

# HOTMA Summit Day 1

February 2024

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# **HOTMA Summit Day 1**



*Experience — Leadership — Collaboration*

## **Agenda: Day 1**

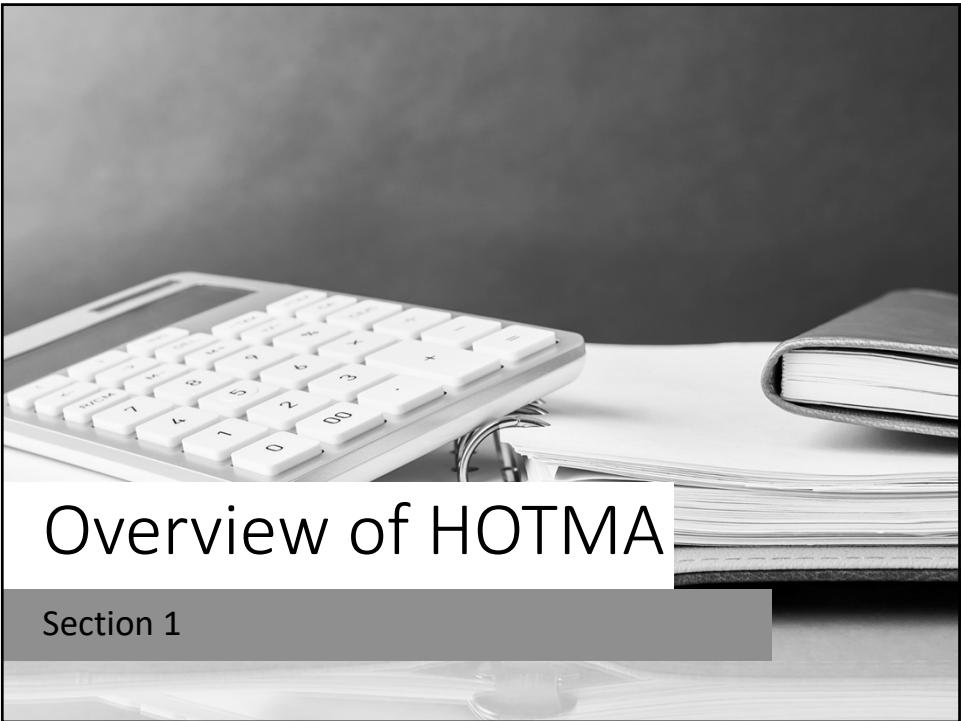
- Overview of HOTMA
- Income of various household members
- Earned income
- Income of students
- Periodic payments
- Other types of income
- Types of assets
- Calculating income from assets
- Asset limitations
- Adjusted income



# Agenda: Day 2

- Verification
- Calculating income
- Interims
- Other changes

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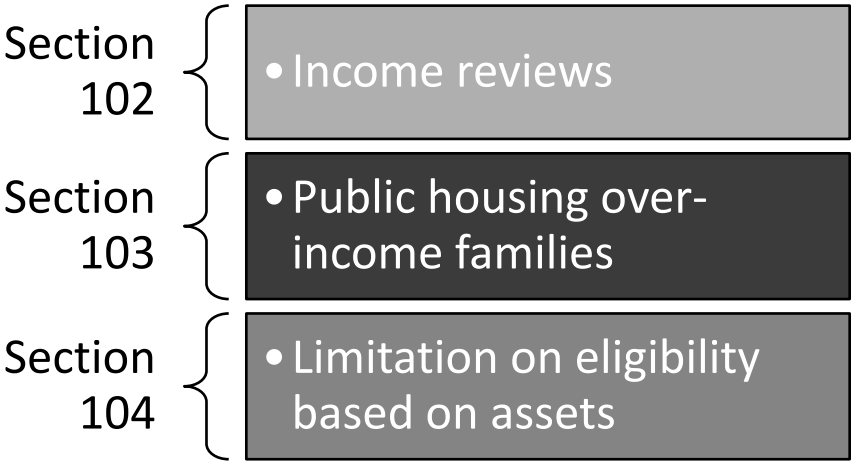


# Introduction

- 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
  - We will be focusing on Sections 102 and 104



# Final Rule




### Effected Programs

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.”

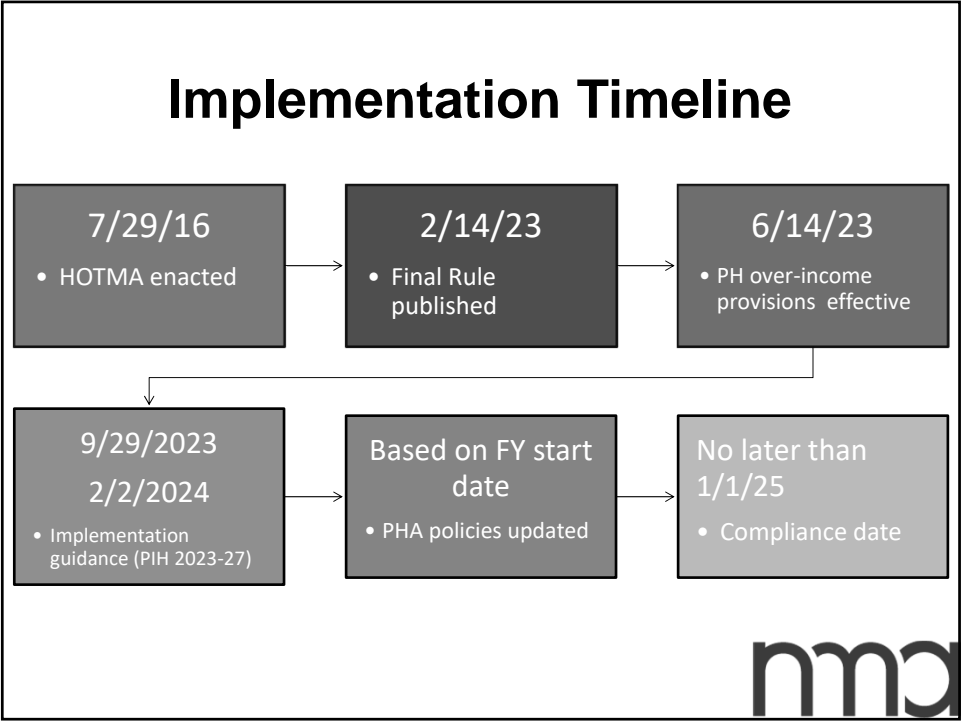
✓ Example: LIHTC program follows the Section 8 definition of income



### Effected Programs

- Of the programs HOTMA impacts, this training will only cover changes to Section 102, 103, and 104 in public housing, HCV, and PBV
- We will not discuss these changes in Multifamily, LIHTC, HOME, etc.





FY Start Date	PHA Plan Submission Date	Last date to submit to HUD Field Office	Last date to hold public hearing	Last date to announce hearing
7/1/24	4/17/24	4/16/24	4/15/24	3/1/24
10/1/24	7/18/24	7/17/24	7/16/24	6/1/24
1/1/25	10/18/24*	10/17/24	10/16/24	9/1/24
4/1/25	10/18/24*	10/17/24	10/16/24	9/1/24
	Earlier of 75 days before PHA's compliance date or FY start date	Must submit significant amendments or substantial deviation/modifications to HUD up until the last day prior to the date when the next year's PHA Plan is due	PHA must consider public comments prior to submitting plan to HUD. PHA should hold hearing prior to this date in order to incorporate public comments.	Via public notice issued at least 45 days** in advance of scheduled hearing. Public notice should include where and how to access the plan for public review.

\*Latest compliance date is 1/1/25  
\*\*Unless state law requires a longer period

The nma logo is in the bottom right corner.

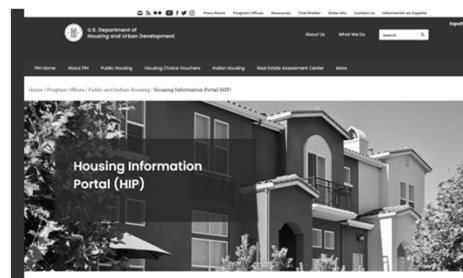
## Compliance Date for HOTMA

- While PHA policies must be updated for HOTMA by a specific date in 2024, the PHA chooses when in 2024 to fully comply with HOTMA
  - No later than 1/1/25
- However, the PHA cannot fully comply with HOTMA until HUD transitions PIC to HIP

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## Housing Information Portal

- 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



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## What is 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

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## Transitioning to HOTMA

- Can PHAs transition to HOTMA prior to migrating to HIP?
  - No – with a few exceptions
- The PHA cannot fully 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.

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## **Policies Implemented Prior to HIP Availability**

- In FAQs dated 2/22/24, HUD determined that certain HOTMA changes are not dependent on transitioning to the HIP system and PHAs may implement them before HIP is in place
- This is optional

The logo for mma (McKay & Associates) is located in the bottom right corner of the slide. It consists of the lowercase letters 'mma' in a bold, sans-serif font.

## **Which policies may be implemented before HIP?**

- Form HUD-9886-A
  - May begin having families sign on 1/1/24 and later
- Safe Harbor Income Verifications
  - Allows PHAs to use income determinations from other means-tested federal public assistance programs to verify annual income

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## **Which policies may be implemented before HIP?**

- **Verification Hierarchy**
  - Third-party verification dated within 120 days of the date received by the PHA
  - May accept a statement dated within the appropriate benefit year for fixed income sources

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## **Which policies may be implemented before HIP?**

- **Verification of SSNs**
  - If the individual is not able to provide documentation of SSN, the PHA may accept a self-certification of SSN along with a third-party document as a last resort

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## **Which policies may be implemented before HIP?**

- Zero Income Reviews
  - PHAs are not required to conduct periodic zero income reviews
  - PHAs may accept self-certification as the highest form of verification for zero income

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## **What does this mean?**

- Although HOTMA will not be fully implemented by the PHA until an unknown date in 2024, the PHA is required to update its policies by a specific date in 2024

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## What does this mean?

- During this transition period, the PHA will have two policies in place:
  - A pre-HOTMA policy
    - Which may or may not include the changes discussed in the previous slides
  - A fully updated for HOTMA policy
    - Effective on the PHA's compliance date



## Informing Families

- All transactions effective on the PHA's compliance date must be processed using HOTMA regulations
- A PHA with a 12/1/24 compliance date will begin sending recert packets 90 to 120 days prior
- The PHA must inform families whether their income determination is being made using pre or post-HOTMA regulations



New 50058

- On 10/2, HUD released a new version of the Form HUD-50058 that is revised for HOTMA
- Corresponding 50058 Instruction Booklet is dated 1/1/24 but is still under revision



Section 6

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.
6j. Passbook rate (written as decimal)						6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						6k.



## Section 7

## 7. Income

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

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## 8. Deductions and Allowances

8a. Total annual income: copy from 7a		\$	8a.
<b>Permissive Deductions</b>			
8b. Family Member Name	No.	8c. Type of permissive deduction	8d. Amount
			\$
			\$
			\$
			\$
			\$
			\$
8e. Total permissive deductions (sum of column 8d)			\$ 8e.
<b>If head/spouse/co-head is under 62 and no family member is disabled, skip to 8I</b>			
8f. Medical/disability threshold: 8a X 0.10		\$	8f.
8g. Total annual unreimbursed disability assistance expense (if no disability expenses, skip to 8k)		\$	8g.
8h. Maximum disability allowance: If 8g minus 8f is positive or zero, put amount		\$	8h.
	If negative and head/spouse/co-head is under 62 and not disabled, put 0	\$	8h.
	If negative and head/spouse/co-head is elderly or disabled, copy from 8g	\$	8h.
8i. Earnings in 7d made possible by disability assistance expense		\$	8i.
8j. Allowable disability assistance expense: lower of 8h or 8i (if 8g is less than 8f and head/spouse/co-head elderly or disabled, copy from 8h)		\$	8j.
8k. Total annual unreimbursed health/medical expenses (if head/spouse/co-head under 62 and not disabled, put 0)		\$	8k.
8l. Family is eligible for medical or child care expense hardship or both?			8l.
8m. Total annual disability assistance and medical expense: 8j + 8k (if no disability expenses, copy from 8k)		\$	8m.
8n. Medical/disability assistance deduction:	If no disability assistance expenses or if 8g is less than 8f, put 8m minus 8f (if 8m minus 8f is negative, put zero)	\$	8n.
	If disability assistance expenses and 8g is greater than or equal to 8f, copy from 8m	\$	8n.
8p. Elderly/disability allowance		\$	8p.
8q. Number of dependents (people under 18, or with disability, or full-time student. Do not count head of household, spouse, co-head, foster child/adult, or live-in aide.)			8q.
8r. Allowance per dependent		\$	8r.
8s. Dependent allowance: 8q X 8r		\$	8s.
8t. Total annual unreimbursed child care costs		\$	8t.
8x. Total allowances: 8e + 8n + 8p + 8s + 8t		\$	8x.
8y. Adjusted annual income: 8a minus 8x (if 8x is larger, put 0)		\$	8y.

Section 9

9. Total Tenant Payment (TTP)

9a. Total monthly income: 8a ÷ 12	\$	9a.
9c. TTP if based on annual income: 9a X 0.10	\$	9c.
9d. Adjusted monthly income: 8y ÷ 12	\$	9d.
9e. Percentage of adjusted monthly income	\$	9e.
9f. TTP if based on adjusted annual income: (9d X 9e) ÷ 100	\$	9f.
9g. Welfare rent per month (if none, put 0)	\$	9g.
9h. Minimum rent (if waived, put 0)	\$	9h.
9i. Enhanced Voucher minimum rent	\$	9i.
9j. TTP, highest of lines 9c, 9f, 9g, 9h, or 9i	\$	9j.
9k. Most recent TTP	\$	9k.
9m. Qualify for minimum rent hardship exemption? (Y or N)	\$	9m.



10. Public Housing

10a. TTP: copy from 9j	\$	10a.
10b. Unit's flat rent	\$	10b.
Income Based Rent Calculation (if prorated rent, skip to 10h)		
10d. Income Based Rent (Lower of 10a or 10b if authorized to use ceiling rents; or if not, put 10a)	\$	10d.
10e. Utility allowance, if any	\$	10e.
10f. Tenant rent: 10d minus 10e	\$	10f.
	If positive or 0, put tenant rent	
	If negative, credit tenant	\$ 10f.
Income Based Prorated Rent Calculation (if not prorated, skip to 10u)		
10h. PHA-established flat rent	\$	10h.
10i. Family maximum subsidy: 10h minus 10a	\$	10i.
10j. Total number eligible	\$	10j.
10k. Total number in family	\$	10k.
10n. Eligible subsidy (10i ÷ 10k) X 10j	\$	10n.
10p. Mixed family TTP: 10h minus 10n	\$	10p.
10r. Utility allowance, if any	\$	10r.
10s. Mixed family tenant rent: 10p minus 10r	\$	10s.
	If positive or 0, put tenant rent	
	If negative, credit tenant	\$ 10s.
Type of Rent		
10u. Type of rent selected:	<input type="checkbox"/> Income-based <input type="checkbox"/> Flat	

<b>12. Housing Choice Vouchers: Tenant Based Vouchers</b>			
12a. Number of bedrooms on Voucher			12a.
12b. Is family now moving to this unit? (Y or N)			12b.
12d. Did family move into your PHA jurisdiction under portability? (Y or N) (If no, skip to 12g)			12d.
12e. Cost billed per month (put 0 if absorbed)		\$	12e.
12f. PHA code billed			12f.
12g. Housing type	<input type="checkbox"/> Group Home (prorate gross rent) <input type="checkbox"/> Own manufactured home, lease space <input type="checkbox"/> SRO: 1 room occupied by 1 person		
12h. Owner name			12h.
12i. Owner TIN/SSN			12i.
12j. Payment standard for the family		\$	12j.
12k. Rent to owner		\$	12k.
12l. Is the family receiving a higher payment standard as a reasonable accommodation? (Y or N)		\$	12l.
12m. Utility allowance, if any		\$	12m.
12n. Security deposit paid by the PHA on behalf of the family, if any		\$	12n.
12o. Mobility-related services			12o(1)
(1) Did the family receive mobility-related services? (Y or N)			12o(2)
(2) Date family began receiving mobility-related services			
12p. Gross rent of unit: 12k + 12m (or Space Rent)		\$	12p.
12q. Lower of 12j or 12p		\$	12q.
12r. TTP: copy from 9j		\$	12r.
12s. Total HAP: 12q minus 12r		\$	12s.
<b>Rent Calculation (if prorated rent, skip to 12ab)</b>			
12t. Total family share: 12p minus 12s		\$	12t.
12u. HAP to owner: lower of 12k or 12s		\$	12u.
12v. Tenant rent to owner: 12k minus 12u		\$	12v.
12w. Utility reimbursement to family: 12s minus 12u, but do not exceed 12m		\$	12w.
<b>Prorated Rent Calculation</b>			
12ab. Normal total HAP: copy from 12s, but do not exceed 12p		\$	12ab.
12ac. Total number eligible			12ac.
12ad. Total number in family			12ad.
12ae. Proration percentage: 12ac ÷ 12ad			12ae.
12af. Prorated total HAP: 12ab X 12ae		\$	12af.
12ag. Mixed family total family contribution: 12p minus 12af		\$	12ag.
12ah. Utility allowance: copy from 12m		\$	12ah.
12ai. Mixed family tenant rent to owner: 12ag minus 12ah	<input type="checkbox"/> If positive or 0, put tenant rent <input type="checkbox"/> If negative, credit tenant	\$	12ai.
12aj. Prorated HAP to owner: 12k minus 12ai. If 12ai is negative, put 12k		\$	12aj.
<b>Additional Payments (not HAP)</b>			
12ap. Additional financial support for tenant-based voucher family		\$	12ap.
12aq. Financial incentive for property owner		\$	12aq.

## PIH Resources

## Notices and new 50058:

- [https://www.hud.gov/program\\_offices/public\\_indian\\_housing/hotmaresources](https://www.hud.gov/program_offices/public_indian_housing/hotmaresources)

## HUD HOTMA trainings and sample forms

- <https://www.hudexchange.info/news/hotma-income-and-assets-training-series/>

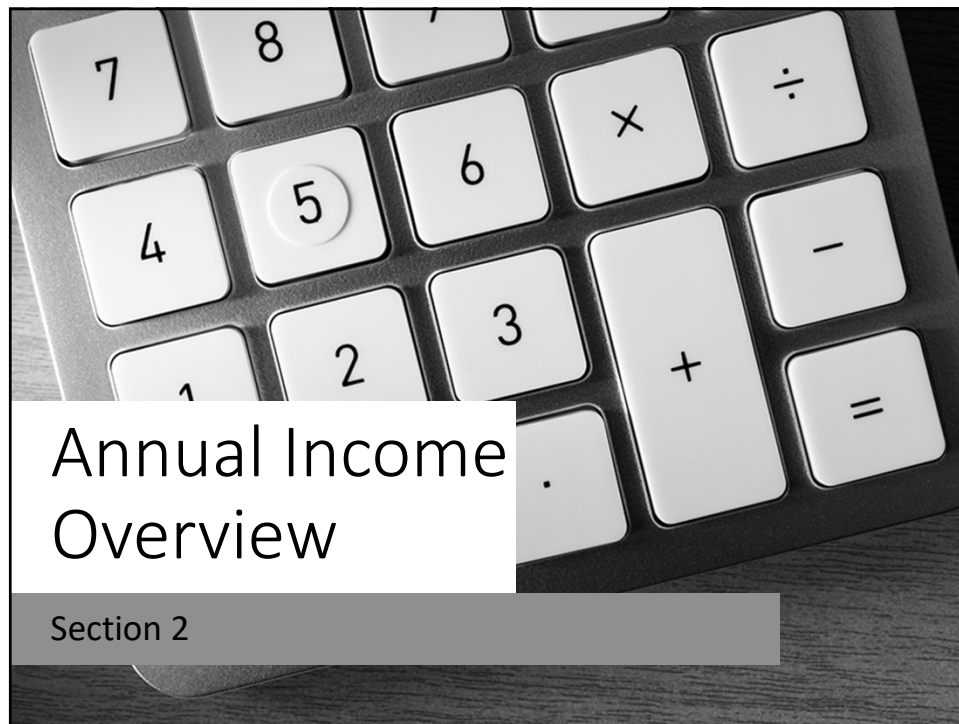
Dedicated HOTMA email address

- [HOTMAquestions@HUD.gov](mailto:HOTMAquestions@HUD.gov)

## NMA HOTMA Resources Page

- [www.nanmckay.com/HOTMA](http://www.nanmckay.com/HOTMA)





## **Inflationary Adjustments**

- Many factors impacting income are now tied to an inflationary index and are subject to change annually
  - Deduction for elderly and disabled families
  - Restriction on net family assets
  - Amount of net assets
  - Dependent deduction
  - Income exclusion for earned income of dependents and adoption assistance payments
- In general, changes will be effective January 1 each year

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## New Definition: Annual Income

- 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



## Old Definition

- (a) *Annual income* means all amounts, monetary or not, which:
- (1) Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any other family member; or
  - (2) Are anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date; and
  - (3) Which are not specifically excluded in paragraph (c) of this section.
  - (4) Annual income also means amounts derived (during the 12-month period) from assets to which any member of the family has access.
- (b) *Annual income includes, but is not limited to:*

- (c) *Annual income does not include the following:*



## New Definition

### § 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:



## Annual Income

- Annual income includes “all amounts received,” not the amount that a family may be legally entitled to receive but did 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





## Annual Income

- Annual income also includes all actual anticipated income from assets (provided the income is not otherwise excluded) even if the asset itself is excluded from net family assets
  - We'll discuss this more later in the asset section

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## Definition: Earned Income

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

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## 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

The logo for the National Mortgage Care Association (nmca) is displayed in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## Garnishments

- When a family member's wages or benefits are garnished, levied, or withheld to pay restitution, child support, tax debt, student loan debt, or other applicable debts, the PHA must use the gross amount of the income, prior to the reduction, to determine a family's annual income

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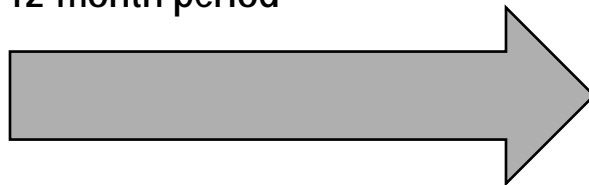
## Calculating Income

- 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)
  - 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

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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)].
Minors (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 includes reference to temporarily absent family members.



## Full-Time Students

- Exclude earned income of a dependent full-time student in excess of the dependent deduction
  - Will adjust annually for inflation
  - Currently \$480
- Include all unearned income
  - Except those amounts specifically excluded by regulations
- Include asset income in net family assets



## **Temporarily Absent Family Members**

- Unlike the previous version of the regulations, the new regulations do not address temporarily absent family members
- Since the regulations state to count all income unless it's specifically excluded, the PHA would still include income of temporarily absent family members

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## **Temporarily Absent Family Members**

- Regulations do not specify a timeframe associated with a temporary vs permanent absence
- Once an individual is considered permanently absent, they are removed from the family composition and their income is not counted

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## Foster Children and Foster Adults

- New HOTMA regulations define *foster child* and *foster adult*
- Foster care payments received by the family are excluded
- Income of foster children and adults is fully excluded
  - Both earned or unearned

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## Definition: Earned Income

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

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## 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

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## **Earned Income**

- Income received as a day laborer or seasonal worker is also included in annual income, even if the source, date, or amount of the income varies

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## **Seasonal Employment**

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## Seasonal Employment

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



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## Seasonal Employment

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



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## **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

The logo for the National Minority Contractors Association (NMCA) is displayed in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## **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

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## **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

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## **Self-Employment**

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## 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

The logo for mma (McKay, McKay & Associates) is displayed in a stylized, lowercase font.

## 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

The logo for mma (McKay, McKay & Associates) is displayed in a stylized, lowercase font.

## 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

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## 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



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## **Earned Income Disallowance (EID)**

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### **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

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## Earned Income Disallowance (EID)

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



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## Example: EID

- 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



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### **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

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## 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



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## Student Financial Assistance

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### **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

The logo for the National Multifamily Housing Council of America (NMCA), consisting of the lowercase letters 'nmca' in a bold, sans-serif font.

### **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

The logo for the National Multifamily Housing Council of America (NMCA), consisting of the lowercase letters 'nmca' in a bold, sans-serif font.

## 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

The logo for Nan McKay & Associates, Inc. (nmca) is displayed in a stylized, lowercase font.

## 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

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## 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

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## Student Financial Assistance under HOTMA

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



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## 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

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## Title IV of the HEA



- Must be excluded from the family's annual income

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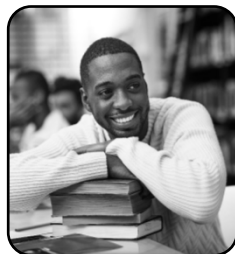
## Examples of Title IV



- 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

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## 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)

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## **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

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## **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

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## **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.

The logo for the National Minority College Administrators (nmca) is displayed in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## **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

The logo for the National Minority College Administrators (nmca) is displayed in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## **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

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## **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

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## **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

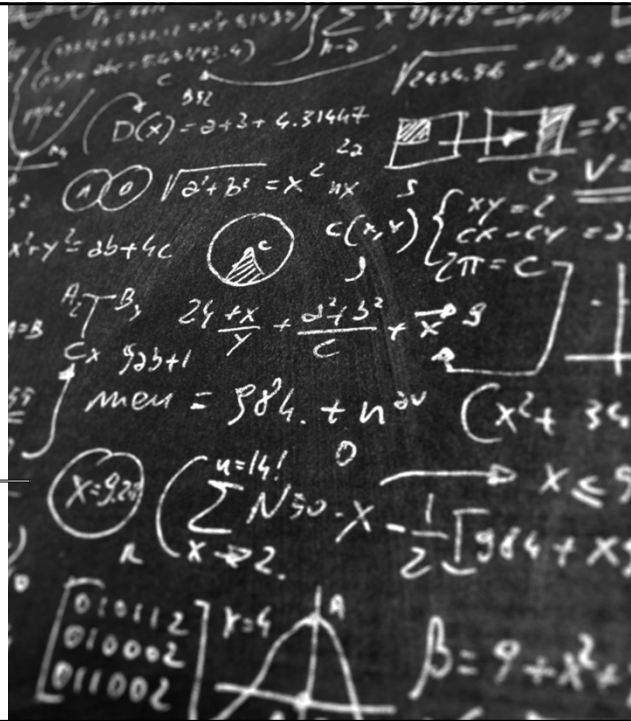
The logo for Nan McKay & Associates, Inc. (nmca) is located in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## **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?

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Example  
calculations



## Example 1: HEA Assistance Only

- If a student only receives financial assistance under Title IV of the HEA, i.e. a \$10,000 Pell Grant, 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

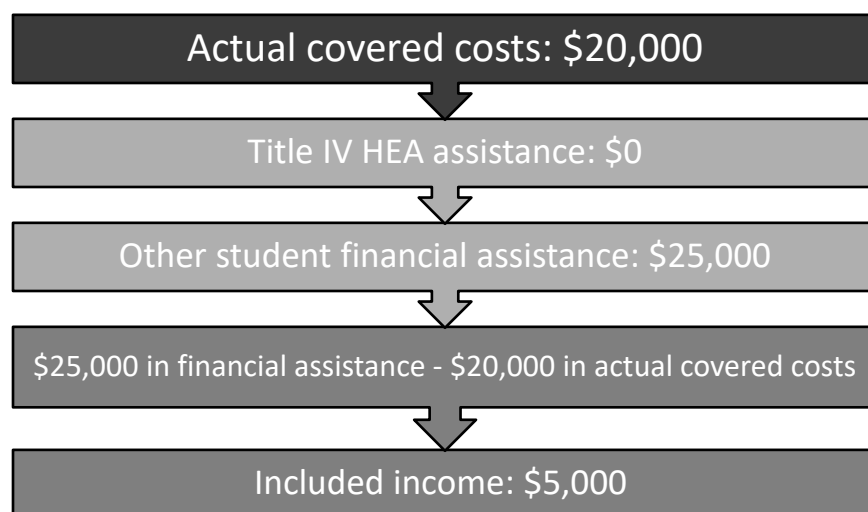
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## Example 2: Other Assistance Only

- 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

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## 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

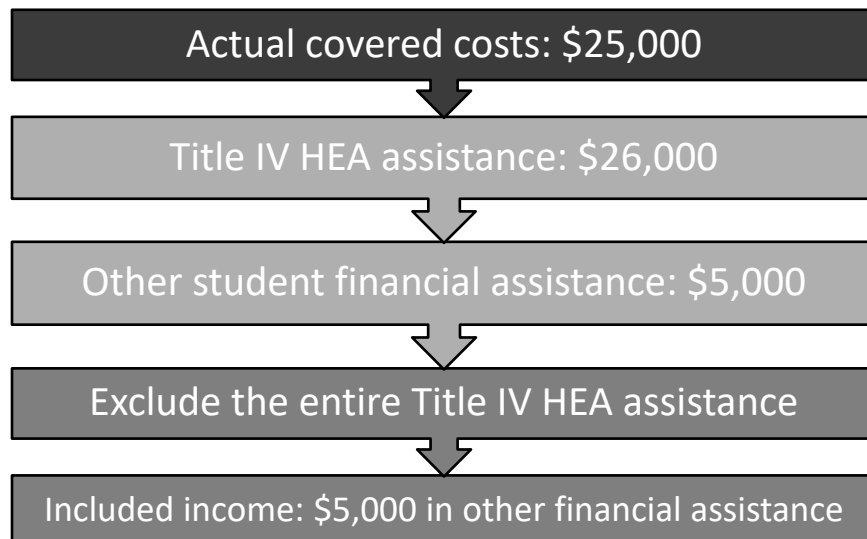
The logo for mma (McKay, McKay & Associates) is located in the bottom right corner of the first example box. It consists of the lowercase letters 'mma' in a bold, sans-serif font.

### **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

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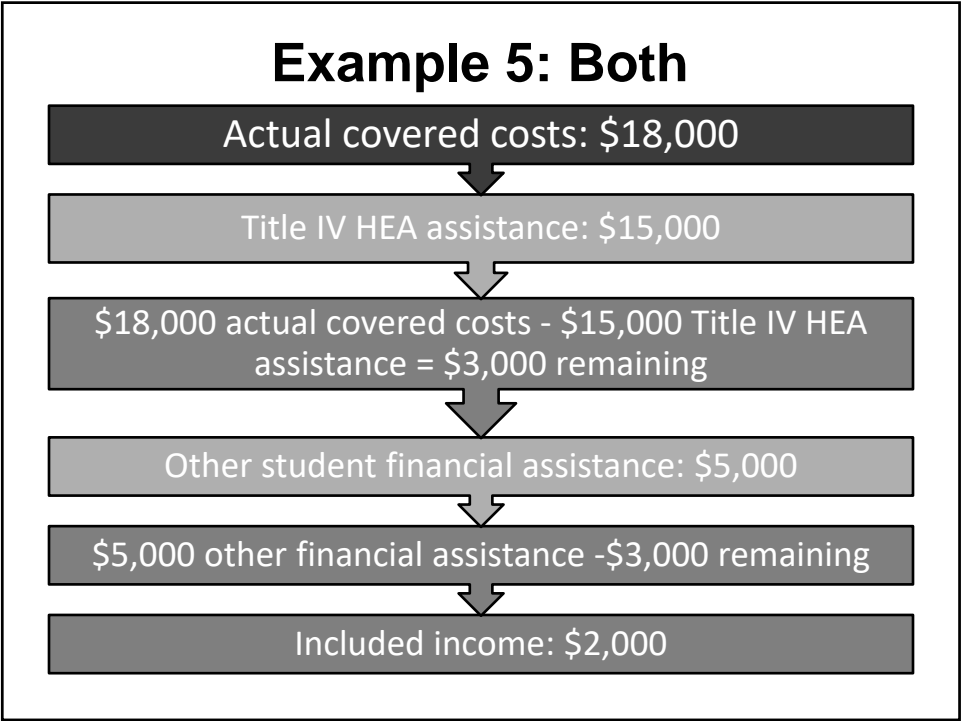
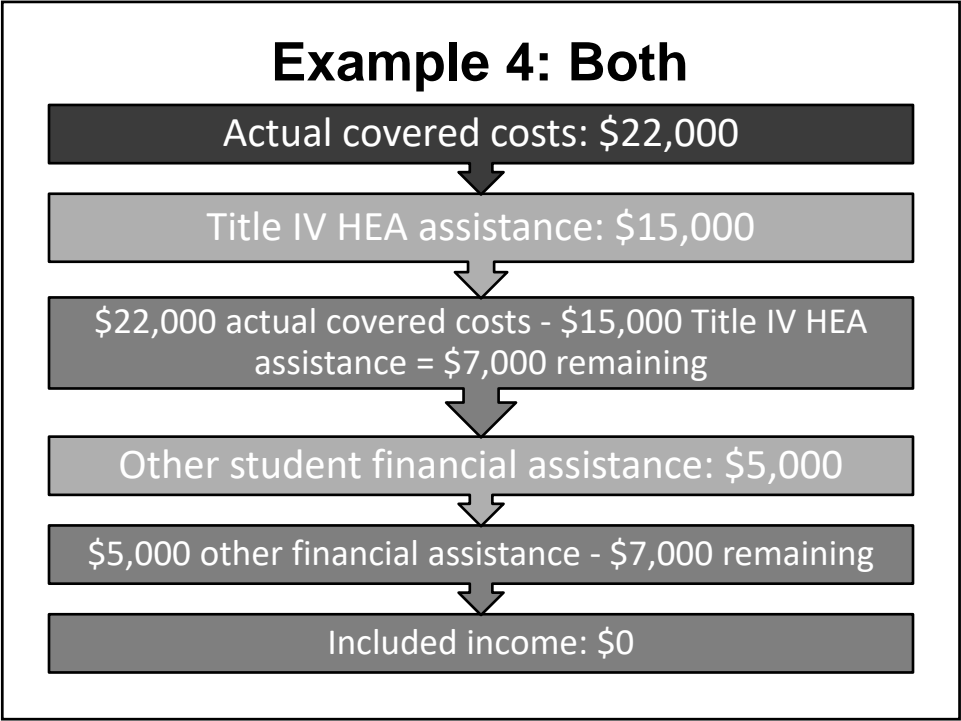
### Example 3: Both



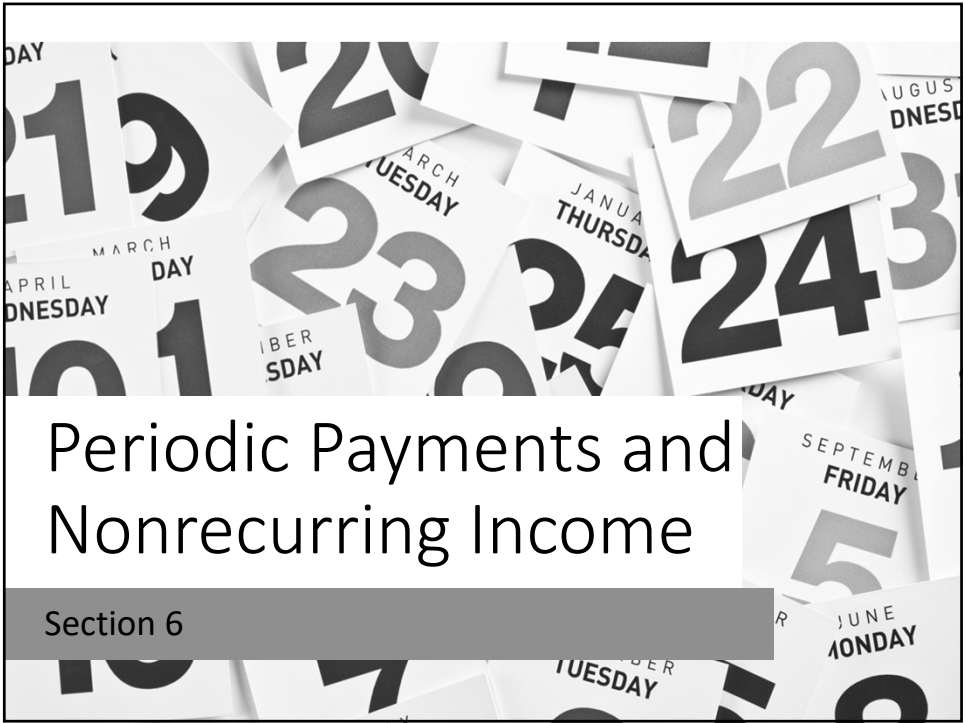
### Example 4: Both

- 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

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# Periodic Payments and Nonrecurring Income

Section 6

## Periodic Payments



## 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



## 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



## **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

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## **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

The logo for mma (McKay, McKay & Associates) is located in the bottom right corner of the slide. It consists of the lowercase letters 'mma' in a bold, sans-serif font.

## 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

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## 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



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## **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

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## **Example: Lump Sum**

- Beverly Boone lost her job on Oct 19<sup>th</sup> 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



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## 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



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## 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

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### 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



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### 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



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## Retirement Accounts

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



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## 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

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## **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

The logo for the National Military Community Assistance (nmca) organization, consisting of the lowercase letters 'nmca' in a bold, sans-serif font.

## **Nonrecurring Income**

The logo for the National Military Community Assistance (nmca) organization, consisting of the lowercase letters 'nmca' in a bold, sans-serif font.

## **Definition: Nonrecurring Income**

- Exclude income as nonrecurring if:
  - It has discrete end date
    - And
  - Will not be repeated beyond the coming year
    - 12 months following the effective date of the certification

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## **Periodic Payments vs Nonrecurring Income**

- However, periodic payments are included if they are:
  - Received at regular intervals
    - Weekly, monthly, or yearly
  - For a period of greater than one year
  - And can be extended

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## 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



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## 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



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## 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



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## Example: Recurring Income

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



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## Example: Recurring Income

- For the 5/1/25 annual reexam, Lilian 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



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## Unemployment Income

- Unemployment benefits:
  - Are excluded if they will not be repeated beyond the coming year
  - Are included if they are received at regular intervals, for a period of greater than one year, and can be extended

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## Nonrecurring Income

- Workers' compensation income is always excluded, regardless of the frequency or length of the payments

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## 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 18 months
- The amount is excluded



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## **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

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## **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

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## 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

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## 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

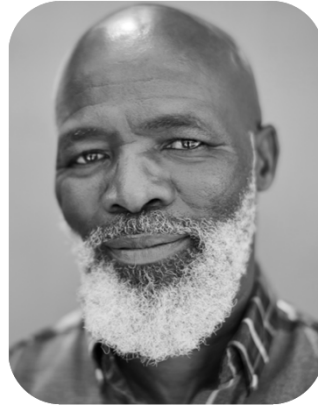


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## Example: Lottery Winnings

- 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



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## 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



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## Example: One-Time Lump Sum

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



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## 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

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## **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

The logo for mma (McKay, McKay & Associates) is located in the bottom right corner of the slide. It consists of the lowercase letters 'mma' in a bold, sans-serif font.

## **Non-Recurring Income**

- Nonrecurring payments made to the family or to a third-party on behalf of the family to assist with utilities are excluded from annual income
- However, if a family repeatedly says that a payment is nonrecurring, but the PHA can establish a pattern of the payments actually recurring year after year, the PHA would no longer consider the payments nonrecurring.

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### **Example: Non-Recurring Income**

- John Martin (age 42) lives alone
- He states he is zero income
- However, John is responsible for the electric bill for his unit
- The PHA asks him how he pays the bill
- He says his mother (who does not live in the unit) pays the bill, but she will only be paying it for the next 6 months and then John is uncertain how he will pay his electric bill

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### **Example: Non-Recurring Income**

- He signs a self-certification with this information
- The PHA is to exclude the payment of the utility bill as non-recurring income

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## **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

The logo for Nan McKay & Associates, Inc. (nma) is displayed in a stylized, lowercase font.

## **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

The logo for Nan McKay & Associates, Inc. (nma) is displayed in a stylized, lowercase font.

## In-Kind Donations

- The exclusion of non-monetary in-kind donations applies only to donations from a food bank or similar organization, not from family members outside of the household

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## Example: Non-Monetary Donations

- Martha Allen receives a bag of groceries every Friday from her mother who does not live with her
- She has been receiving this for the last year and certifies she will continue to receive them



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## Example: Non-Monetary Donations

- The value of the groceries donated by a family member who lives outside of the household on a recurring basis are included income



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## 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



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## **Zero Income Families**

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## **Zero Income Procedures**

- May accept a self-certification of zero income from the family at admission and reexam without taking any additional steps to verify zero reported income
  - HUD does not require they be notarized

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## **Zero Income Procedures**

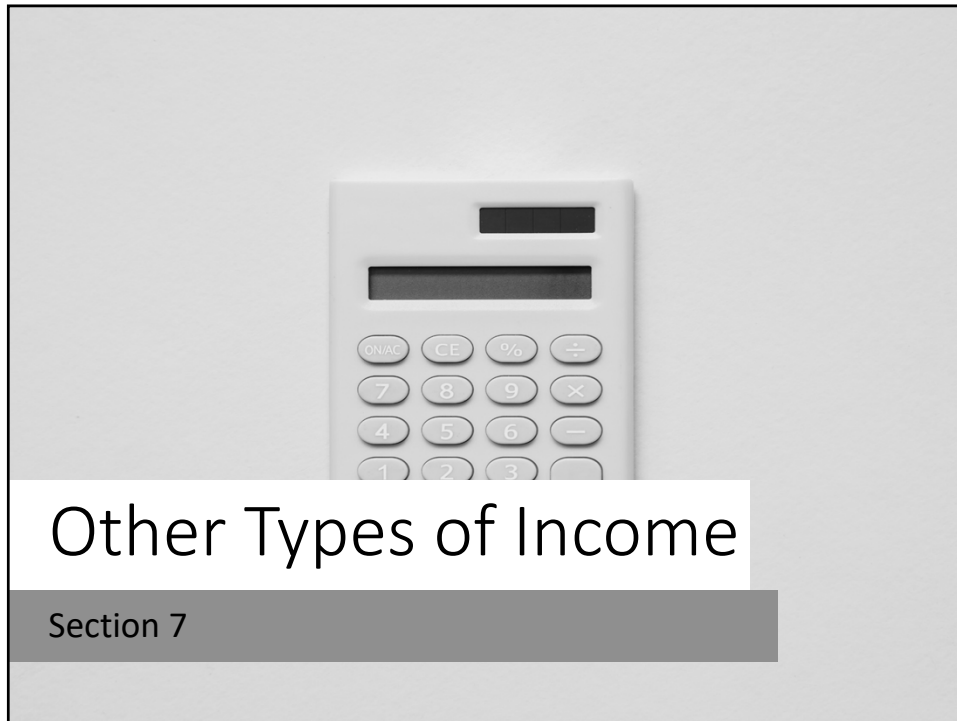
- PHAs may, but are not required to, establish reasonable procedures to manage the risk of unreported income, such as asking families to complete a zero income worksheet

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## **Zero Income Procedures**

- 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

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### **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

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## **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

The logo for Nan McKay & Associates, Inc. (nma) is displayed in a stylized, lowercase font.

## **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

The logo for Nan McKay & Associates, Inc. (nma) is displayed in a stylized, lowercase font.

## 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

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## 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

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## 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



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## Example: Home-Based Care Payments

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



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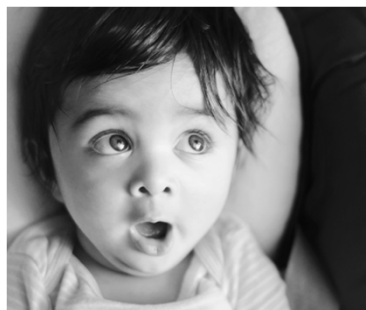
## Civil Action Settlements

- 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

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## “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



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## 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

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## 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

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## 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

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## 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



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## Example: Training Program

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



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## 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

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## **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

The logo for the National Multicultural Council of America (nmca) is displayed in a stylized, lowercase font.

## **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 structured
    - (i.e., as a lump sum or structured payment)
- May be counted toward net family assets

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## **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

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## **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

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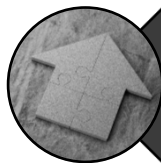


## Types of Assets

### Section 8

### Real Property vs Personal Property

- HUD categorizes all assets as either:



Real Property



Personal Property

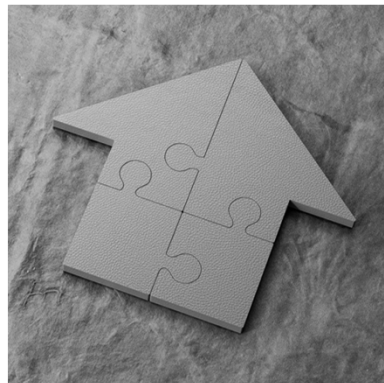
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Is the asset **real property** or  
**personal property**?

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## 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



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## 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

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## 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

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## 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



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## Example

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



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## Personal Property

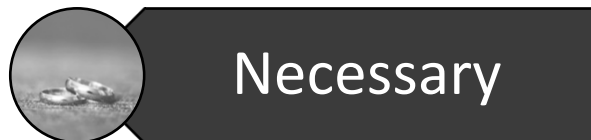
- Items that are not real property are considered personal property
- Includes tangible items like boats and intangible items like bank accounts



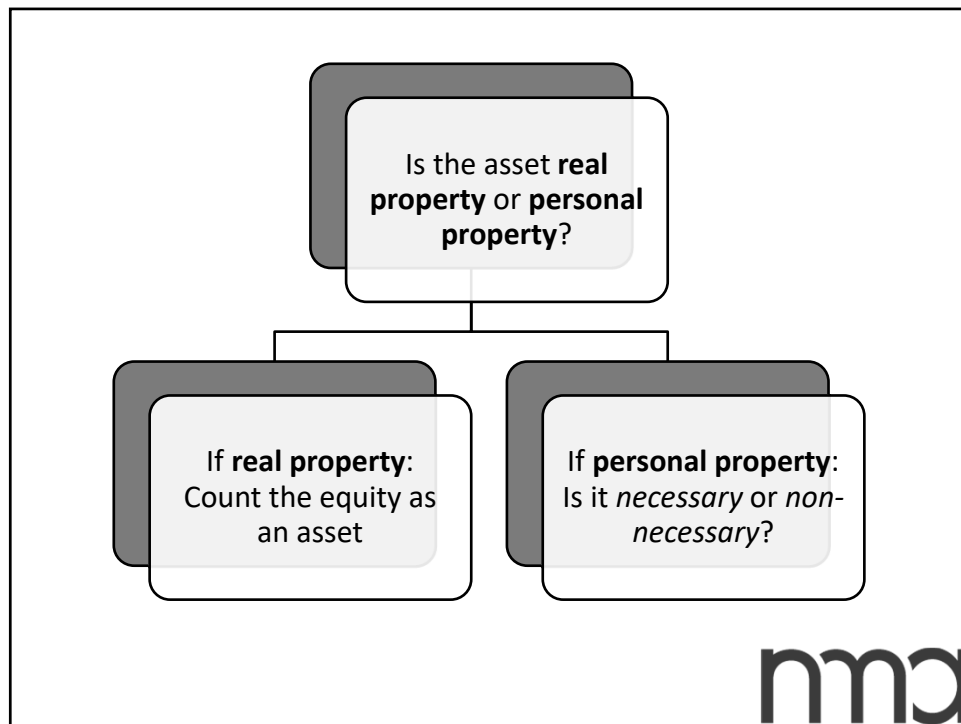
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## Personal Property

- HUD categorizes personal property as either:



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### **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

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**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

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**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



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## 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



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## Non-Necessary Personal Property

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



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## 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

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## 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.

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## 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

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## Asset Exclusion

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



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## Asset Inclusion

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

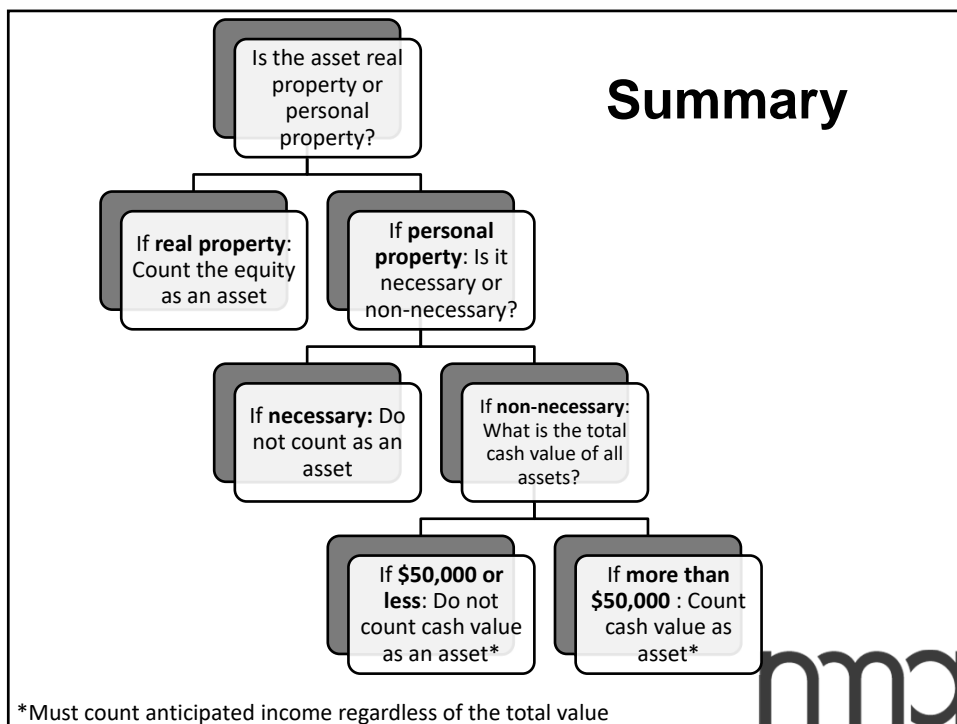


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## Summary

- If the combined total cash value does not exceed \$50,000, cash value of each item of non-necessary personal property is not counted toward net family assets
- If the combined net cash value exceeds \$50,000, each item of non-necessary personal property is counted toward net family assets

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## Example

- Martin Prince owns the following:
  - A coin collection worth \$10,000
  - An RV he uses for recreation worth \$30,000
  - A watch he inherited from his father worth \$20,000
  - A treadmill worth \$1,000



## Example

- The watch and treadmill are necessary items of personal property
  - Excluded from net family assets
- The coin collection and RV are non-necessary personal property
  - Since their total value is only \$40,000, the PHA will exclude the cash values of Martin's non-necessary personal property from net family assets



## 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 account cash values are excluded from net family assets

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



Bank account cash values 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

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## **Bank Accounts**

- PHA policy establishes how many checking and savings account statements to use to calculate account cash value
- When verification is required, the PHA must obtain a minimum of one statement that reflects the current balance of banking/financial accounts

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## Example 1: Bank Accounts

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



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## Example 1: Bank Accounts

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



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## 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



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## Example 2: Bank Accounts

- The cash values of 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



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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
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)						.004 6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						1 6k.

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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

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## 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

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## 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



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Example: Investment Accounts

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



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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
Diane	1	svgs	Y	\$ 40,000	\$ 13	\$
Diane	1	stock	Y	\$ 15,000	\$ 150	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
6g, 6h, 6i. Total net family assets, total actual income, total imputed income				\$ 55,000 6g.	\$ 163 6h.	\$ 6i.
6j. Passbook rate (written as decimal)						.004 6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						163 6k.

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## Real Property and Non-Necessary Property

- A family could have necessary personal property with a combined value that does not exceed \$50,000 but also own real property such as a parcel of land
  - The cash value of the non-necessary personal property is excluded from net family assets
  - The real property is included in net family assets regardless of its value



## Example

- Owen Howard has:
  - A vacant lot with a net cash value of \$40,000
  - A non-interest-bearing checking account worth \$1,000
  - A savings account worth \$2,000 that pays \$2 in interest annually



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 cash values of 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 it is 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				\$ 40,000 6g.	\$ 2 6h.	\$ 6i.
6j. Passbook rate (written as decimal)						.004 6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						2 6k.



## Trusts

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## 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

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## 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



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## 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



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## 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



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## 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



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## Jointly Owned Assets

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## 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



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## 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

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## **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

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## **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 to income from that asset; or
  - The family only has access to a portion of the income from that asset

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## 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



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## 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



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## **Example Jointly Owned Asset**

- Carl lives alone.
- He has a joint, non-interest-bearing checking account with his mother. They can both access funds from the account and may withdraw the entire balance at any time.
- The account is considered when determining Carl's net family assets

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## **Lump Sums**

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## 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

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## 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



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## 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



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## Federal Tax Refunds

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## 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



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## 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 net family assets

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## Federal Tax Refunds

- When the subtraction results in a negative number, net family assets are considered \$0

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## Verification

- The PHA is not required to verify the amount of the tax refund if the family's net assets are \$50,000 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

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## 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

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## 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



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## 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 cash value of the checking account
- The PHA includes \$100 as anticipated 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
Chris	1	chkg	N	\$	\$ 100	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
6g, 6h, 6i. Total net family assets, total actual income, total imputed income				\$ 6g.	\$ 100 6h.	\$ 6i.
6j. Passbook rate (written as decimal)						.004 6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						100 6k.

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## Life Insurance Policies

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## 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

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## 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



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## 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



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## Retirement Accounts

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## Retirement Accounts

- IRS-recognized retirement accounts are excluded from net family assets
  - IRAs
  - Employer retirement plans
  - Retirement plans for self-employed individuals
- Retirement accounts are not considered for the asset cap since they are excluded from net family assets

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## 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



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## 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



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## 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

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## 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

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## 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

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## Calculating Income from Assets

### Section 9

## 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



## 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

**Example: Net Family Assets**

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



nmca

**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
<u>- Expenses</u>	<u>- \$ 400</u>
Cash value	\$ 50,600

nmca

- Dave's net family assets are:

Checking account	\$ 10,000
+ CD	+ \$ 50,600
<hr/>	
Net family assets	\$ 60,600

nm

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.

nm

## **Income from Assets**

The logo for the National Money Credit Association (nmca) is located in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## **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

The logo for the National Money Credit Association (nmca) is located in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.



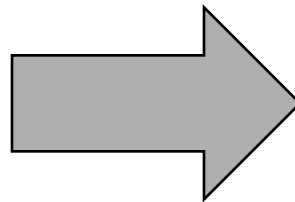
## Income from Assets

- 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

nmca

## 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



## **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



## Example

- Is self-certification an acceptable?
  - Yes, provided PHA policy allows for self-certification
- Is the cash value of her savings account included in net family assets?
  - 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

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
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)						.004 6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						1 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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## **Assets Exceeding \$50,000**

- However, when net family assets exceed \$50,000, and the PHA obtains Safe Harbor verification from a means-test Federal assistance program of the family's annual income, the PHA may not obtain additional verification of assets
  - The Safe Harbor determination counts as fully verifying assets

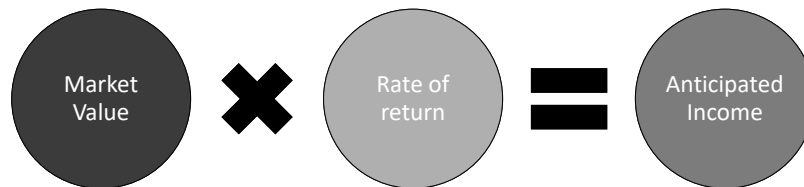
The logo for Nan McKay & Associates, Inc. (nmca) is displayed in a stylized, lowercase font.

## **Income from Assets**

- If actual returns can be calculated, the PHA must include actual income on the 50058
  - For example, a savings account, stocks, or CDs with a verifiable rate of return

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## Actual Income



- For example, a savings account worth \$60,000 that pays 2% interest
  - $\$60,000 \times 2\% = \$1,200$

nmca

## 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

- Since 2012, the passbook rate was established by the PHA
- HUD will publish a new passbook rate each year no later than September 1
- For 2024, passbook rate is 0.40%

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## Passbook Rates

- For reexams that occur after 1/1/24 but before the PHA implements HOTMA, PHAs may:
  - Continue to use their current passbook rate
  - Choose to implement the 2024 HUD passbook rate (since PHAs currently have flexibility to establish their passbook rate)

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## Imputed Income



- For example, a house with a cash value of \$45,000 which is not rented out
  - $\$45,000 \times 0.40\% = \$180$

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## Imputed Income

- 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**

- 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

The logo for the National Multicenter Child Abuse Center (nmca) is displayed in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## **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

The logo for the National Multicenter Child Abuse Center (nmca) is displayed in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## Applying the Passbook Rate

- 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



nm

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



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)						0.004 6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						\$2,040 6k.



## 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



nmca

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

- Net family assets:  $\$25,000 + \$55,000 = \$80,000$
- Actual income from savings account:
  - $\$55,000 \times 1\% = \$550$
- Imputed income from vacant land:
  - $\$25,000 \times 0.004\% = \$100$
- Final Asset Income: \$650

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
Glenn	1	land	Y	\$ 25,000	\$	\$ 100
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.	\$ 100 6i.
6j. Passbook rate (written as decimal)						0.004 6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						\$650 6k.

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Assets Disposed of for Less than Fair Market Value

Section 3.3

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

- In determining 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>- \$75,000</u>
= Cash value	\$15,000
- 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	\$280
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
				\$	\$	\$
6g, 6h, 6i. Total net family assets, total actual income, total imputed income				\$ 70,000 6g.	\$ 0 6h.	\$ 280 6i.
6j. Passbook rate (written as decimal)						0.004 6j.
6k. Final asset income: 6h + 6i (see instruction booklet)						\$280 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

The logo for the National Multiple Sclerosis Care Association (nmca) is displayed in a stylized, lowercase font.

## **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

The logo for the National Multiple Sclerosis Care Association (nmca) is displayed in a stylized, lowercase font.

## 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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## Asset Limitation

Section 10

## **Asset Limitation**

- The asset limitation is mandatory at admission
  - The PHA must deny program assistance for failure to meet asset restrictions by applicants
- PHAs have discretion whether to enforce the asset limit for program participants



## **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)



## **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

nmca

## 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



## 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



## 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



## 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



## 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

The logo for the National Multiple Sclerosis Center for Advocacy (nmca) is displayed in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## 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

The logo for the National Multiple Sclerosis Center for Advocacy (nmca) is displayed in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## 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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## 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

The logo for the National Multicultural Council of America (nmca) is displayed in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## 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

The logo for the National Multicultural Council of America (nmca) is displayed in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## 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 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
  - PHA policy at reexam

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## **PHA Discretion at Annual/Interim Reexam**

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## **PHA Discretion**

- PHAs have discretion whether to apply the asset limitation to program participants at annual and interim reexam
- May adopt a written policy of:
  - Total non-enforcement
  - Enforcement
  - Limited non-enforcement
  - Exceptions for some families

The logo for the National Medical Care Association (NMCA), consisting of the lowercase letters 'nmca' in a bold, sans-serif font.

## **Total Non-Enforcement**

- The PHA may choose not to enforce the asset limitation at all for any program participants
- If the PHA adopts a total non-enforcement policy, it must apply the same for all families within a program

The logo for the National Medical Care Association (NMCA), consisting of the lowercase letters 'nmca' in a bold, sans-serif font.

## **Enforcement**

- At every reexam, the PHA determines whether families are out of compliance with the asset limitation
- If a family is out of compliance, the PHA must initiate termination within 6 months of the reexam effective date
- Families are not given an opportunity to cure noncompliance

The logo for the National Medical Care Association (NMCA), consisting of the lowercase letters 'nmca' in a bold, sans-serif font.

## **Limited Enforcement**

- Noncompliant families are given an option to cure
- PHA specifies a time period to cure in PHA policy
  - Up to but no longer than 6 months
  - Except as a reasonable accommodation
- If family remains out of compliance after cure period, PHA must initiate termination within 6 months of the effective date of the reexam

The logo for the National Medical Care Association (NMCA), consisting of the lowercase letters 'nmca' in a bold, sans-serif font.

## Exception Policies

- Families in specified exception category (or categories) subject to total non-enforcement or limited enforcement
  - May be combined with an enforcement policy for families not in an exception category
  - May give families in an exception category longer to cure (not more than 6 months) than those who are not in an exception category

nmca



## **Adjusted Income**

- Adjusted income is annual income minus deductions for:
  - Dependents
  - Elderly or disabled families
  - Childcare expenses
  - Health and medical care expenses
  - Disability assistance expenses
  - Permissive deductions

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## **Elderly/Disabled Deduction**

The logo for Nan McKay & Associates, Inc. (nmca) is located in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## 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

nmca

## Elderly/Disabled Deduction

- Changing from \$400 per family to \$525
  - Effective when the PHA implements HOTMA
- Amount will be adjusted annually for inflation
  - No later than September 1 annually
  - Software will need to be updated



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## **Dependent Deduction**

The logo for Nan McKay & Associates, Inc. (nmca) is located in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## **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



nmca

## 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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## Childcare Expenses

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## Childcare Expenses

- Includes reasonable, unreimbursed costs
  - PHA determines what is reasonable
- Care provided for children 12 and under
  - Including foster children



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## Childcare Expense

- Did HOTMA change the childcare expense deduction? No.
- Old regulation at 24 CFR 5.611(a)(4)

(4) Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education.

- New regulation at 24 CFR 5.611(a)(4)

(4) Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education.

## Childcare Expense

- Old regulation at 24 CFR 5.603(b) states:

*Child care expenses.* Amounts anticipated to be paid by the family for the care of children under 13 years of age during the period for which annual income is computed, but only where such care is necessary to enable a family member to ~~actively seek employment, be gainfully employed, or to further his or her education~~ and only to the extent such amounts are not reimbursed. The amount deducted shall reflect reasonable charges for child care. In the case of child care necessary to permit employment, the amount deducted shall not exceed the amount of employment income that is included in annual income.

- HUD did not revise this regulation as part of the final rule

nmca

## Permissive Deductions



## 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



## 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 childcare site, or transportation cost to the site, and then to work or school (for those families with childcare expenses)

The logo for Nan McKay & Associates, Inc. (nmca) is located in the bottom right corner of the first box. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## Health and Medical Care Expenses

The logo for Nan McKay & Associates, Inc. (nmca) is located in the bottom right corner of the second box. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## Threshold

- The sum of the following that exceeds 10% of annual income:
  - Unreimbursed health and medical care expenses
  - Unreimbursed disability assistance expenses
- Increased from 3% of annual income
  - Because of the increase, hardship exemptions will apply – more later

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## Medical Expenses



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

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## Anticipating Expenses

- When calculating health and medical care expenses, the PHA includes only those expenses that are paid or anticipated during the period for which annual income is computed

The logo for the National Medical Care Association (nmca) is located in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.

## New Definition

*Health and medical care expenses.* 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.

The logo for the National Medical Care Association (nmca) is located in the bottom right corner of the slide. It consists of the lowercase letters 'nmca' in a bold, sans-serif font.



## **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 and states: "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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## **New Definition**

- While PHA policies may not specifically align with Publication 502, HUD recommends PHAs use it as a standard for determining allowable expenses
- PHA may list examples of allowable expenses in policy provided they comply with HUD's definition
- The PHA may not define health and medical care expenses more narrowly than the regulation

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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 health and medical  
care expenses

– \$4,300

\$700 health and medical  
care expense deduction



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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)
  - childcare 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

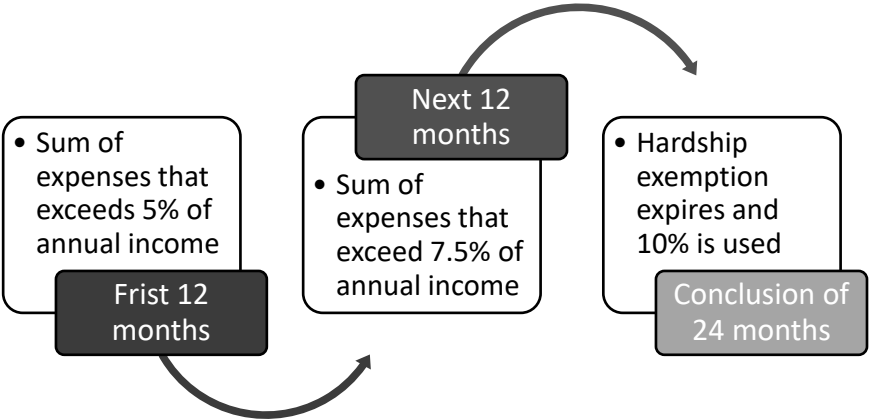
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## Phased-In Relief

- Eligible families begin receiving phased-in relief at their next annual or interim, whichever occurs first, after the date on which the PHA implements phased-in relief
- The 10% amount is phased-in over a 24-month period

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## 24-Month Phase-In



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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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## 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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## 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

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



## Exemption to Continue the Childcare Deduction



## Childcare Expenses

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



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## Childcare Expenses

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

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## Childcare Expenses

- If the family qualifies, the PHA must continue the childcare 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



## Example

- Ms. Branch had been paying \$250 per week out-of-pocket for her child Violet to attend childcare while she worked at a coffee shop
- She became unemployed when the coffee shop closed
- She reports she plans to enroll in college in 2 months





### 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 Childcare 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
  - 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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