


Project Based Voucher
Rent Calculation

mma

Nan McKay
AND ASSOCIATES, INC.

Experience — Leadership — Collaboration



HOTMA

Introduction

▪ Housing Opportunity Through Modernization
Act of 2016 (HOTMA)

▪ Title I contains 14 sections that affect public
housing and Section 8

▪ Initial rulemaking dealt with Sections 101, 105, 106,
and 112 mostly impacted PBV and HQS

mma

Section 102

• Income reviews

Section 103

• Public housing over-income families

Section 104

• Limitation on eligibility based on assets

Final Rule

nmca

Public Housing

Section 8: HCV

Section 8: PBV (RAD and regular)

Section 8: Multifamily (RAD and regular)

HOME

HOPWA

Housing Trust Fund

202/811

CDBG

“The public should be aware that the effects of this rulemaking are not limited to the programs listed in this rule and preamble.”

✓ Example: LIHTC program follows the Section 8 definition of income

nmca

7/29/16

• HOTMA enacted

→

2/14/23

• Final Rule published

→

9/29/2023

• Implementation guidance published

↓

Based on FY start date

• PHA policies updated

→

No later than 1/1/25

• Compliance date

nmca

When does my policy need to be updated in 2024?

FY Start Date	PHA Plan Submission Date	PHA Policy Completed	Draft PHA policy available for public comment	Announce public hearing
7/1/24	4/17/24	4/17/24	3/3/24	Mid-Feb
10/1/24	7/18/24	7/18/24	6/3/24	Mid-May
1/1/25	10/18/24	10/18/24	9/3/24	Mid-Aug
4/1/25	1/16/25	10/18/24*	9/3/24	Mid-Aug
	Required: 75 days prior to FY start date	*Latest compliance date is 1/1/25	Required: 45-day public comment period	Unless state law requires a longer period

What does this mean?

- While PHA policies must be updated for HOTMA in 2024, the PHA chooses when in 2024 to comply with HOTMA
- With some exceptions, must implement all at once:
 - *“Once a PHA is ready to transition to the HOTMA rules, it must do so in all affected areas of operations”*



What does this mean?

- Although HOTMA will not be implemented by the PHA until an unknown date in 2024, the PHA is required to update its policies in 2024
- During this transition period, the PHA will have two policies in place – one that is updated for HOTMA and their pre-HOTMA policy



Software Changes

- HUD is in the process of replacing PIC with the Housing Information Portal (HIP)
- HUD has been working with software vendors to prepare for the conversion



What is HIP?

- Housing Information Portal (HIP)
 - Upgrades and replaces PIC
 - According to HUD "...the current PIC system is outdated, unstable, and is need of myriad costly repairs and improvements."
 - System will be cloud-based
 - Should result in fewer outages
 - Enhanced ability for PHAs to run reports



What does this mean?

- The PHA cannot transition to HOTMA until:
 - The HIP system is operational and accepting certifications
 - The PHA's software has transitioned
- Bottom line: Don't just select a date. Talk to your software vendor first and often.



PHA Forms

- For certifications in calendar year 2024, the PHA must inform families under what rules the certification is conducted
 - The PHA must inform families whether their income determination is being conducted under the pre-HOTMA regulations or in accordance with the HOTMA Final Rule



Additional Guidance


- HUD HOTMA page:
 - https://www.hud.gov/program_offices/public_indian_housing/hotmaresources
- Dedicated HOTMA email addresses
 - HOTMAquestions@hud.gov
- NMA HOTMA Resources page
 - Nanmckay.com/hotma





Chapter 1
Form HUD 50058






Learning Outcomes

- Understand the purpose of the Form-50058 and the 50058 Instruction Booklet
- Review the Form HUD-50058


PBV Rent Calculation

- PBV follows the same regulations as the tenant-based HCV program for calculation of annual income, adjusted income, and TTP
 - Tenant rent calculated by the PHA
 - 50058 Sections 6 through 9
- Tenant rent and HAP calculation differs
 - Uses 50058 Section 11 instead of 12



RAD PBV

- RAD PBV follows standard PBV rent calculation rules with two exceptions for in-place residents only:
 1. Rent phase-ins
 2. EID
- These will be discussed more later



- New Form HUD 50058 issued in October 2023
- Updating for HOTMA
- Instruction booklet has not yet been released
- PHA may not begin using the form until 1/1/24 or later



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
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
6g, 6h, 6i. Total net family assets, total actual income, total imputed income				\$	6g. \$	6h. \$
6i. Passbook rate (written as decimal)						6i.
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.



7. Income

[illegible]

Converting Income

- The PHA must convert all income to an annual figure on the 50058
 - Multiply weekly wages by 52
 - Multiply bi-weekly wages by 26
 - Multiply semi-monthly wages by 24
 - Multiply monthly wages by 12



Rounding

- Only whole dollar amounts are entered on the 50058
- Round down if less than 50 cents
 - $\$6.29 \times 2080 = \$13,083.20 = \$13,083$
- Round up if 50 cents or more
 - $\$6.31 \times 2080 = \$13,124.80 = \$13,125$
- Only enter whole dollar amounts on 50058


26



Converting Percentages to Decimals

- Move decimal two places to left and drop % sign
 - $2.5\% = .025$
 - $2\% = .02$






Chapter 2

Income

28

nma



Learning Outcomes

- Define annual income
- Differentiate how income is treated for different household member and what is included and excluded
- Calculate income for students
- Identify how to calculate different types of income and impute welfare income



Section 1

Definition: Annual Income

- HOTMA extensively revised definition of annual income
- Regulation lists income that is excluded
 - Previous version of the regulation listed both inclusions and exclusions
 - All income is included unless specifically excluded



§ 5.609 Annual income.

- (a) Annual income includes, with respect to the family:
- (1) All amounts, not specifically excluded in paragraph (b) of this section, received from all sources by each member of the family who is 18 years of age or older or is the head of household or spouse of the head of household, plus unearned income by or on behalf of each dependent who is under 18 years of age, and
- (b) Annual income does not include the following:



Definition: Earned Income

- *Earned income* means income or earnings from wages, tips, salaries, other employee compensation, and net income from self-employment



Definition: Unearned Income

- *Unearned income* means any annual income calculated under that regulations that is not earned income
 - Includes any pension or annuity, transfer payments (meaning payments made or income received in which no goods or services are being paid for, such as welfare, social security, and governmental subsidies for certain benefits), or any cash or in-kind benefits



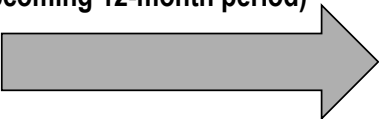
Calculating Income

- The methodology used for calculating annual income differs depending on whether income is being calculated at:
 - Initial occupancy/assistance
 - Interim reexam
 - Annual reexam



Calculating Income

- When calculating income at the time of admission to the program or during interim reexams, PHAs must use anticipated income (current income) (i.e., the family's estimated income for the upcoming 12-month period)



Calculating Income

- When calculating income at an annual reexam, the PHA uses the family's income for the previous 12-month period, but must make adjustments to reflect current income
- More on how to calculate income tomorrow



Income of Various Household Members



Summary of Income Included and Excluded by Person

Live-in aides	Income from all sources (both earned and unearned) is excluded [24 CFR 5.609(b)(8)].
Foster child or foster adult	Income from all sources (both earned and unearned) is excluded [24 CFR 5.609(b)(8)].
Head, spouse, or cohead Other adult family members	All sources of income not specifically excluded by the regulations are included [24 CFR 5.609(a)].
Children under 18 years of age	Earned income is excluded [24 CFR 5.609(b)(3)]. All other sources of unearned income, except those specifically excluded by the regulations, are included [24 CFR 5.609(a)].
Full-time students 18 years of age or older (not head, spouse, or cohead)	Earned income in excess of the dependent deduction is excluded [24 CFR 5.609(b)(14)]. All other sources of unearned income, except those specifically excluded by the regulations, are included.

*Regulations no longer include reference to temporarily absent family members.



Minors

- Exclude employment income of children under 18
- Include all unearned income
 - Except those amounts specifically excluded by regulations
- Include assets and asset income in net family assets



Example

- Amanda Allen (age 16) is a high school student who lives with her parents
- She works part-time after school earning \$15,000 per year
- She receives \$3,500 in SSI per year
- She has a non-interest-bearing checking account



Example

- Since Amanda is a minor, the PHA will:
 - Exclude the full amount of employment income
 - Include unearned income from SSI
 - Consider her checking account when determining net family assets



7. Income						
<i>7a.</i> Family Member Name	<i>No.</i>	<i>7b.</i> Income Code	<i>7c.</i> Calculation (PIRA use)	<i>7d.</i> Dollars per year	<i>7e.</i> Income exclusions	<i>7f.</i> Income after exclusions
Amanda Allen	3	SSI		\$ 3,500	\$	\$ 3,500
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
<i>7g.</i> Column total						\$
<i>7h.</i> Reserved						
<i>7i.</i> Total annual income: $6k + 7g$						\$

43



- **Exclude earned income of a dependent full-time student in excess of the dependent deduction**
 - Will adjust annually for inflation
 - Currently \$480
- **Head, spouse, cohead are never considered full-time students**



- **Include all unearned income**
 - **Except those amounts specifically excluded by regulations**
- **Include assets and asset income in net family assets**
- **If the head, spouse, or cohead attends school full time, include all earned income**



Full-Time Students

- How does HUD define “full-time” student?
 - 24 CFR 5.603 states: *A family member who attends school or vocational training on a full-time basis*
- Therefore, to be considered full-time, a student must be considered full-time by an educational institution with a degree or certificate program

46



Example

- Miriam Leslie (age 22) lives with her parents and is a full-time student
- She earns \$4,000 per year at her part-time job
- She receives \$3,500 in SSI per year
- She has a checking account



Example

- Since she is a dependent full-time student, the PHA will:
 - Include the first \$480 of her wages
 - Exclude the amount in excess of \$480 of her wages
 - Include all income from SSI
 - Her checking account is considered when determining net family assets



7. Income						
7a. Family Member Name	No.	7b. Income Code	7c. Calculation (PH/A use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions
						(7d minus 7e)
Miriam Leslie	3	S		\$ 3,500	\$	\$ 3,500
Miriam Leslie	3	W		\$ 4,000	\$ 3,520	\$ 480
				\$		\$
				\$		\$
				\$		\$
				\$		\$
				\$		\$
				\$		\$
				\$		\$
				\$		\$
				\$		\$
				\$		\$
				\$		\$
				\$		\$
				\$		\$
				\$		\$
7g. Column total						\$ 3,980 ^b
7h. Reserved						
7i. Total annual income: 6k + 7g						7i.

49

nm

- Regulations state that children who are temporarily absent due to placement in foster care continue to be counted as family members
- However, the regulations do not address any other type of temporarily absent family members

nm

- Since the regulations state to count all income unless it's specifically excluded, the PHA includes the income of temporarily absent family members
- The PHA should define temporarily absent in PHA policy since the regulations do not
 - For example, a family member who is working in another state on a temporary assignment

nmd

Temporarily Absent Family Members

- Once a family member is considered permanently absent, they are removed from the family composition and their income is not counted



Live-In Aides

- Both earned and unearned income is fully excluded
- Live-in aides are household members, not family members
- Ineligible for any deductions



Foster Children and Foster Adults

- Exclude payments received by the family
- Exclude income of foster children and adults
 - Both earned and unearned
- Household members, not family members



Kinship Care Exclusion

- “Kinship care” payments are excluded
 - State programs, sometimes called “Kin-GAP”
- Kin-GAP and “similar payments” are excluded as the equivalent of foster care payments

55



Learning Activity 2-1



- Income Inclusions and Exclusions for Different Household Members



Learning Activity 2-1 Answers

1. The head of household’s 16-year-old daughter works a part-time job at a fast-food restaurant and makes \$300 per week.
 - a. Include \$300 per week
 - b. Include \$480 per week
 - c. Exclude \$300 per week



Learning Activity 2-1 Answers

2. The live-in aide works part-time at a hardware store and earns \$250 per week.
- a. Include \$250 per week
 - b. Exclude \$250 per week



Learning Activity 2-1 Answers


3. A full-time student who is not head, spouse, or cohead works at a grocery store and earns \$310 per week.
- a. Include \$310 per week
 - b. Include \$480 for the year
 - c. Include \$480 per week
 - d. Exclude \$310 per week



Learning Activity 2-1 Answers

4. The head of household is temporarily absent (as defined by PHA policy) from the unit because they are working for a month in another state. They earn \$500 per week.
- a. Include \$500 per week
 - b. Exclude \$500 per week






Section 2


Definition: Earned Income

- *Earned income* means income or earnings from wages, tips, salaries, other employee compensation, and net income from self-employment



Earned Income

- Include in annual income the earned income of:
 - Each member of the family who is 18 years of age or older
 - Or who is the head of household or spouse or cohead regardless of age



- Full amount, prior to payroll deductions
- Includes overtime, commissions, fees, tips, bonuses

[illegible]

nmd

- At initial occupancy and for any interim, the PHA is required to estimate the income of the family for the upcoming 12-month period
- Income calculation for an annual reexam differs and will be discussed in a later chapter on conducting annuals

nmd

- When pay stubs are used to calculate income, the PHA must collect a minimum of 2 current, consecutive paystubs dated within 120 days of receipt by the PHA
 - PHA must have a written policy on the number of paystubs required
 - All staff must apply policy consistently

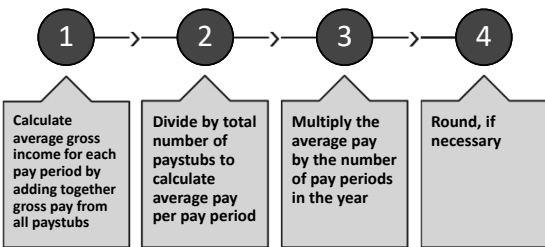
nmd

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



Annualizing Employment Income



Example

- 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?



Example

- Step 1: $\$725.80 + \$799.93 + \$730.48 + \$767.92 = \$3,024.13$
- Step 2: $\$3,024.13 \div 4 \text{ pay stubs} = \756.03
- Pay is semi-monthly (1st and the 15th)
- Step 3: $\$756.03 \times 24 = \$18,144.72$
- Step 4: $\$18,144.72$ rounds to $\$18,145$



Seasonal Employment



Seasonal Employment

- Some occupations regularly work less than 12 months per year
 - School employees
 - Agricultural workers
 - Construction trades



Seasonal Employment

- Earnings of seasonal workers or day laborers are included in annual income
- Even if the source, date, or amount of income varies



73



Definition: Seasonal Worker

- An individual who is hired into a short-term position (e.g., for which the customary employment period for the position is 6 months or fewer); and
- The employment begins about the same time each year (such as summer or winter)
- Typically, the individual is hired to address seasonal demands that arise for the particular employer or industry



Seasonal Work

- Some examples of seasonal work include employment limited to holidays or agricultural seasons
- Seasonal work may include but is not limited to employment as a lifeguard, ballpark vendor, or snowplow driver



Definition: Day Laborer

- An individual hired and paid one day at a time without an agreement that the individual will be hired or work again in the future



Projecting Income from Seasonal Employment

- Annualizing income from seasonal employment at new admission or interim can be challenging since it may not be possible to project income for the upcoming 12-month period



Projecting Income from Seasonal Employment

- PHA may gather income from all sources over a specific time frame, average over that time frame, and then annualize over a full year



Projecting Income from Seasonal Employment

- If it is not feasible to anticipate a level of income over a 12-month period
- Or the PHA believes that past income is the best available indicator of expected future income
- The PHA may annualize the income anticipated for a shorter period
 - Subject to redetermination at the end of the shorter period



Example 1: Seasonal Employment

- Maggie Price is an applicant
- She is currently a tile setter earning \$1,200 per month
- For the last 3 years, she worked for 8 months during the construction season
- For the rest of the year (4 months) she worked part-time earning \$500 per month



Example 1: Seasonal Employment

- Based on her current paystubs and her tax information, the PHA performs the following calculation:

$$\begin{aligned} \$1,200 \times 8 \text{ months} &= \$9,600 \\ + \$500 \times 4 \text{ months} &= \$2,000 \\ \hline \$11,600 \text{ annual} \end{aligned}$$



Example 2: Seasonal Employment

- Derrick Jones is a new admission
- He is a house painter
- He works from April to September. He does not work in rain or windstorms.
- He does not receive pay stubs. The PHA contacts his employer who says over the last 3 years:
 - He worked on average 30 hours/week
 - He currently makes \$12/hour



Example 2: Seasonal Employment

- The PHA uses past income as the best available indicator of expected future income
- The PHA uses the average number of hours he's worked over the last three years multiplied by his current rate of pay



Self-Employment



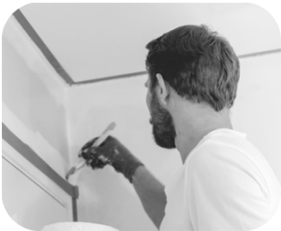
Self-Employment

- Annual income include net income from the operation of a business or through self-employment
 - *Net income* is gross income minus business expenses that allows the business to operate
 - May deduct depreciation (straight-line), interest payments on loans, and all expenses other than those for expansion or capital improvements



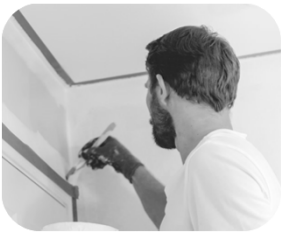
Example

- A self-employed house painter owns a truck he uses for his business as well as several ladders, buckets, and spray guns
- He also purchases rollers and hand brushes each time he is hired to do a job



Example

- The painter may deduct the depreciation on his truck and ladders as well as the cost of the paint, paint thinner, disposable rollers and paint brushes he purchases throughout the year



Self-Employment

- Any withdrawal of cash or assets from the operation of a business or profession will be included in income
 - Except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family

88



Example

- Donna Edwards is starting a new business as a dog walker. She is using \$500 of her own money to purchase leashes, dog treats, and to print fliers and advertise
- After several months, she withdraws \$500 from the business as a reimbursement of her initial investment



Example

- The \$500 is not considered income since it is a reimbursement of her own investment



Self-Employment

- If net income from a business is negative, no income is included in annual income
 - Example: Martin West is HOH
 - He earns \$35,000 per year wages
 - His spouse Amanda is self-employed
 - She has negative business income of -\$1,500
 - Amanda's loss does not offset Martin's wages

91



Independent Contractors

- Income received as an independent contractor is included in annual income
 - Even if the source, date, or amount of the income varies
 - Considered self-employed



Definition

- An individual who qualifies as an independent contractor instead of an employee in accordance with the Internal Revenue Code Federal income tax requirements and whose earnings are consequently subject to the Self-Employment Tax
- In general, an individual is an independent contractor if the payer has the right to control or direct only the result of the work and not what will be done and how it will be done



Example: Independent Contractor

- Amanda Allen drives for Uber
- She files a 1099
- She is considered self-employed
- Whether she works full-time or part-time, her net income is included in annual income, even if her hours and pay vary



Earned Income Disallowance (EID)



RAD PBV

- In-place tenants who are employed and currently receiving EID at conversion continue until EID expires
 - Not subject to rent phase-in
- After conversion, follow standard PBV rules
 - EID only applies to persons with disabilities



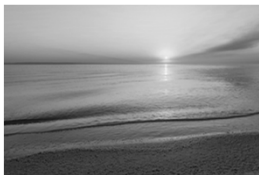
Earned Income Disallowance (EID)

- HOTMA removed the statutory authority for the EID
- Families continue to qualify through 12/31/2023
 - These families continue to receive the EID under current regulations
 - Full 24 months of exclusion



Earned Income Disallowance (EID)

- As of 1/1/2024, no new families qualify
- The EID fully sunsets December 31, 2025




Example

- Brad Green gets a new job on 11/12/23 and qualifies for the EID
- Per PHA policy, the PHA starts his EID clock on 12/1/23
- Brad is entitled to the full 24-months of EID
- His EID ends 12/1/25



Other Earned Income


nmca



Military Pay

- Count all regular pay, special pay, and allowances of member in armed forces
- Do not count special duty pay received for being exposed to hostile fire


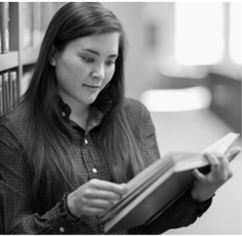
nmca



Section 3


Student Loans

- Exclude the net amount disbursed by a lender to or on behalf of a borrower under the terms of a loan agreement received by the family or a third party



Educational Savings Accounts

- Any amount in or from, or any benefits, income, or distributions from, any Coverdell educational savings account or any qualified tuition program under IRS sections 529 and 530 is excluded from income



Student Financial Assistance



Pre-HOTMA Section 8 Student Rule

- In 2005, Congress imposed restrictions on housing assistance to college students in Section 8 programs only
 - HCV
 - PBV
 - PBRA
- Does not apply to public housing



Pre-HOTMA Section 8 Student Rule

- The Section 8 student rule has two parts:
 - Determining if the student is eligible for the program
 - This still applies post-HOTMA
 - Calculating student financial assistance
 - This may or may not apply post-HOTMA



Pre-HOTMA Section 8 Student Rule

- Financial aid exceeding amounts received for tuition/required fees is included in annual income
 - Exclude financial aid paid to a student over the age of 23 with dependent children is excluded
 - Exclude if student lives with their parents



What’s changed under HOTMA?

- The Higher Educating Act requires that all assistance under Title IV of the HEA and Bureau of Indian Affairs student financial assistance be excluded
- However, for over 10 years, HUD appropriations have included the Section 8 student rule
- For any funds from a year where HUD’s appropriations acts include this limitation, it applies



What changed under HOTMA?

- For any funds from a year where HUD’s appropriations act includes the Section 8 student rule, it applies, and the PHA will follow the pre-HOTMA rule
- During years in which HUD’s appropriations act does not contain the student rule, then the determination of student financial assistance defaults to the HOTMA rule



Student Financial Assistance under HOTMA

- HOTMA changed the rules on student financial assistance
- Creates two categories of student financial assistance



Two Types of Student Financial Assistance



Assistance under section 479B of the Higher Education Act of 1965

- Title IV of the HEA



Other student financial assistance



Title IV of the HEA



- Must be excluded from the family's annual income



Examples of Title IV



- Pell Grants
- Teach Grants
- Federal Work Study Programs
- Federal Perkins Loans
- Income earned in employment and training programs under section 134 of the Workforce Innovation and Opportunity Act (WIOA) (starting 1/1/24)
- Bureau of Indian Affairs/Education student assistance programs



Other Student Financial Assistance



- Exclude:
 - Any other grant-in-aid, scholarship, or other assistance amounts
 - For the *actual covered costs* charged by the institute of higher education
 - Not otherwise excluded by the Federally mandated income exclusions (i.e., Title IV of the HEA)



Definition: Actual Covered Costs

- The actual costs of:
 - Tuition, books, and supplies
 - Including supplies and equipment to support students with learning disabilities or other disabilities
 - Room and board
 - Other fees required and charged to a student by the educational institution



Definition: Actual Covered Costs

- And, for a student who is not the head of household or spouse/cohead, include:
 - The reasonable and actual costs of housing
 - While attending the institution of higher education
 - And not residing in an assisted unit



Student Financial Assistance

- To qualify, assistance must be expressly:
 - For tuition, book, supplies, room and board, or other fees required and charged to the student by the educational institution;
 - To assist a student with costs of higher education; or
 - To assist a student who is not the head of household or spouse with the reasonable and actual costs of housing while attending the education institution and not residing in an assisted unit.



Types of Student Financial Assistance

- Must be a grant/scholarship received from:
 - The Federal government
 - A State, Tribal, or local government
 - A private foundation registered as a nonprofit
 - A business entity
 - An institution of higher education



Student Financial Assistance

- Does not include:
 - Financial support provided to the student in the form of a fee for services performed
 - Gifts, including gifts from family or friends



Student Financial Assistance

- Applies to both full-time and part-time students
- May be paid directly to the student or to the educational institution on the student's behalf



What does this mean?

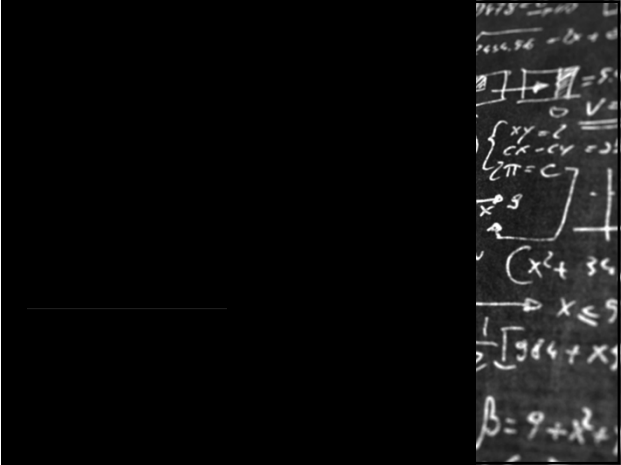
- The amount of student financial assistance that helps the student with their actual educational expenses is not included in annual income
- Anything over that amount, may be included



What does this mean?

- PHA needs to verify:
 - How much is the student's financial assistance?
 - Is any of the assistance coming from a source under Title IV of the HEA?
 - What are their actual covered costs to attend school?





Example 1: HEA Assistance Only

- If a student only receives financial assistance under Title IV of the HEA and does not receive any other student financial assistance
 - Exclude the full amount of the assistance received under Title IV
 - No need to calculate actual covered costs

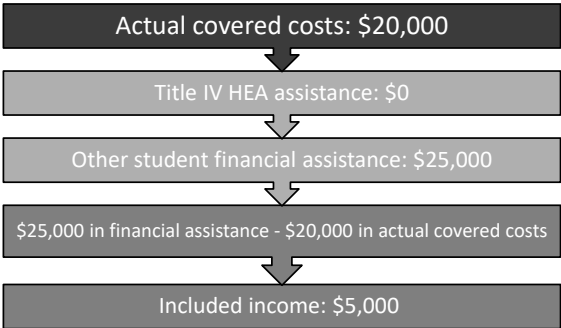


Example 2: Other Assistance Only

- If the student does not receive any assistance under Title IV of the HEA but does receive assistance from another source:
 - 1) Calculate actual covered costs
 - 2) Subtract the total amount of the student's financial assistance from the student's actual covered costs
 - 3) Include any amount of financial assistance in excess of the student's actual covered costs



Example 2: Other Assistance Only



Example 3: Both

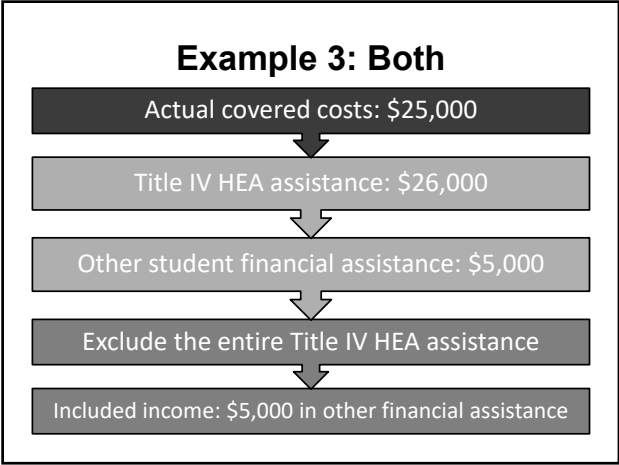
- When a student receives assistance from both Title IV of the HEA and from other sources:
 - Calculate the actual covered costs
 - Assistance received under Title IV of the HEA is applied to the student's actual covered costs first
 - Then apply the other student financial assistance to any remaining actual covered costs



Example 3: Both


- If the amount of assistance excluded under Title IV of the HEA equals or exceeds the actual covered costs, none of the student financial assistance is excluded from income

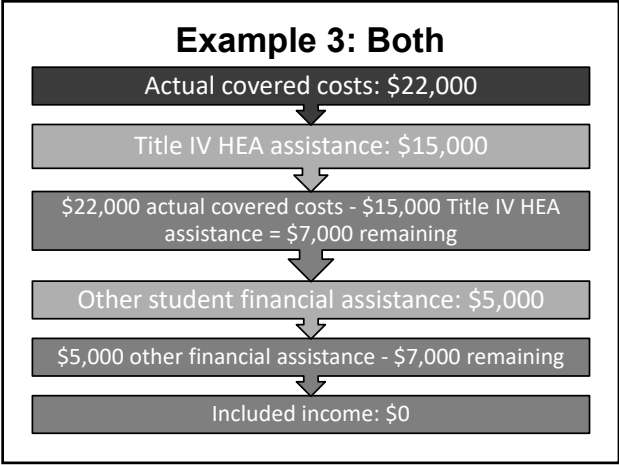


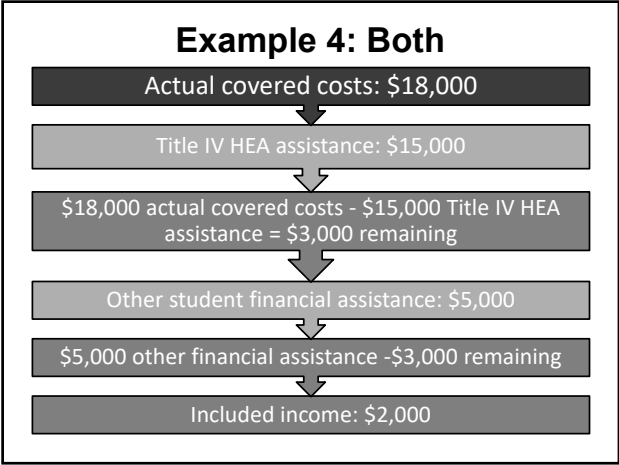


Example 3: Both


- If the amount of assistance excluded under Title IV of the HEA is less than the actual covered costs, exclude the amount of other student financial assistance up to the amount of the remaining actual covered costs








Learning Activity 2-2




▪ Calculating Student Income



Scenario1

▪ Herschel Kratz (age 52) is head of household. He goes to school full-time at a community college. He receives a Pell Grant in the amount of \$8,000 per school year. This is his only financial assistance. The PHA verifies his actual covered costs to attend school are \$1,200. Herschel also works part-time earning \$20,000 per year. What is his annual income?



Scenario 2

- Marge Button (age 25) lives with her parents. She is a full-time student. She receives a scholarship from a local nonprofit group of \$1,000 per school year. This is the only student financial assistance she receives. The PHA verifies her actual covered costs to attend school are \$35,000 per year. She works part-time and earns \$9,000 per year. What is her annual income?



Scenario 3

- Homer Samuels (age 21) lives with his parents. He attends school part-time. He works part-time earning \$15,000 per year. He has a student loan for the school year of \$25,000. He receives a scholarship from a business of \$10,000 per school year. This is the only student financial assistance he receives. The PHA verifies his actual covered costs to attend school are \$8,000 per year. What is his annual income?



Scenario 4

- Ned Flannigan (age 22) lives with his parents. He attends school full-time. He receives an athletic scholarship from his school of \$50,000 per year. His actual covered costs to attend school are \$30,000 per year. He is in a Federal Work-Study program where he earns \$10,000 per school year working part-time. What is his annual income?



DAY
19
20
21
22
23
24
25
26
27
28
29
30
31
AUGUST
MONDAY
TUESDAY
WEDNESDAY
THURSDAY
FRIDAY
SATURDAY
SUNDAY
JANUARY
FEBRUARY
MARCH
APRIL
MAY
JUNE
JULY
AUGUST
SEPTEMBER
OCTOBER
NOVEMBER
DECEMBER

Section 4

Periodic Payments

nmca

Periodic Payments

- Periodic payments are income sources received on a regular basis
 - Weekly, monthly, or yearly
 - For example, payments from Social Security, SSI, annuities, pensions, disability, death benefits
- They are typically included in annual income

nmca

Lump Sum Payments Counted as Income

- Generally, lump sums received by the family are not considered income since they are nonrecurring
- However, lump sums caused by delays in processing periodic payments (such as welfare and unemployment) are included in annual income



Example: Lump Sum

- Beverly Boone lost her job on Oct 19th and applied for unemployment
- On 12/6 she begins receiving regular payments of \$200 per week from unemployment
- She also gets a \$900 lump sum to cover the period from 10/19 to 12/5



Example: Lump Sum

- The lump sum for the delayed start of unemployment benefits is included in her annual income as well as her weekly unemployment benefit amount



Exception: Certain Deferred Periodic Payments

- Deferred periodic amounts from SSI and SS benefits or any deferred VA disability benefits that are received in a lump sum amount or in prospective monthly amounts are excluded from annual income



Example: Excluded Deferred Payment

- Amanda Martinez applied for SSI two years ago
- When it was awarded, she received a one-time lump sum payment for \$8,000
- She also started receiving gross monthly SSI payments of \$500



Example: Excluded Deferred Payment

- Include the gross amount of Wanda's monthly SSI
 - $\$500 \times 12 = \$6,000$
- Exclude the full amount of the lump sum
 - The lump sum may be an asset
 - More on this later



Social Security

- Include gross Social Security income prior to the Medicare deduction
 - Example:
 - SS payment is \$800 per month
 - \$174.70 subtracted for Medicare premium
 - Count \$800 per month as income

148



Reduction in Social Security Benefits

- If benefits reduced to make up for prior overpayments by SSA, include amount provided
 - Not amount that would have been provided if no error had been made

149



SS Garnishments

- NMA asked HUD about SS garnishments (for example, for back taxes or student loan debt)

Response:

Under the final rule, annual income includes all amounts received, not the amount a family may be legally entitled to receive. To that end, the PHA would calculate the amount the family anticipates receiving after the garnishment. Additionally, the family must report income changes once the garnishment is no longer in place.

- This is a change from previous HUD guidance

Example: SS Reduction

- Social security overpaid benefits for the past 6 months
 - Should have received \$1,100 per month
 - Family instead received \$1,200 per month
- SSA adjusts payment to recoup overpayment
 - \$1,000 per month for the next 6 months
- For the next sixth months, use the lower amount



Applying the COLA

- COLA announced annually in October
- Effective the day after SSA announces the COLA, the PHA must factor in COLA (if any)
 - For all annuals and interims that have not yet been completed and
 - Are effective January 1 or later of the following year



Example: Applying the COLA

- EIV shows Edward is currently receiving \$500 a month in SS
- The PHA is processing his annual in November which will be effective 2/1
- COLA announced 10/13: 3.6%
 - $\$500 \times 3.6\% = \18
 - $\$518 \times 12 = \$6,216$ effective 2/1



Retirement Accounts

- Any distribution of periodic payments from retirement accounts is income at the time it is received by the family



Retirement Accounts

- Previous guidance from HUD stated that the PHA would not include amounts withdrawn that are a reimbursement of the family's own investment
- This is no longer the case
- The PHA does not consider the family's investment and counts all periodic payments from retirement accounts



Alimony and Child Support

- Annual income includes "all amounts received," not the amount that a family may be legally entitled to receive but which they do not receive
 - For example, a family's child-support or alimony income must be based on payments received, not the amounts to which the family is entitled by court or agency orders



Nonrecurring Income

nmca

Definition: Nonrecurring Income

- Income that has a discrete end date and will not be repeated beyond the coming year during the family's next annual reexam period is excluded as nonrecurring

nmca

Periodic Payments vs Nonrecurring Income

- However, this does not include unemployment income and other types of periodic payments if they are:
 - Received at regular intervals
 - For a period of greater than one year
 - And can be extended

nmca

**Self-Certification of
Nonrecurring Income**

- The PHA may accept a self-certification from the family stating that income will not be repeated in the coming year



Example: Nonrecurring Income

- The Watts family is a new admission
- They receive income from a guaranteed income program in their city
- The payments will end 6 months after the family is admitted to the program



Example: Nonrecurring Income

- While the guaranteed income will be repeated in the coming year, it will end before the family's next annual
- The income is fully excluded



Example: Regular Income

- In February, the PHA is conducting an annual for Lillian Gonzalez, effective 5/1/24
- She states she receives monthly payments for participation in a research project that is expected to last for 18 months and will end on 9/30/25 the following year



nmca

Example: Recurring Income

- The PHA includes this as income because the amounts will be received through the next annual reexam



nmca

Example: Recurring Income

- For the 5/1/25 annual reexam, Lillian provides a letter stating that the income will end on 9/30/25
- The PHA will exclude the income received after the 5/1/25 annual reexam



nmca

Insurance Payments and Settlements

- The regulations state to exclude insurance payments and settlements for personal or property losses
 - Including but not limited to payments under health insurance, motor vehicle insurance, and workers' compensation



Insurance Payments and Settlements

- However, periodic payments paid at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that are received in lieu of wages for workers' compensation are included in annual income



What does this mean?

- Excluded
 - Payments received in lieu of wages for workers' compensation, even if paid in periodic payments, that will last for a period of less than one year
- Included
 - Workers' compensation paid at regular intervals for a period of greater than one year



Example: Workers' Comp

- Heather Cooper was injured in a work accident
- At her annual she states she is receiving worker's compensation equal to her salary paid in biweekly installments for a period of 8 months
- The amount is excluded



nmca

Nonrecurring Income

- Income excluded as nonrecurring includes:
 - Nonrecurring payments made to the family or to a third-party on behalf of the family to assist with utilities;
 - Payments for eviction prevention;
 - Security deposits to secure housing;
 - Payments for participation in research studies (depending on the duration); and
 - General one-time payments received by or on behalf of the family

nmca

Nonrecurring Income

- Income excluded as nonrecurring includes:
 - Payments from the U.S. Census Bureau for employment lasting no longer than 180 days
 - Direct federal or state payments for economic stimulus or recovery
 - State or federal refundable tax credits or tax refunds
 - Gifts for holidays, birthdays, or other significant life events or milestones

nmca

Nonrecurring Income

- Lump-sum additions to net family assets, including but not limited to lottery or other contest winnings
 - May be counted as an asset



nmca

Example: Lottery Winnings

- Trevor Lucky bought 10 lottery tickets
- One of the tickets won him \$1,000
- The winnings are a one-time, lump-sum and are not included in annual income



nmca

Example: One-Time Lump Sum

- Logan fundraises \$5,000 online to help pay for personal expenses
- The PHA verified with Logan that this was a one-time solicitation for donations of cash and that Logan does not intend for this to be a recurring source of income



nmca

Example: One-Time Lump Sum

- The \$5,000 is a one-time, lump sum and should not be included in his annual income calculation



Example: One-Time Lump Sum

- At his next annual, the PHA verifies Logan solicited for donations online a second time and raised an additional \$4,500
- Logan certified that he does not intend for this to be a recurring source of income, but, because the PHA can establish a pattern, the \$4,500 is not considered a lump-sum and should be included in the annual income calculation



In-Kind Donations

- Non-monetary, in-kind donations, such as food, clothing, or toiletries, received from a food bank or similar organization are excluded
 - Whether they are recurring or non-recurring
- Non-recurring, non-monetary in-kind donations from friends and family are excluded
 - Because they are non-recurring income



Regular Income

- Provided they do not meet the definition of non-recurring, the PHA includes regular contributions (cash or noncash) provided on a regular basis (recurring)
 - May include rent and utility payments paid on behalf of the family



Example: Non-Monetary, In-Kind Donation

- Jonas Crandall receives a basket weekly from the local food bank that includes both food and toiletries
- This is an in-kind donation from the local food bank
- The PHA must not include the basket items in annual income



Example: Regular Income

- Holly Hawes lives alone
- Her father does not live in her unit
- On average, he gives her \$100 each month to pay her utility bills
- Holly self-certifies that he has been paying her utility bills for the last 2 years and will continue to pay them in the upcoming year
- The \$100 per month is income




Zero Income Reviews




Zero Income Review

- Optional and not required by HUD
- Performed by the PHA for families who claim they do not receive income from any source, including from assets
- PHA requests that the family completes and signs a worksheet explaining how they pay for household expenses



Zero Income Review

- Remember, the PHAs must not assign monetary value to nonmonetary in-kind donations from a food bank or similar organization received by the family



Zero Income Review

- PHAs may only conduct interims in accordance with the regulations and PHA policies
- Families who begin receiving income which does not trigger an interim should not be considered zero income
 - Even though the family's income is not reflected on 50058



Learning Activity 2-3



- Periodic Payments and Non-recurring Income



Scenario 1

- Stan Marshall (age 63) is head of household. He collects \$900 per month in Social Security, although \$178 is taken out for the Medicare premium. His daughter Wendy (age 32) and his grandson Eric (age 3) live with him. Wendy is entitled to collect \$300 per month in child support for her son Eric. However, the PHA verifies that she only collects an average of \$150 per month. This is her only source of income. What is the family's annual income?



Scenario 2

- Paul Frink (age 42) is head household. He was recently injured on the job. At his 3/1 annual, he states he collects \$1,500 per month workers' compensation. This will last for six months after the effective date of his annual. He also states that he receives food from a local food pantry every Friday. What is his annual income?



Scenario 3

- Wayland Burns (age 39) is head of household. He claims that he is zero income. When the PHA asks how he pays his expenses, he says he won the lottery last year and received a \$10,000 lump sum. He is living off the money. What is his annual income?



Scenario 4

- Edna Kerr (age 63) and her husband Seymour (age 64) both receive Social Security benefits. She receives \$900 per month, but she was just informed the SSA overpaid her benefits for the last two years so she will only be receiving \$800 a month for the next year. Seymour's gross benefit amount is \$1,000 but he has \$200 per month taken out for a garnishment for back child support. What is their income?





Public Assistance Income



Public Assistance

- Include in annual income:
 - Temporary Assistance for Needy Families
 - SSI
 - General Assistance






191

Public Assistance in As-Paid States

- Income regulations no longer include a reference to welfare assistance in as-paid states
 - New York, New Hampshire, and Vermont
- However, TTP regulations still state to consider welfare rent when calculating family's TTP



Rules for Certain
Welfare Agency Sanctions

▪ Families who receive welfare benefits must participate in welfare’s economic self-sufficiency program to receive benefits

▪ When family has not complied with certain requirements of the welfare agency, the family’s benefits may be sanctioned – reduced

193

nmca

Welfare Agency Sanctions

▪ When the welfare agency imposes a sanction that reduces a family's welfare income because

▪ The family commits welfare fraud, or

▪ Fails to comply with welfare's economic self-sufficiency program or work activities requirement

194

nmca

Welfare Agency Sanctions

▪ The PHA

▪ Must not reduce the family’s rent, even though the welfare benefit income has been reduced

▪ Must include in annual income an "imputed" welfare income

▪ “Imputed welfare” – the amount family would have received if not for the welfare sanction

195

nmca

Copyright 2023 by Nan McKay & Associates, Inc.

Page 65

Specified Welfare Benefit Reduction

- Not applicable if welfare reduction is
 - Result of expiration of a time limit on receiving benefits
 - Family has complied with requirements but can't find a job
 - Due to noncompliance with other welfare agency requirements

196



Verification of Welfare Benefit Reduction

- Welfare agency, at request of PHA, will inform PHA of
 - Amount and term of welfare benefit reduction for family
 - Reason for reduction
 - Subsequent changes in term or amount of reduction

197



Imputed Welfare Income

- PHA will include imputed welfare income in annual income determination
- A family is receiving \$600/mo TANF benefits
 - Benefits stop due to welfare fraud
 - Imputed welfare income = \$600

198



Imputed Welfare Income

- Imputed welfare income is *offset (reduced)* by additional (new) income from other sources starting after sanction is imposed



ADDITIONAL INCOME



IMPUTED WELFARE INCOME



Imputed Welfare Income

- A family is receiving \$600/mo TANF benefits
- Benefits stop due to welfare fraud
 - Imputed welfare income = \$600
- The head begins working, earning \$300/mo
 - Employment income = \$300
 - Imputed welfare income = \$300
 - Total 50058 monthly income = \$600

200



Imputed Welfare Income

- A family is receiving \$600/mo TANF benefits
- Benefits are reduced to \$200 due to fraud
 - TANF income = \$200
 - Imputed welfare income = \$400
- The head begins working, earning \$300/mo
 - TANF income = \$200
 - Employment income = \$300
 - Imputed welfare income?
 - \$400 – \$300 = \$100
 - Total 50058 income = \$600


201



Imputed Welfare Income

- A family is receiving \$600/mo TANF benefits
- Benefits stop due to failing to participate in required economic self-sufficiency program
 - Imputed welfare income = \$600
- The head begins working, earning \$800/mo
 - Employment income = \$800
 - Imputed welfare income? \$0


202



Review of PHA Decision

- Family must be assisted at the time of the sanction
- Family may request an informal hearing to review determination of imputed welfare income amount
 - But not whether they should have been sanctioned by the welfare agency!

203





Section 5

Health and Medical Care Reimbursements

- Exclude amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member



Aid and Attendance to Veterans

- Payments related to aid and attendance to veterans in need of regular aid and attendance are excluded
 - Program through the VA used to offset the cost of long-term care
- Exclusion applies only to veterans and not to other beneficiaries of the payments, such as a surviving spouse



Home-Based Care Payments

- Exclude payments made by or authorized by a state Medicaid agency (including through a managed care entity) or other state or federal agency
- To a family to enable a family member who has a disability to reside in the family's assisted unit



Home-Based Care Payments



- Payments may include payments to a member of the assisted family to enable them to care for another family member who is disabled so that person may remain in the assisted unit



Home-Based Care Payments

- The old 24 CFR 5.609(c)(16) excluded:
 - Amounts paid by a State agency to a family with a member who had a developmental disability
 - And is living at home
 - To offset the cost of services and equipment needed to keep the developmentally disabled family member at home



What's different?

- Payments no longer need to offset the cost of services or equipment
- Covers all payments by state Medicaid-managed care system, other state agency, or authorized entity not just a state agency
- Applies to any family member with a disability, not just a developmental disability



Home-Based Care Payments

- Exclusion only applies to payments to the family member for caregiving services for another member of the assisted family residing in the unit
- Payments to the family member for caregiving services for someone who is not a member of the assisted family (such as for a relative that resides elsewhere) are not excluded from income



Example: Home-Based Care Payments

- Sally lives in a unit with her mother Barbara who is disabled and needs care services
- Barbara wishes to remain in the unit
- Sally is providing care services for her mom and gets direct payments from the state Medicaid agency



Example: Home-Based Care Payments

- Amounts paid directly to Sally by the state Medicaid agency are excluded



Civil Action Settlements

- Exclude any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, which resulted in a member of the family becoming disabled



“Baby Bond” Accounts

- Income earned by government contributions to, and distributions from “baby bond” accounts created, authorized, or funded by federal, state, or local government is excluded
 - Currently no federal program
 - Some states have programs




Plan for Achieving Self-Sufficiency (PASS)

- Exclude PASS income
 - SSI recipients – training program
 - Disregarded while SSI disregards it



Publicly Assisted Programs

- Exclude amounts specifically for reimbursement of out-of-pocket expenses to allow participation in a specific program



Resident Service Stipends


- Received by a resident for performing a service for an owner
 - Fire patrol
 - Hall monitoring
 - Lawn maintenance
 - Serving on PHA board
 - Resident initiatives coordinator





Resident Service Stipends

- Not to exceed \$200 per month
 - If individual receives an amount that exceeds \$200 per month, include the entire amount
- Individual cannot receive more than one such stipend at the same time



Training Programs

- Exclude all *incremental* earnings and benefits from training programs funded by HUD or qualifying federal, state, tribal, or local employment training programs and training of a family member as resident management staff
 - Includes programs not affiliated with a local government
 - No specific programs cited

220

nmca

Training Programs

- Incremental earnings:
 - Increase in total amount of benefits (TANF) and earnings of family member prior to enrollment in training program versus after enrollment

221

nmca

Training Programs

- Exclude incremental earnings and benefits only while the family member participates in the employment training program
- Definition of training program:
 - Clearly defined goals and objectives

222

nmca

Example: Training Program

- Horatio Smith receives \$600 per month in TANF.
- He enrolls in a state employment training program
- He begins receiving \$750 per month in training income
- His TANF benefits stop



nmca

Example: Training Program

- What income is included?
 - \$600
 - \$150 increase is excluded
- How long will it be excluded?
 - While he is in the program



nmca

Other Income Exclusions

- Holocaust reparations payments
- Refunds and rebates for property taxes
- Adoption assistance payments in excess of the dependent deduction
 - Adjusted annually for inflation
 - Currently \$480

225

nmca

Loan Proceeds

- Exclude the net amount disbursed by a lender to or on behalf of a borrower under the terms of a loan agreement
 - Received by the family or a third party
 - Examples include a private loan to enable a family member to go to school or to buy a car



**Mismanagement of Assets
Claims**

- Exclude payments received by tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States
 - To the extent such payments are also excluded from gross income under the Internal Revenue Code or other federal law
- See Notice PIH 2023-27 for more information



Housing Gap Payments

- Exclude replacement housing “gap” payments that offset increased rent and utility costs to families that are displaced from one federally subsidized housing unit and move into another federally subsidized housing unit



Housing Gap Payments

- If the gap is reduced or eliminated because of a subsequent move by the tenant or change in subsidy, and the tenant continues to receive the payment, the payment that is no longer needed to close the gap should be counted as income



Civil Rights Settlements

- Exclude income from civil rights settlements or judgments
 - Including settlements or judgments for back pay regardless of how the settlement or judgement is structures
 - (i.e., as a lump sum or structured payment)
- May be counted toward net family assets



FSS Accounts

- Exclude income earned on amounts placed in a family's Family Self-Sufficiency (FSS) account
 - Interim or final distributions from the account are also excluded



Federally Mandated Exclusions

- Food Stamps
- School Lunch Act and Child Nutrition Act
 - Including WIC
- Domestic Volunteers Services Act payments
- Heating assistance payments
- Workforce Investment Act of 1998
- AmeriCorps Living Allowance

232



Federally Mandated Exclusions

- Any amounts in an “individual development account”
- Certain payments to Native Americans under Indian Settlements/Trusts
 - See list in book
- Spina Bifida and Agent Orange settlements
- Child Care and Development Block Grant Act

233



Federally Mandated Exclusions

- Earned income tax credit refunds
- Robert T. Stafford Disaster Relief and Emergency Assistance Act and other state and local disaster assistance
- Title V of the Older Americans Act
 - Examples in book
- Crime victim compensation

234






Chapter 3

Assets

235






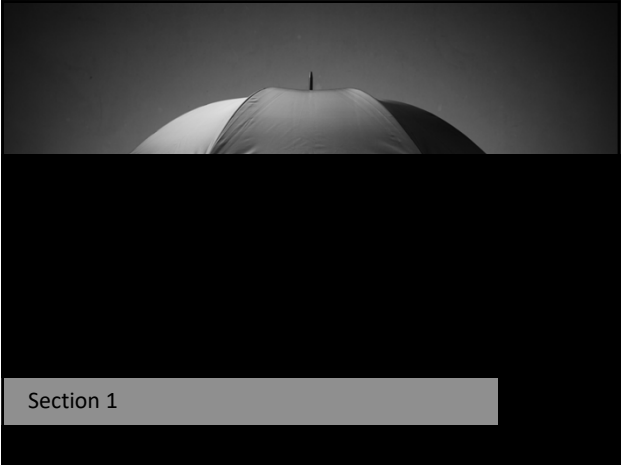
Learning Outcomes

- Calculate the cash value and anticipated income of assets
- Calculate imputed income when total cash value exceeds \$50,000 and the rate of return is unknown
- Distinguish between which assets are include and which are not
- Understand the PHA may accept self-certification of assets
- Identify assets disposed of for less than fair market value

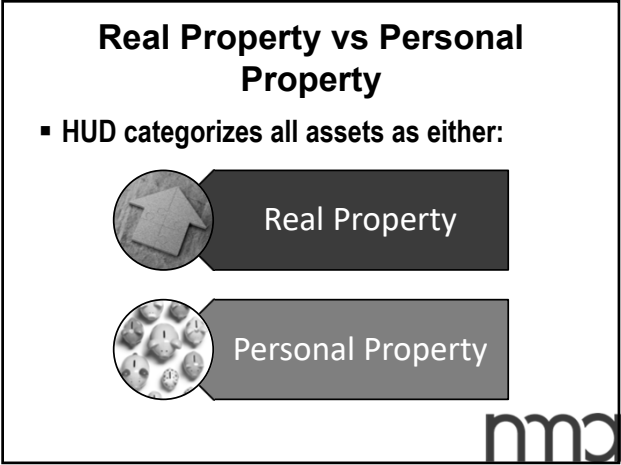
Overview

- Extensively revised definition of assets
- As with income, the regulation lists assets that are excluded
 - Previous version of the regulation listed both inclusions and exclusions









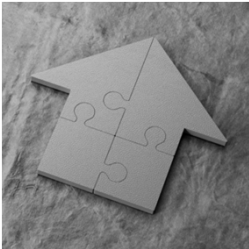
Is the asset **real property** or **personal property**?

nmca

Real Property

▪ Examples of real property are a home or a piece of land

▪ Equity in real property or other capital investments is considered an asset



nmca

Real Property

▪ The PHA includes the net cash value of real property

▪ Net cash value is the market value minus reasonable costs that would be incurred in disposing of the real property

▪ Including any mortgage debt or other monetary liens

nmca

Real Property

- However, real property is not an asset if the family does not have *effective legal authority* to sell it
 - Co-ownership situations (including situations where one owner is a victim of domestic violence), where one party cannot unilaterally sell the real property
 - Property that is tied up in litigation
 - Inherited property in dispute



Example

- Nancy is applying for assistance for herself and her two children
- She owns a home with her husband Paul
- Nancy self-certifies she is a victim of domestic violence, and Paul is the perpetrator
- She certifies she cannot sell the home since Paul is co-owner



Example

- Since Nancy does not have effective legal authority to sell the home, it is not considered an asset




Personal Property

- Items that are not real property are considered personal property
- Includes tangible items like boats and intangible items like bank accounts




Personal Property


- HUD categorizes personal property as either:



Necessary




Non-necessary



Is the asset **real property** or **personal property**?

If **real property**:
Count the equity as an asset

If **personal property**:
Is it *necessary* or *non-necessary*?



Copyright 2023 by Nan McKay & Associates, Inc.


Page 83

Definition:

Necessary Personal Property

▪ Items essential to the family for the maintenance, use, and occupancy of the premises as a home;

▪ Items necessary for employment, education, or health and wellness




Definition:

Necessary Personal Property

▪ Personal effects

▪ Items that are convenient or useful to a reasonable existence

▪ Items that support and facilitate daily life within the family's home



Definition:

Necessary Personal Property

▪ Items that assist a household member with a disability



▪ Including any items related to disability-related needs

▪ Or that may be required for a reasonable accommodation for a person with a disability





Copyright 2023 by Nan McKay & Associates, Inc.


Page 84





Examples





- Car(s)/vehicle(s) that a family relies on for transportation for personal or business use
 - Bike, motorcycle, skateboard, scooter
- Furniture, carpets, linens, kitchenware
- Common appliances
- Common electronics
 - Radio, television, DVD player, gaming system








Examples





- Clothing
- Personal effects that are not luxury items
 - Toys and books
- Wedding and engagement rings
- Jewelry used in religious/cultural celebrations and ceremonies








Examples




- Religious and cultural items
- Medical equipment and supplies
- Health care–related supplies
- Musical instruments used by the family
- Personal computers, phones, tablets, and related equipment
- Professional tools of trade of the family






Examples


- Equipment used for exercising
 - Treadmill, stationary bike, kayak, paddleboard, ski equipment
- Educational materials and equipment used by the family
 - Including equipment to accommodate persons with disabilities



Necessary Personal Property


- Necessary personal property is excluded from assets








Non-Necessary Personal Property

- Items of personal property that do not qualify as *necessary* are classified as *non-necessary*








Examples

- Recreational car/vehicle not needed for day-to-day transportation for personal or business use
 - Campers, motorhomes, traveling trailers, all-terrain vehicles (ATVs)
- Bank accounts or other financial investments
 - Checking account, savings account, stocks/bonds
- Recreational boat/watercraft




Examples

- Expensive jewelry without religious or cultural value or which does not hold family significance
- Collectibles
 - Coins/stamps
- Equipment/machinery that is not used to generate income for a business
- Items such as gems/precious metals, antique cars, artwork, etc.



Is it an asset?

- Whether or not an item is considered an asset depends on:
 - Whether it is necessary or non-necessary
 - The total cash value of the family's non-necessary personal property



Asset Exclusion

- Non-necessary personal property where the combined total value does not exceed \$50,000 is not considered part of net family assets



Asset Inclusion

- Non-necessary personal property where the combined total value is greater than \$50,000 is considered part of net family assets



Summary

- If the combined total value does not exceed \$50,000, non-necessary personal property is not an asset
- If the combined total exceeds \$50,000, non-necessary personal property is an asset





Bank Accounts


- HUD considers bank accounts non-necessary items of personal property

When the combined value of all non-necessary personal property does not exceed \$50,000

Bank accounts are excluded from net family assets


When the combined value of all non-necessary personal property is greater than \$50,000

Bank accounts are counted toward net family assets




Bank Accounts

- Actual income from checking and savings accounts is always included
 - Anticipated income must be recorded on the 50058 for every asset, regardless of the total value of net family assets



Bank Accounts

- PHA policy establishes the value of checking and savings accounts
- When verification is required, the PHA must obtain a minimum of one statement that reflects the current balance of banking/financial accounts



Example 1: Bank Accounts

- Kaitlin has a non-interest-bearing checking account worth \$2,300
- This is her only asset



nmca

Example 1: Bank Accounts

- The checking account is excluded from net family assets since her non-necessary personal property does not exceed \$50,000
- Anticipated income recorded on the 50058: \$0



nmca

Example 2: Bank Accounts

- Brett Dawes has the following:
 - A savings account worth \$8,000 that earns \$1 in interest annually
 - A non-interest-bearing checking account worth \$100



nmca

Example 2: Bank Accounts

- The checking and savings accounts are excluded from net family assets since his non-necessary personal property does not exceed \$50,000
- Anticipated income recorded on the 50058: \$1



nmca

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
Brett	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.

nmca

Investment Accounts

- HUD considers financial investments such as stocks and bonds non-necessary items of personal property
- The same rule applies to financial investments as for bank accounts

nmca

Investment Accounts

- Like with bank accounts, actual income from financial investments is always included in a family's annual income
 - When a stock issues dividends in some years but not others, the dividend is counted as the actual return when it is issued, but when no dividend is issued, the actual return is \$0
 - When the stock never issues dividends, the actual return is \$0



Example: Investment Accounts

- Diane Dutton has the following :
 - A savings account worth \$40,000 that earns \$13 in interest annually
 - Stocks with a cash value of \$15,000 that pay \$150 in dividends annually



Example: Investment Accounts

- The savings account and stocks are counted toward net family assets since her non-necessary personal property exceeds \$50,000
- Anticipated income recorded on the 50058: \$163



Example

- The total of Owen’s non-necessary personal property is \$3,000
 - Since his non-necessary personal property does not exceed \$50,000, the checking account and savings account are not counted toward net family assets
- The net cash value of the vacant lot is included in net family assets since its real property
- The \$2 in interest paid by his checking account is included as anticipated income



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
Owen	1	svgs	N	\$	\$2	\$
Owen	1	lot	Y	\$40,000	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
6g. 6h. 6i. Total net family assets, total actual income, total imputed income				\$ 6g.	\$ 6h.	\$ 6i.
6j. Passbook rate (written as decimal)						6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.



Trusts




Trusts

Two types of trusts:

Revocable trust is a trust that the creator of the trust may amend or end (revoke) and has access to the funds

Irrevocable trust is a trust where the creator has no access to the funds in the account

Typically, special needs trusts are considered irrevocable



Trusts


The PHA needs to determine:

Is the trust under the control of a member of the household?

Is the trust counted toward net family assets?

Will the PHA count actual income (interest earned, rental income, etc.) from a trust?

Are distributions from the trust counted as income?



Trusts Not Under the Control of the Family	
Types of trust	Irrevocable or revocable
	Grantor is not a member of the household
Is it an asset?	Excluded from net family assets
Actual interest earned	Actual income earned by the trust (e.g., interest) is excluded
Distributions	Counted, unless the distributions are principal or used to pay for the health and medical expenses of a minor

Trusts Under the Control of the Family	
Types of trust	Revocable
	Grantor is a member of the household
Is it an asset?	Included in net family assets
Actual interest earned	Actual income earned by the trust (e.g., interest) is included
Distributions	Not considered income to the family

Example: Revocable Trust

- Adam Chara lives alone
- He placed \$100,000 into a revocable trust for his grandson to be available upon his death
- The principal and interest are under his control, and he can amend the account to remove funds at any time



nmca

Example

- The PHA counts \$100,000 in Adam's net family assets
- The PHA counts actual returns (interest) earned on the trust
- The PHA does not count any distributions from the trust



nmca

Example

- Candy Kim has an irrevocable trust established by her parents for her care
- Last year she received \$18,000 payable in \$1,500 monthly increments
- The attorney managing the trust reported that \$3,500 of the funds were interest and \$14,500 was principal



Example

- Since the trust is irrevocable, it is not counted as an asset
- The \$3,500 in interest payments each year are counted as income
- The \$14,500 in principal is not counted as income



Jointly Owned Assets



Jointly Owned Assets

- Jointly owned assets are assets owned jointly by a member of the assisted family and one or more individuals outside of the assisted family



Jointly Owned Assets

- Include the total value of jointly owned assets in the calculation of net family assets unless:
 - The asset is otherwise excluded;
 - The family can demonstrate that the asset is inaccessible to them; or
 - The family cannot dispose of any portion of the asset without the consent of another owner who refuses to comply



Jointly Owned Assets

- If the family demonstrates that they can only access a portion of an asset, then only that portion's value is included in the calculation of net family assets for the family



Jointly Owned Assets

- Any income from a jointly owned asset must be included in annual income, unless:
 - The income is specifically excluded;
 - The family demonstrates that they do not have access the income from that asset; or
 - The family only has access to a portion of the income from that asset



Example: Jointly Owned Asset

- Katie is HOH and lives alone
- She is listed as a beneficiary on her mother's savings account
- She is only entitled to access the funds in the account on the death of her mother (the account's owner), and may not otherwise withdraw funds




Example Jointly Owned Asset

- The account is not an asset
- Katie should provide proper documentation demonstrating that she is only a beneficiary on the account




Lump Sums




Lump Sums


- One time lump-sum payments are considered part of net family assets when the payments are retained in the form of an asset that is not excluded from the definition of net family assets



Example: Lump Sum

- Mia LaRue won a \$10,000 lump sum in the lottery
- She uses \$5,000 to buy a car and \$5,000 taking her family on vacation





Example: Lump Sum

- The payment is not income since it is a one-time lump sum
- Since none of the lump sum is retained as an asset, it is not counted toward Mia’s net family assets



Federal Tax Refunds



Federal Tax Refunds

- All amounts received in the form of federal tax refunds or refundable tax credits are excluded from net family assets for a period of 12 months after receipt by the family



Federal Tax Refunds

- At an annual or interim, if the federal tax refund was received during the 12 months preceding the effective date of the reexam, then the amount of the refund that was received by the family must be subtracted from the total value of the account in which the federal tax refund or refundable tax credits were deposited



Federal Tax Refunds

- When the subtraction results in a negative number, then the balance of the asset is considered \$0



Federal Tax Refunds

- If the tax refund or refundable tax credit is deposited into an excluded asset (such as a retirement account), then the deposit will have no effect on the balance of the asset



Verification

- The PHA is not required to verify the amount of the tax refund if the family’s net assets are \$50,00 or less
 - Even in years where full verification is required or if the PHA does not accept self-certification of assets
- The PHA must verify the amount of the family’s tax refund if the family’s net assets are greater than \$50,000



Anticipated Income

- The anticipated income earned by the assets in which a family has deposited their federal tax refund or refundable tax credits must be included in the family’s annual income
 - Unless the income is specifically excluded



Example: Tax Refunds

- Chris received a \$4,500 federal tax refund on 3/1
- He deposited the entire refund into his checking account
- This is his only asset
- At his 8/1 annual, he self-certifies that his account balance is \$10,000
- He reports his actual income from the checking account is \$100



Example: Tax Refunds

- The PHA must subtract the \$4,500 tax refund from the account’s \$10,000 balance
- Cash value of the checking account is \$5,500
 - Since his non-necessary personal property does not exceed \$50,000, the PHA excludes the entire checking account
- The PHA includes \$100 as anticipated income



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
Chris	1	chkg	N	\$	\$100	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
6g. 6h. 6i. Total net family assets, total actual income, total imputed income				\$	6g. \$100	6h. \$
6i. Passbook rate (written as decimal)						6i.
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.



Life Insurance Policies



Life Insurance Policies

- The cash value of life insurance policies that are available to the participant before death are included in net family assets
 - Surrender value of a whole life or universal life policy
- Net family assets do not include the value of term life insurance
 - No cash value to the individual before death



Example: Whole Life Insurance

- James May has a whole life insurance policy with a face value of \$100,000 and a surrender value of \$30,000
- It pays a \$100 annual dividend



Example: Whole Life Insurance

- Net family assets will include \$30,000 for the life insurance policy
- The annual dividend of \$100 is included as actual income from the asset



Retirement Accounts

- Any income earned on the funds stored in a retirement account is not considered actual income from an asset
- Distributions of periodic payments are considered income when they are received



Summary

Is it an asset?	IRS-recognized retirement accounts are not assets and are not recorded in Section 6 of the 50058
Actual interest earned	Interest generated by a retirement account is not income and is not recorded in Section 6 of the 50058
Periodic payments	Periodic payments received by the family from a retirement account are income and are recorded in Section 7 of the 50058



Example: Retirement Account

- Hannah Hall (age 72) has an IRA
- Current balance is \$200,000
- The account pays approximately 2% interest annually
- She receives monthly payments from the account of \$800



Example

- The account is not an asset
- The 2% interest earned on the account is not anticipated income since the account is not an asset
- However, the monthly payments are considered income



Other Asset Exclusions



Other Asset Exclusions

- Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, which resulted in a family member being a person with a disability is excluded



Other Asset Exclusions

- The value of certain education savings accounts such as Coverdell, 529, ABLE, or “baby bond” account created, authorized, or funded by federal, state, or local government is excluded



Other Asset Exclusions

- Exclude:
 - Equity in a manufactured home where the family receives HCV assistance
 - Equity in property under the HCV Homeownership Option for which the family receives HCV assistance
 - Family Self-Sufficiency (FSS) accounts
 - Interest in Indian Trust Lands



ABLE Accounts

- The entire value of the individual’s ABLE account is excluded from assets
- Actual or imputed interest on the account balance is not counted as income
- Distributions from the ABLE account are also not income
- See Notice PIH 2019-09



End of Day 1



nmca
