example**

- $\$43,000 \times 10\% = \$4,300$

\$5,000 medical expense  
 - \$4,300  
 \$700 health and medical care expense deduction




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**New Definition**

- Health and medical care expenses are any costs incurred in the diagnosis, cure, mitigation, treatment, or prevention of disease or payments for treatments affecting any structure or function of the body
- Health and medical care expenses include medical insurance premiums and long-term care premiums that are paid or anticipated during the period for which annual income is computed




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### New Definition

- HUD is not permitting PHAs to specifically align their policies with IRS Publication 502
- Notice PIH 2023-27 states PHAs have no discretion to make policies in this area: "PHAs must review each expense to determine whether it is eligible in accordance with HUD's definition of health and medical care expenses."




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### Learning Activity 4-2



- Health and Medical Care Expenses




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### Scenario

- Greg (age 71) and Gabby (age 72) are a new admission with an annual income of \$15,000
- They have the following expenses:
  - Greg visits the doctor twice a year and pays \$25 per visit
  - Greg wears a hearing aid and the battery costs \$10 every 6 months
  - Greg's Medicare premium is \$164 per month
  - Gabby's prescriptions are \$27 each month




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**Learning Activity 4-2 Answers**

- What is the family's out-of-pocket health and medical care expense?
- How much will the PHA deduct on the 50058 for health and medical?



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**Learning Activity 4-2 Answers**

- What is the family's total allowances?
- What is their adjusted income?



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**Permissive Deductions**



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### Permissive Deductions

- PHAs may adopt additional deductions in PH, HCV, and Mod Rehab
  - Prior to HOTMA, was already allowed in public housing
  - Not applicable to Multifamily
  - PHAs will not be eligible for an increase in subsidy amounts to cover the costs of such permissive deductions
  - Must describe in PHA policy




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### Examples

- A deduction for the reasonable cost of looking for work
- A deduction for a secondary wage earner
- A deduction of \$500 (or more) from the net income of any new business operation
- A medical deduction for non elderly and non disabled families with extremely low incomes
- A deduction for family members who are going to school or vocational training on a part-time basis.
- A deduction for reasonable transportation cost to the child care site, or transportation cost to the site, and then to work or school (for those families with child care expenses)




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Section 2

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### Hardship Exemptions

- HOTMA established new hardship exemption categories for:
  - Health and medical care and disability assistance expenses
    - 24 CFR 5.611(c)
  - Child care expenses
    - 24 CFR 5.611(d)




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### Hardship for Health and Medical Care and Disability Assistance Expenses




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### Medical/Disability Assistance Hardship

- Two different categories of hardship exemptions:
  - Phased-In Relief: Families already receiving the deduction
  - General Relief: Families who can demonstrate a financial hardship




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**Phased-In Relief**




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**Phased-In Relief**

- **Who are these families?**
  - All families who received a deduction for unreimbursed health and medical care and/or reasonable attendant care or auxiliary apparatus expenses based on their most recent income review prior to January 1, 2024, will begin receiving phased-in relief at their next annual or interim, whichever occurs first after January 1, 2024




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**Phased-In Relief**

- The hardship exemption is given automatically
- The 10% amount is phased-in over a 24-month period




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### Phase-In

- First 12 months
  - Sum of expenses that exceeds 5% of annual income
- Next 12 months
  - Sum of expenses that exceed 7.5% of annual income
- Conclusion of 24 months
  - Hardship exemption expires and 10% is used




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### Example

- John and Heidi are an elderly family who are program participants
- Their annual income is \$40,000
- The PHA verifies their out-of-pocket medical expenses are \$5,000




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### Example

- Deduction prior to HOTMA was 3%
  - $\$40,000 \times 3\% = \$1,200 \rightarrow \$5,000 - \$1,200 = \$3,800$
- Year 1: Deduction totals 5% for the first 12 months
  - $\$40,000 \times 5\% = \$2,000 \rightarrow \$5,000 - \$2,000 = \$3,000$
- Year 2: Deduction totals 7.5% second 12 months
  - $\$40,000 \times 7.5\% = \$3,000 \rightarrow \$5,000 - \$3,000 = \$2,000$
- Year 3: At the end of 24 months, 10% is used
  - $\$40,000 \times 10\% = \$4,000 \rightarrow \$5,000 - \$4,000 = \$1,000$




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### Phased-In Relief

- Prior to the end of 24-months, the family may request a hardship exemption under the general relief category
  - If the family is eligible, the first category hardship exemption ends
  - Family's hardship is administered with the requirements of the second category




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### Tracking

- PHAs must track the 24-month phase-period for each eligible family
  - Even if a family's expenses go below the appropriate phase-in percentage during the first or second 12-month phase-in period




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### Tracking

- The phase-in must continue:
  - For families who move with continued assistance or port in HCV
  - For families who transfer to another PH unit at the same PHA
- PHAs may establish a policy to continue the phase-in for eligible families who are treated as new admissions under a different program
  - For example, move from PH to HCV




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### Ending the Hardship

- The PHA may not conduct an interim to remove a hardship exemption
  - Unless another change triggers an interim
- Instead, the PHA will submit a non-interim reexamination transaction




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### General Relief




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### General Relief

- Families that can demonstrate:
  - Their health and medical and/or disability assistance expenses increased (other than the transition to the higher threshold); or
  - The family's financial hardship is a result of a change in circumstances that would not otherwise trigger an interim reexam




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### General Relief

- The family may request a hardship exemption under the second category:
  - Regardless of whether the family previously received the health and medical and/or disability assistance deductions
  - Or are currently or were previously receiving relief under the first category




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### What is a financial hardship?

- The family is awaiting an eligibility determination for a federal, state, or local assistance program
- The family's income decreased because of a loss of employment, death of a family member, or due to a natural or federal/state declared disaster
- Other circumstances as determined by the PHA




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### Phase-In

- If the family qualifies, the deduction is for the sum of eligible expenses that exceed 5% of annual income




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### End of Exemption

- Hardship relief ends the earlier of:
  - When the circumstances that made the family eligible for the relief are no longer applicable
  - 90 days




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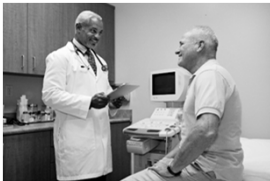
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### Extending Exemption



- The PHA may, at its discretion, extend the relief for one or more additional 90-day periods while the family's hardship condition continues




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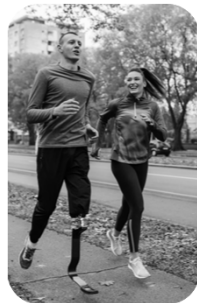
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### Example

- Tara and Maurice are a disabled family.
- They recently had an increase in their medical expenses and requested a hardship exemption under the second category, which the PHA grants
- Their annual income is \$30,000.
- Their medical expenses are \$8,000.




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**Example**


When exemption is in place, deduction totals 5%

- $\$30,000 \times 5\% = \$1,500 \rightarrow \$8,000 - \$1,500 = \$6,500$

Hardship continues until the earlier of 90 days or when the circumstances are no longer applicable.

When the exemption ends, 10% is used

- $\$30,000 \times 10\% = \$3,000 \rightarrow \$8,000 - \$3,000 = \$5,000$




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**Child Care Expense Hardship**




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**Child Care Expenses**

- **Who qualifies?**
  - A family whose eligibility for the child care expense deduction is ending may request a financial hardship exemption to continue receiving the deduction


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### Child Care Expenses

- If the family demonstrates to the PHA's satisfaction:
  - The family is unable to pay their rent because of the loss of the child care expense deduction
  - The child care expense is still necessary even though the family member is no longer employed or furthering their education




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### Child Care Expenses

- If the family qualifies, the PHA must continue the child care deduction
- The exemption must remain in place for a period of up to 90 days
- The PHA may, at its discretion, extend the hardship exemptions for additional 90-day periods based on family circumstances




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### Example

- Ms. Branch had been paying \$250 per week out-of-pocket for her child, Violet, to attend childcare while she was employed at a local coffee shop
- Ms. Branch became unemployed when the coffee shop permanently closed
- Ms. Branch states she plans to enroll in college in two months




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**Example**

- Although Ms. Branch has the availability to watch Violet, the child-care center has a long waiting list, and if Ms. Branch pulls Violet out temporarily, she would likely be without reliable childcare when she starts college
- Continuing to pay child-care expenses while not receiving earned income has made the family unable to pay their rent portion




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**Example**

- The PHA determined that Ms. Branch met the hardship exemption criteria and is unable to pay rent
- The PHA will allow Ms. Branch to continue to receive the child-care expense deduction for 60 days




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**Requirements for Child Care and General Relief Hardships**




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**PHA Policies**

- PHAs must establish policies:
  - Regarding the types of circumstances that will allow a family to qualify
  - When the deductions may be eligible for 90-day extensions
  - Requiring families to report if the circumstances that made the family eligible for the hardship exemption are no longer applicable




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**Adding, Removing, or Extending**

- The PHA may not conduct an interim to add, remove, or to extend a hardship exemption
  - Unless another change triggers an interim
- Instead, the PHA will submit a non-interim reexamination transaction




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**Family Notification: Denial**

- PHAs must promptly notify families in writing if they are denied either an initial hardship exemption or an additional 90-day extension of the exemption
- The notification must specifically state the reason for the denial




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**Family Notification: Approval**

- PHAs must promptly notify families in writing of the:
  - Change in the determination of adjusted income
  - Family's rent resulting from the hardship exemption




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**Family Notification: Approval**

- The written notice must inform the family of the:
  - Dates that the hardship exemption will begin and expire
  - Requirement for the family to report to the PHA if the circumstances that made the family eligible for relief are no longer applicable




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**Family Notification: Approval**

- The notice must also state that the family's adjusted income and tenant rent will be recalculated upon expiration of the hardship exemption
  - PHAs must provide families 30 days' notice of any increase in rent.




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### Family Notification: Termination

- PHAs must notify the family if the hardship exemption is no longer necessary and will be terminated because the circumstances that made the family eligible for the exemption are no longer applicable
- The notice must state the termination date and provide 30 days' notice of rent increase, if applicable



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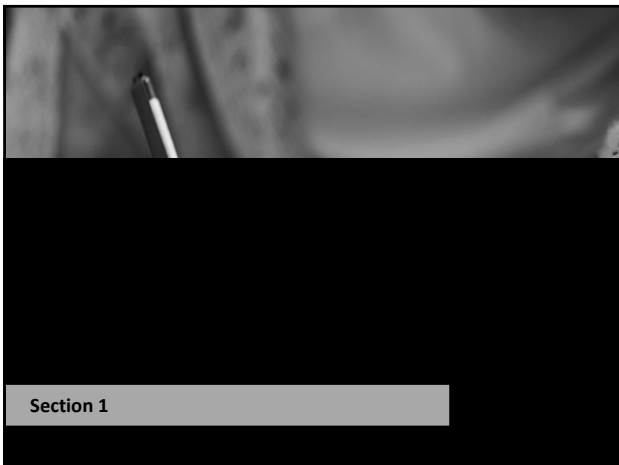
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**Form HUD-9886**

- Form HUD-9886, *Authorization for Release of Information/Privacy Act Notice*
- Consent form that all adult family members (including the head and spouse/cohead, regardless of age) must sign




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**Old Regulations  
Form HUD-9886**

- All adults required to sign Form HUD 9886 at new admission and annually thereafter
- Form was valid for 15 months




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**New Regulations  
Form HUD-9886**

- On or after January 1, 2024 (regardless of the PHA's HOTMA compliance date), current program participants must sign and submit a new Form HUD-9886 at their next interim or annual reexamination
- Form is only signed once




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**New Regulations  
Form HUD-9886**

- Another Form HUD-9886 will not be submitted to the PHA except under the following circumstances:
  - When any person 18 years or older becomes a member of the family
  - When a current member of the family turns 18
  - As required by HUD or the PHA in administrative instructions




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**Minors Turning 18**

- The PHA has the discretion to establish policies around when family members must sign consent forms when they turn 18
  - PHAs must establish these policies stating when family members will be required to sign consent forms at intervals other than at reexamination




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**New Regulations  
Form HUD-9886**

- Instead of only applying for 15 months, the executed consent now remains effective until:
  - The family is denied assistance, or
  - Assistance is terminated, or
  - The family provides written notification to the PHA to revoke consent




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### Things to Consider

- HUD has not yet issued a new version of the Form HUD-9886



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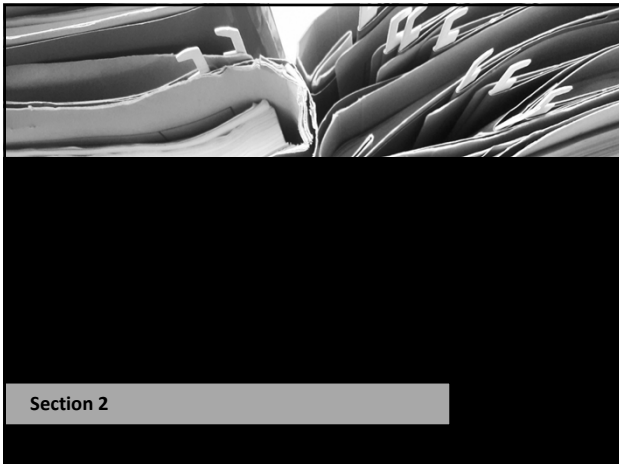
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### Income from Assets

- Income from assets is always anticipated, irrespective of the income examination type
- Income from assets must be included on the 50058 regardless of the amount of income



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**Savings & Checking Accounts**

- When verification of checking or savings accounts is required, PHA must obtain a minimum of one statement
  - PHA establishes policy for determining the value of accounts




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**\$50,000 or Less**

- When combined net family assets total \$50,000 or less:
  - The PHA may rely on self-certification from the family
  - Except the PHA must obtain 3<sup>rd</sup> party verification of all family assets every 3 years
  - May accept self-certification at new admission
  - Optional policy. The PHA may still third-party verify all assets




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**Assets Exceeding \$50,000**

- When net family assets exceed \$50,000:
  - The PHA may not rely on self-certification
  - The PHA must obtain third-party verification of each asset




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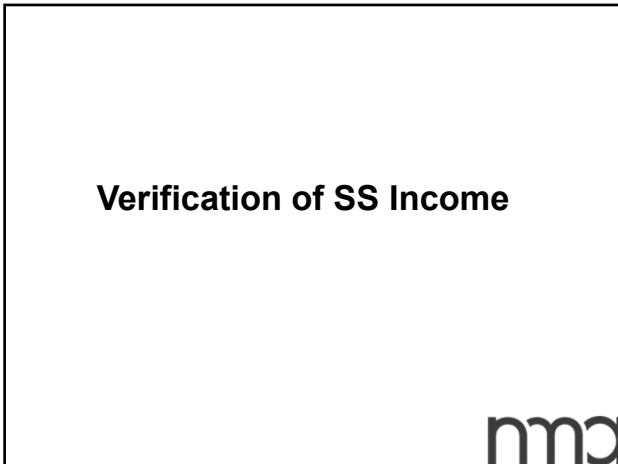
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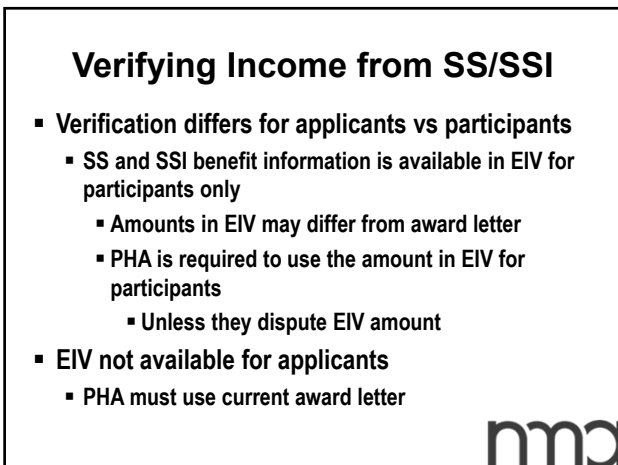
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**Example**

- Juana is a program participant.
- At her annual, EIV shows \$450 per month
- Award letter shows \$450.80 per month
- PHA must use \$450 when annualizing income
  - Unless she disputes




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**Verification of Income**




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**Verification of Income**

- Notice PIH 2023-27 establishes a verification hierarchy which requires the PHA to obtain third-party verification of income
- However, in two circumstances the PHA may bypass this hierarchy:
  - Means-tested federal assistance programs' determination of income
  - Streamlined income determinations at annual for fixed sources of income




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**Use of Other Programs' Income Determinations**




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**Use of Other Programs' Income Determination**

- PHAs may, but are not required to, determine a family's annual income (including income from assets) prior to the application of any deductions, based on income determinations made within the previous 12-month period, using income determinations from means-tested federal public assistance programs
  - This is known as a "Safe Harbor" income determination




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**What programs qualify?**

<ul style="list-style-type: none"> <li>▪ Temporary Assistance for Needy Families (TANF)</li> <li>▪ Medicaid</li> <li>▪ Supplemental Nutrition Assistance Program (SNAP)</li> <li>▪ Earned Income Tax Credit (EITC)</li> <li>▪ Low-Income Housing Credit (LIHTC) program</li> <li>▪ Special Supplemental Nutrition Program for Woman, Infants, and Children (WIC)</li> </ul>	<ul style="list-style-type: none"> <li>▪ Supplemental Security Income (SSI)</li> <li>▪ Other programs administered by HUD</li> <li>▪ Other means-tested programs with which HUD has an MOU</li> <li>▪ Other federal benefit determinations made in other forms of means-tested federal public assistance that the Secretary determines to have comparable reliability and announces through the Federal Register</li> </ul> 
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### PHA Policies

- PHA policy needs to address:
  - If the PHA will accept Safe Harbor determinations
  - When they will accept Safe Harbor determinations
    - New admission, annual, and/or interim reexam
  - From which programs they will accept determinations




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### Use of Other Programs' Income Determination

- If the PHA uses a Safe Harbor determination, the may PHA obtain the directly verification from the other program or the family
- The verification must:
  - State the family size
  - Be for the entire family
  - State the amount of the family's annual income
    - Income does not need to be broken down by family member or income type




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### Acceptable Documentation

- Safe Harbor documentation is acceptable if any of the following dates fall into the 12-month period prior to the receipt of the documentation by the PHA:
  - Income determination effective date;
  - Program administrator's signature date;
  - Family's signature date;
  - Report effective date; or
  - Other report-specific dates that verify the income determination date




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**Use of Other Programs' Income Determination**

- The other program may provide additional information about the family's income
- These determinations and any other information must not be considered by the PHA
- The only information PHAs are permitted to use to determine income is the total income determination made by the other program




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**Use of Other Programs' Income Determination**

- When using Safe Harbor to verify a family's income, PHAs may not make additional inquiries about a family's net family assets or about the income earned from those assets beyond what is stated on the Safe harbor determination
- However, the PHA must still ask the family if they owns assets that exceed the asset limitation
  - PHA may accept self-certification




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**Use of Other Programs' Income Determination**

- If a family present multiple verifications from the same or different acceptable programs, PHA policy must state the course of action
- PHAs may not mix and match Safe Harbor income determinations and other income verifications




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**Use of EIV**

- The PHA is not required to use the EIV Income, IVT, or New Hires reports at annual reexam if a Safe Harbor income determination is used




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**Use of Other Programs' Income Determination**

- The PHA must calculate the family's annual income using traditional methods if:
  - The PHA is unable to obtain Safe Harbor documentation
  - The family disputes the other program's income determination




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**Changes in Income**

- If the PHA uses a Safe Harbor determination to determine the family's income, the family is obligated to report changes in income that meet the PHA's reporting requirements and occur after the effective date of the transaction




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### Example: The Carr Family

- The PHA completed an annual reexam for the Carr family effective 3/1/2024 using a Safe Harbor income determination
- The Carrs began receiving a new source of income on 2/15/2024
- The family does not need to report the change to the PHA
- If the family has a change in adjusted income after 3/1/2024, then the family must report the change in accordance with PHA policy




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### Deductions

- When a family claims the disability assistance and/or child care expense deductions, the PHA must cap the deduction(s) by the earnings of the family member who is enabled to work
- If the family claims either deduction, the PHA must obtain third-party verification of the applicable employment income and cap the respective expense accordingly




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### Example: The Smith Family

- A PHA implements the Safe Harbor provision for annuals only
- PHA policy says they will accept determinations from SNAP
- At the Smith family's annual, the family provides the PHA with an original print out from the agency that administers SNAP




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### Example

- The printout from SNAP:
  - Shows the correct family size of 4
  - Shows the current household composition
  - Shows the family’s annual income
  - Is dated 30 days prior to the PHA’s request
  - Shows the income was determined 6 months ago




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### Example

SNAP Budget Calculation (from State Department of Social Services)

Report Date: 05/17/2024  
 Head of Household: Smith, Hunter  
 Home Address: 123 Main Street, USA  
 Household members:

Last Name	First Name	Date of Birth	Relationship
Smith	Hunter	01/01/1974	Head of Household
Smith	Annabelle	06/18/1976	Spouse
Smith	Lola	05/17/2019	Daughter
Smith	Eric	05/17/2019	Son

Budget Calculation

Monthly Earned Income: \$1,625  
 Total Unearned Income: \$0  
 Standard Deduction: \$112.50  
 Monthly childcare/dependent care: \$50  
 Allowable medical deductions: \$0




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### Example

- The PHA lists \$19,500 as the family’s annual income
  - \$1,625 earned income + \$0 unearned income x 12 months
- The PHA does not need to take any additional steps to verify or calculate annual income
  - Including comparing the income to EIV data
  - Or verifying the amount of the family’s assets
- The PHA must verify any applicable deductions to calculate the family’s adjusted income




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**Streamlined Income Determinations**




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**Streamlined Income Determinations**

- PHA may conduct a streamlined income determination for fixed sources of income at annual reexam
  - Optional policy
  - Not an option for new admissions
- Two streamlining options are available depending on the percentage of the family's income received from fixed sources




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**What are fixed sources of income?**

- "Fixed" source of income means income consists solely of periodic payments at reasonably predictable levels
  - Social Security, SSI, SSDI
  - Federal, state, local, or private pensions
  - Annuities or other retirement benefit programs, insurance policies, disability or death benefits, or other similar types of periodic receipts
  - Any other source of income subject to adjustment by a verifiable COLA or current rate of interest




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**Option 1:  
90% or More from Fixed Sources**

- When 90% or more of a family's unadjusted income is from fixed sources, the PHA may apply the inflationary adjustment factor (COLA) to the family's fixed-income sources at annual
- The family must certify:
  - 90% or more of their unadjusted income is fixed
  - Their sources of fixed income have not changed from the previous year




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**Option 1:  
90% or More from Fixed Sources**

- The PHA is not required to obtain third-party verification of the family's non-fixed income sources
- PHAs have the discretion to either:
  - Adjust the non-fixed income using third-party verification; or
  - Carry over the calculation of non-fixed income from the previous year




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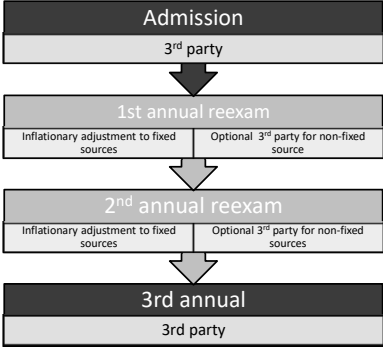
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**Option 1:  
90% or More from Fixed Sources**



- PHA must use 3rd party verification every 3 years




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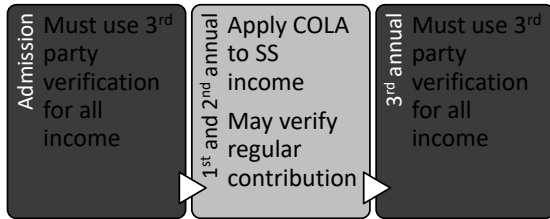
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**Example: 90% or More from Fixed Sources**

- Manuel receives:
  - \$1,000 per month in SS
  - \$50 per month contribution from his mom




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**Option 2: Less than 90% from Fixed Sources**

- When less than 90% of a family's unadjusted income consists of fixed income:
  - The PHA may apply a COLA to each of the family's sources of fixed income
  - The PHAs must determine all other income using standard verification requirements




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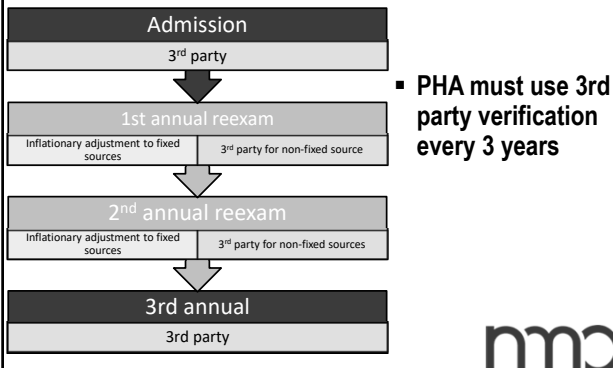
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**Option 2: Less than 90% from Fixed Sources**




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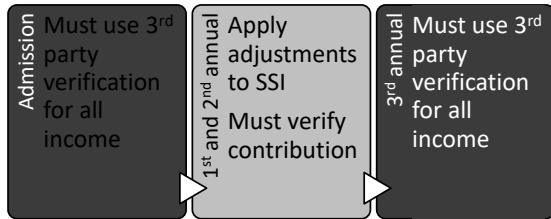
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**Example: Less than 90% from Fixed Sources**

- Marla receives:
  - \$500 monthly from SSI
  - \$500 monthly contribution from her dad




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**Verification**

- PHA must document file how it determined source of income is fixed
- Must verify COLA or current interest rate from either:
  - A public source, or
  - Tenant-provided, third-party generated documentation




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**Verification**

- Must obtain third-party documentation:
  - If public source or tenant-provided documentation is unavailable
  - Every 3rd reexam
  - Upon request of the family




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**Verification Hierarchy**




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**Third-Party Verification**

- When the PHA does not use a streamlined or Safe Harbor income determination, HUD requires the PHA obtain third-party verification of:
  - Reported family annual income
  - The value of net family assets when the net value exceeds \$50,000 (as adjusted annually)
  - Expenses related to deductions from annual income
  - Other factors that affect the determination of adjusted income




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**Verification Hierarchy**

- Notice PIH 2023-27 describes the verification hierarchy which lists documentation requirements from most to lease acceptable
- The PHA must demonstrate efforts to obtain third-party verification prior to accepting self-certification
  - Except in instances when self-certification is explicitly allowed




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**Levels of Verification**

- 6 Highest: Up-front Income Verification (UIV) using EIV
- 5 Highest: UIV using non-EIV systems
- 4 High: Written, third-party from the source or EIV + self-certification
- 3 Medium: Written, third-party verification form
- 2 Medium: Third-party oral verification
- 1 Low: Self-certification

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**6** Up-front Income Verification (UIV) using EIV

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**Upfront Income Verification**

- What is it?
  - The verification of income, before or during a reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a large number of individuals




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### Enterprise Income Verification (EIV)

- What is it?
  - A type of UIV system that provides PHAs with employment, wage, unemployment, and social security benefit information for tenants in public housing and Section 8
  - Information obtained through computer matching between HUD, SSA, and HHS




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### Income Validation Tool (IVT)

- What is it?
  - Replaces Income Discrepancy Report
  - Updated monthly
  - Provides a comparison between tenant-reported income and previously reported income on the 50058
  - Includes any discrepant income information from data sharing with HUD partners




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### Using EIV and IVT

- EIV Income Report and IVT are:
  - Mandatory for annual reexams
    - Except when the PHA uses Safe Harbor verifications
  - Optional for interim reexams
  - Not available for applicant families or new members added to currently assisted households




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### Timeframe for Pulling EIV



- The PHA must pull the EIV Income and IVT reports within 120 days of the effective date of the annual reexam




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UIV using non-EIV systems

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### UIV Using Other Sources

- While EIV is mandatory, UIV using other sources is optional
- Used to validate tenant-reported income




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**UIV Using Other Sources**

- The Work Number
- State government databases/SWICA
- State TANF systems
- Credit Bureau Association (CBA) credit reports
- Internal Revenue Service (IRS) – tax transcript
  - Request with IRS form 4506-T




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Written, third-party from the source  
or  
EIV + self-certification

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**EIV + Self-Certification**

- EIV may be used as written third-party verification and may be used to calculate income if:
  - The family agrees with the information in EIV
    - and
  - Self-certifies that the amount is accurate and representative of current income




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**EIV + Self-Certification**

- PHA may use its discretion to determine which method of calculation is reasonable
  - The last four quarters combined
  - An average of any number of quarters
- This means that if only one quarter is listed in EIV, the PHA must use other verification




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**EIV + Self-Certification**

- The family must be provided with the information from EIV
- Written, third-party verification must be used when the family disputes the EIV-reported information




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**Written Third-Party from the Source**

- Original or authentic document generated by a third-party source
  - Called “tenant-provided verification”
- Dated within 120 days of receipt by the PHA
  - For fixed-income sources, a statement dated within the appropriate benefit year is acceptable
- Includes documents provided by family




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**Examples**

- Pay stubs/payroll summary
- SSA award letters
- Bank statements
- Welfare/unemployment notices
- Income tax returns with corresponding official tax forms and schedules attached
  - Including third-party receipt of transmission for income tax return filed




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**Written Third-Party from the Source**

- PHAs must obtain a minimum of two, current and consecutive pay stubs to determine income from wages
- For new sources of income where pay stubs are not available, the PHA should use traditional third-party verification form or the best available information




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**Written Third-Party from the Source**

- The PHA may reject tenant-provided third-party documents only if they are:
  - Not original
  - Forged
  - Altered, mutilated, or not legible
- PHA explains to family and request additional documentation




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**3** Written, third-party verification form

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**Third-Party Verification Form**

- “Traditional third-party verification”
  - Standardized form filled out by third party
- Tenant-provided documents generated by a third-party source rank higher than third-party forms

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**Third-Party Verification Form**

- The PHA may use this method when:
  - Higher forms are unavailable
  - Higher forms are rejected by the PHA
  - The family is unable to provide acceptable verification

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**Third-Party  
Verification Form**

- The PHA may skip this level of verification and may instead substitute oral third-party verification before moving to self-certification




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Third-party  
oral  
verification

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**Oral Third-Party Verification**

- PHAs contact the independent sources by telephone or in person
- Third-party oral verification may be used when requests for written verification have not been returned within a reasonable time
  - E.g., 10 business days




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**Oral Third-Party Verification**

- The PHA may skip this level of verification if they attempted written third-party verification via a form and the source did not respond and move directly to self-certification




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**Self-Certification**

- Non-third-party verification consists of a signed statement of reported income and/or expenses
- Used as a last resort when the PHA has not been successful in obtaining information via all other required verification techniques




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**Self-Certification**

- When the PHA was required to obtain third-party verification but instead relies on self-certification, the family’s file must be documented to explain why third-party verification was not available




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**Self-Certification**

- HUD does not require that a self-certification be notarized
- HUD recommends including language on any self-certification to ensure the certifier understands the consequences of knowingly providing false information
  - See Notice PIH 2023-27 for sample language




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**Verifying Excluded Income**

- For fully excluded income, the PHA is not required to:
  - Verify/document according to verification hierarchy
  - Report income on the 50058
- The PHA may accept self-certification of fully excluded income
  - Application/reexam forms are acceptable




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### Verifying Excluded Income

- For partially excluded income, the PHA must:
  - Follow verification hierarchy
  - Report on 50058 form
- Examples of partially excluded income:
  - Earnings of FT student 18 or over
  - Training program income




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### Self-Certification

- Self-certification is acceptable when:
  - A source of income is fully excluded;
  - Net family assets total \$50,000 or less and the PHA has adopted a policy to accept self-certification;
  - The family declares that they do not have any present ownership in any real property;
  - A family states that they have non-recurring income that will not be repeated in the coming year; and/or
  - The PHA has adopted a policy to implement streamlined annual recertifications for fixed sources of income




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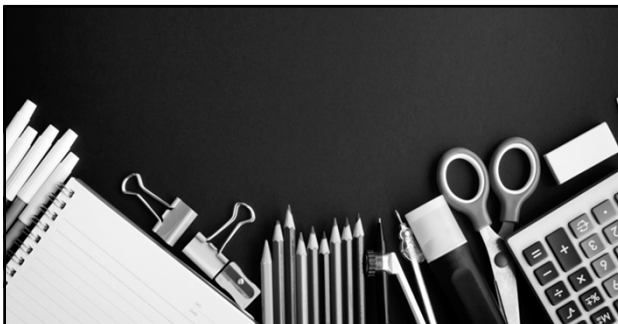
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### Chapter 5 Calculating Income

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### Calculating Income

- The methodology used for calculating income differs depending on whether income is being calculated at:
  - Initial occupancy/assistance
  - Interim reexam
  - Annual reexam
- However, income from assets is always anticipated regardless of certification type




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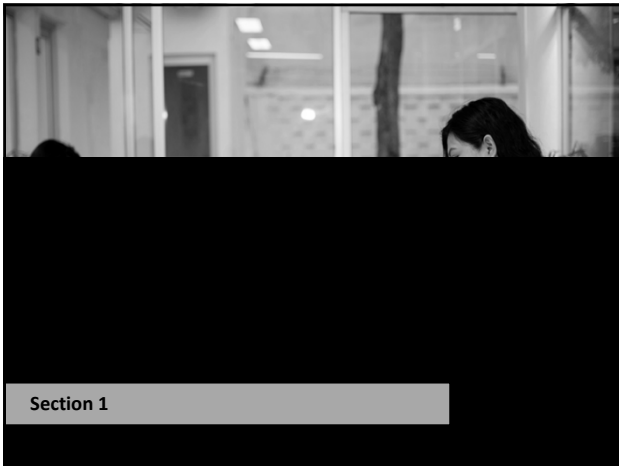
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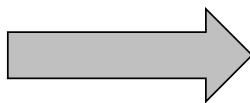
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### Projecting Income

- At initial occupancy and for an interim reexams, the PHA must use anticipated income (current income) for the upcoming 12-month period following the effective date




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### Annualizing Employment Income

- HUD does not address how income from paystubs should be annualized
  - Average vs. year-to-date
  - Industry practice is to take an average of pay stubs
- PHA practice should be consistent regardless of what method is used




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### Annualizing Employment Income

- Step 1: Calculate average gross income for each pay period by adding together gross pay from all paystubs
- Step 2: Divide by total number of paystubs to calculate average pay per pay period
- Step 3: Multiply the average pay by the number of pay periods in the year




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### Pop Quiz!

- PHA policy calls for 4 pay stubs
  - Paystub 1: \$725.80 for May 1
  - Paystub 2: \$799.93 for May 15
  - Paystub 3: \$730.48 for June 1
  - Paystub 4: \$767.92 for June 15
- What is the annual income?




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### Answers

- Step 1:  $\$725.80 + \$799.93 + \$730.48 + \$767.92 = \$3,024.13$
- Step 2:  $\$3,024.13 / 4 \text{ pay stubs} = \$756.03$
- Pay is semi-monthly (1<sup>st</sup> and the 15<sup>th</sup>)
- Step 3:  $\$756.03 \times 24 = \$18,144.72$




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### Projecting Income

- Use current circumstances to anticipate annual income unless:
  - There's an imminent change in circumstances is expected
  - It's not feasible to anticipate level income over 12-month period
- Business as usual

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### Projecting Annual Income at New Admission and Interim

- Use current circumstances to anticipate annual income unless
  - An imminent change in circumstances is expected
  - It's not feasible to anticipate a level of income over a 12-month period

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**Example  
Imminent Change Expected**

- Employer reports a full-time employee earning \$7.25 per hour will receive this for 7 weeks
- In the 8th week after the effective date of the reexam, the employee will begin to receive \$8.00 per hour
- How is annual income calculated?

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**Example of Imminent Change Expected**

\$7.25

×

40  
hours

×

7  
weeks

=

\$2,030

+

\$8.00

×

40  
hours

×

45  
weeks

=

\$14,400

**Total: \$16,430**

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**Annual Reexams**

- PHAs must first determine the family’s income for the previous 12-month period and use this amount as the family income; however, adjustments to reflect current income must be made
  - Except where a streamlined income determination is used




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**Annual Reexams**

- Any change of income since the family’s last annual, including those that did not meet the threshold to process an interim, must be considered




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**Annual Reexams**

- If, however, there have been no changes to income, then the amount of income calculated for the previous 12-month period is the amount that will be used to determine the family’s income




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### Calculating Income

- Notice PIH 2023-27 lists steps for calculating income at an annual reexam
  - Not applicable if the PHA uses a streamlined income determination or Safe Harbor verifications




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### Step 1

- Determine annual income for the previous 12-month period by reviewing:
  1. EIV Income Report pulled within 120 days of the effective date of the annual;
  2. Income reported on the most recent HUD-50058; and
  3. Amount of prior-year income reported by the family on the annual reexam paperwork




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### Step 2

- Take into consideration any interim completed since the last annual
  - If there was an interim, use the annual income from the interim to determine the family's total annual income, provided there are no additional changes
  - If there was no interim or there have been changes since the last reexam, moves to Step 3




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**Step 3**

- If there were changes not processed by the PHA since the last reexam:
  - The PHA must use current income
  - The PHA must follow the verification hierarchy




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**Step 3**

- If there are no changes, the PHA may use documentation of prior-year income to calculate annual income, including:
  - EIV + self-certification (when the family agrees)
    - Wages, SSI, SS, and unemployment
  - Current written third-party verification from the source verifying prior-year income that is dated within 120 days of receipt by the PHA




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**Step 3**

- If the PHA notes discrepancies between EIV and what the family reports, the PHA must follow the verification hierarchy




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### SS COLA

- Annually in October, the SSA announces the cost-of-living adjustment (COLA)
- Effective the day after COLA is announced, the PHA must factor in the COLA when determining SS and SSI annual income for all annual and interim reexams that have not yet been completed and will be effective January 1 or later of the upcoming year




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### Example 1: Ruby Myers




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### Example 1: Ruby Myers

- The PHA is processing a 3/1/24 annual for Ruby Myers and her minor daughter, Georgia
- Since her 3/1/23 annual:
  - No interims have been processed
  - Ruby has not reported any changes to her income
- SS announced in Oct 2023 that the 2024 COLA is 7%




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### Example 1: Ruby Myers

- At their last annual reexam effective 3/1/23, the PHA entered the following information on Ruby's 50058:
  - Ruby: Wages: \$30,000
  - Georgia: SSI: \$10,980 (\$915/month)




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### Example 1: Ruby Myers

- The PHA pulled the EIV report within 120 days of 3/1/24

Ruby:	Georgia:
Wages Total: \$33,651	SSI Total: \$10,980
Quarter 3 of 2023: \$8,859 (City Public School)	2023 benefit \$915 monthly
Quarter 2 of 2023: \$8,616 (City Public School)	
Quarter 1 of 2023: \$8,823 (County Public School)	
Quarter 4 of 2022: \$7,353 (County Public School)	




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### Example 1: Ruby Myers

- On her 2024 annual reexam paperwork, Ruby reported the following information:
  - Ruby: Wages at City Public School: \$32,000
    - Switched jobs from City to County Public Schools but no permanent change in amount
  - Georgia: SSI benefit: \$10,980
    - No change




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**Ruby's Wages**

- **Step 1: Determine prior year income from EIV**
  - Q4 2022 to Q 3 2023: \$33,651
- **Step 2: Take into consideration any interims**
  - None
- **Step 3: Ruby certifies that \$33,651 in wages from EIV is accurate**
- PHA lists \$33,651 on the family's 2024 Form 50058




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**Example 1: Ruby Myers**

- **If Ruby did not agree with the annual wages reported in EIV, the PHA would be required to verify her current income in accordance with the verification hierarchy**




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**Georgia's SSI**

- **Step 1: Determine prior year income from EIV**
  - $\$915 \times 12 = \$10,980$
- **Step 2: Take into consideration any interims**
  - None
- **Step 3: Ruby certifies that the SSI amount in EIV is accurate**




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### Georgia's SSI

- The PHA must adjust the prior-year income (2023 SSI benefit) by the 7% COLA and will use this amount to calculate annual SSI income for the 3/1/2024 annual
  - $\$915 \times 0.07 = \$64.05$
  - New gross SS benefit:  $\$979.05 \times 12 = \$11,748.60$
- PHA lists \$11,749 on the family's 2024 Form 50058




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**7. Income**

7a. Family Member Name	No.	7b. Income Code	7c. Calculation (PHA use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions (7d minus 7e)
Ruby	1	W		\$ 33,651	\$	\$ 33,651
Georgia	2	SSI		\$ 11,749	\$	\$ 11,749
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
7g. Column total						\$ 45,400
7h. Reserved						
7i. Total annual income: 6k + 7g						7i.
<b>Over-Income Status (Public Housing Only)</b>						
7j. What is the applicable over-income limit for families of this size?						\$ 7j.
7k. Is the family's annual income greater than the over-income limit? <input type="checkbox"/> Y <input type="checkbox"/> N						7k.
7l. If the family is over-income, note the start date of the 24 consecutive month grace period						7l.




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### Example 2: Paul Hewson




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### Example 2: Paul Hewson

- The PHA is processing a 5/1/24 annual for Paul
- Since his 5/1/23 annual:
  - Paul reported a decrease in income of more than 10% when he transferred from a full-time job at Sasha's Sweets to a part-time job at Viking Bakery
  - The PHA performed an interim effective 7/1/23 and reduced his income from \$28,000 to \$7,500
  - After the 7/1/23 interim, Paul worked briefly at two other jobs but now says he is no longer working or planning to work




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### Example 2: Paul Hewson

- The PHA pulled the EIV report within 120 days of 5/1/24

Wages Total: \$18,271  
 Quarter 3 of 2023: \$2,500 (Viking Bakery)  
 Quarter 3 of 2023: \$796 (Sweet Tooth Candy Bar)  
 Quarter 2 of 2023: \$1,300 (Sasha's Sweets)  
 Quarter 2 of 2023: \$584 (Larry's Concessions)  
 Quarter 2 of 2023: \$2,401 (Viking Bakery)  
 Quarter 1 of 2023: \$6,500 (Sasha's Sweets)  
 Quarter 4 of 2022: \$600 (Sasha's Sweets)  
 SS/SSI: No history of benefits.




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### Example 2: Paul Hewson

- On his annual reexam paperwork, Paul reported the following information:
  - Wages: \$0
  - SS disability benefit: \$14,400 (1,200 monthly)




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**Example 2: Paul Hewson**

- Paul certified he does not agree with wages in EIV
- He reported he is currently unemployed
- He provided a copy of an award letter from the SSA to document that he will begin receiving a monthly disability benefit of \$1,200 effective 3/1/2024




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**Example 2: Paul Hewson**

- **Step 1: Determine prior year income**
  - EIV wages reflected: \$18,271
- **Step 2: Take into consideration any interims**
  - Interim performed 7/1/23 to reduce wages to \$7,500




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**Example 2: Paul Hewson**

- **Step 3: The PHA obtains documentation to verify current income and confirm Paul is no longer employed at Viking Bakery or The Sweet Tooth Candy Bar (the employers reported in the most recent quarter of EIV)**
- Provided verification states he is no longer working, PHA lists \$14,400 from SS disability on Paul's 2024 Form 50058




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**7. Income**

7a. Family Member Name	No.	7b. Income Code	7c. Calculation (PHA use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions (7d minus 7e)
Paul	1	SS		\$ 14,400	\$	\$ 14,400
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
7g. Column total				\$ 14,400		7g.
7h. Reserved						7i.
7i. Total annual income: 6k + 7g						
<b>Over-Income Status (Public Housing Only)</b>						
7j. What is the applicable over-income limit for families of this size?						\$ 7j.
7k. Is the family's annual income greater than the over-income limit?						11Y 11N 7k.
7l. If the family is over-income, note the start date of the 24 consecutive month grace period						7l.

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**Example 3: Samantha and Fergus**




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**Example 3: Samantha and Fergus Poole**

- The PHA is processing a 11/1/24 annual for HOH and spouse Samantha and Fergus
- Since their 11/1/23 annual:
  - Samantha reported her child support was reduced from \$200 to \$100 per month but no interim was processed
  - No additional changes were reported

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**Example 3:  
Samantha and Fergus Poole**

- At their last annual effective 11/1/23, the PHA entered the following information on the 50058:
- Samantha
  - Business income: \$28,000
  - VA disability benefits: \$12,000
  - Child support: \$2,400
- Fergus
  - Wages: \$8,250
  - Other non-wage income: \$3,000 (Go Fund Me)




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**Example 3:  
Samantha and Fergus Poole**

- The PHA pulled the EIV report within 120 days of 11/1/24

Samantha:	Fergus:
Wages Total: \$0 (no wage data reported since Q1 2023)	Wages Total: \$8,600
	Quarter 1 of 2024: \$2,100 (Ian's Fish 'n' Chips)
	Quarter 1 of 2024: \$500 (Claire's Healthcare Supplies)
	Quarter 4 of 2023: \$1,000 (Claire's Healthcare Supplies)
	Quarter 3 of 2023: \$1,800 (The Onion Garden Shop)
	Quarter 2 of 2023: \$3,200 (Ivar's Fish Haus)




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**Example 3:  
Samantha and Fergus Poole**

- On their annual paperwork, Samantha and Fergus reported income received in the last year and noted permanent changes, where applicable, for each source of income
- Fergus only reported wages and his current employment at Ian's Fish 'n' Chips
  - No information was reported concerning other non-wage income




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**Example 3:  
Samantha and Fergus Poole**

- On their annual paperwork, Samantha and Fergus listed the following information:
- Samantha
  - Business income: \$28,000 last year decreased to \$18,000
  - VA disability benefits: \$12,000 increased to \$12,300
  - Child support: \$2,400 decreased to \$1,200
- Fergus
  - Wages: \$8,250 decreased to \$6,000




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**Samantha's VA Pension**

- Step 1: Determine prior year income
  - \$12,000 reported on the 2023 Form 50058
- Step 2: Take into consideration any interims
  - None




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**Samantha's VA Pension**

- Step 3: The PHA must adjust to reflect current VA pension income
  - Samantha supplies a VA award letter showing a monthly pension of \$1,025
    - $\$1,025 \times 12 = \$12,300$  annually
- PHA lists \$12,300 on the family's 2024 Form 50058




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### Samantha's Child Support

- **Step 1: Determine prior year income**
  - \$2,400 on most recent 50058
- **Step 2: Take into consideration any interims**
  - Family reported a decrease, but no interim was processed




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### Samantha's Child Support

- **Step 3: The family reported changes, so the PHA must adjust to reflect current child support**
  - Family submitted a child support history from the local child support office that documents regular \$100 monthly child support payments starting 3/1/2024 through the current month
    - \$100 x 12 = \$1,200 annually
- PHA lists \$1,200 on the family's 2024 Form 50058




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### Fergus's Wages

- **Step 1: Determine prior year income**
  - EIV Q2 2023 through Q1 of 2024: \$8,600
- **Step 2: Take into consideration any interims**
  - None




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### Fergus's Wages

- **Step 3: There is a discrepancy between what the family reported and EIV, so the PHA must verify and adjust to reflect current income**
  - On his annual paperwork, Fergus reported \$6,000 from a single employer, Ian's Fish'n'Chips
  - The PHA must verify Fergus is no longer employed at Claire's Healthcare Supplies as listed in EIV




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### Fergus's Wages

- **Step 3:**
  - The PHA verifies Fergus is no longer employed at Claire's Healthcare Supplies
  - For his wages from Ian's Fish'n'Chips, the PHA projects income from paystubs rather than EIV since only one quarter of wages is listed
  - Based on paystubs, the PHA projects annual income of \$7,800
  - The PHA lists \$7,800 on the family's 2024 Form 50058




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### Fergus's Non-Wage Income

- **Step 1: Determine prior year income**
  - \$3,000 in non-wage income was listed on the 2023 50058
- **Step 2: Take into consideration any interims**
  - None




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### Fergus's Non-Wage Income

- Step 3: The family did not report any non-wage income on their 2024 annual paperwork,
- The PHA must verify and adjust to reflect current income
  - Fergus provides a self-certification he hasn't solicited funds online and doesn't plan to in the coming year; he also provides records from the account showing no fundraising activity in the last 12 months
- PHA includes \$0 on the family's 2024 Form 50058

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7. Income							
7a. Family Member Name	No.	7b. Income Code	7c. Calculation (PHA use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions (7d minus 7e)	
Samantha	1	N		\$ 12,300	\$	\$ 12,300	
Samantha	1	N		\$ 1,200	\$	\$ 1,200	
Fergus	1	W		\$ 7,800	\$	\$ 7,800	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
				\$	\$	\$	
7g. Column total						\$ 21,300	7g.
7h. Reserved							7h.
7i. Total annual income: 6k + 7g							7i.
<b>Over-Income Status (Public Housing Only)</b>							
7j. What is the applicable over-income limit for families of this size?						\$	7j.
7k. Is the family's annual income greater than the over-income limit?						<input type="checkbox"/> Y <input type="checkbox"/> N	7k.
7l. If the family is over-income, note the start date of the 24 consecutive month grace period							7l.

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### End of Day 2




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