

# From HOT MESS to HOTMA

**Pennsylvania Housing Finance Agency**

Management Innovation: Internal Operations

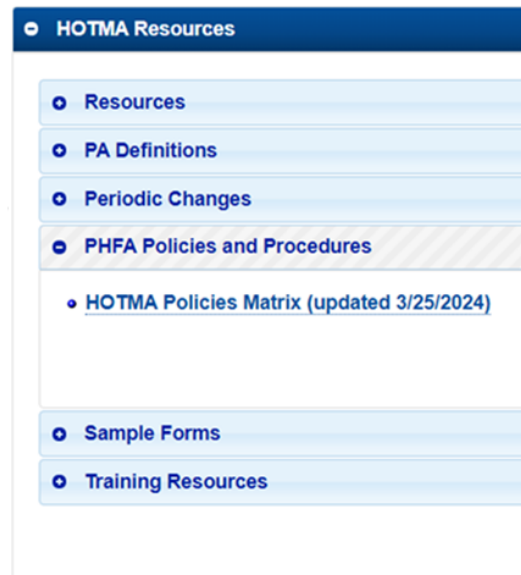
**HFA Staff Contact**

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# From **HOT MESS** to **HOTMA**:

How PHFA successfully navigated the challenge of understanding and simplifying the complexities of affordable housing program changes by creating an easy-to-use *HOTMA Matrix* and a one-stop-shop for *HOTMA Resources* on PHFA.org



## **Background**

The Housing Opportunity Through Modernization Act of 2016 was enacted on July 29, 2016. Title I of the Act contains 14 sections affecting Public Housing and Section 8 Rental Assistance Programs, with pertinent Sections 102, 103, and 104 detailed on pages 6-16 of the Act. The HOTMA Final Rule implementing Sections 102, 103, and 104 was published on February 14, 2023, totaling 77 pages. HUD issued implementation guidance via Notice H 2023-10 on September 29, 2023, totaling 129 pages. That's a whopping 217 pages of law, rules, regulations, and guidance published across multiple sites.

## **Innovative**

In an effort to better understand HOTMA, PHFA's Manager of Project Operations created a matrix as a self-help tool to visualize the changes to our Tax Credit, HOME, and Housing Trust Fund (HTF) programs. And thus, the [HOTMA Matrix – PHFA Policies](#) tool was born. She collaborated with a team of PHFA staff to condense and clarify the overwhelming text spanning 217 pages into a 6-page, easy-to-read matrix. Policies pertaining to our funding sources can be verified at-a-glance. PHFA also created a *HOTMA Resources* section on our website featuring important links, definitions, sample forms, and training resources. The *HOTMA Matrix* and *HOTMA Resources* section was posted to our website September 15, 2023, and periodic updates are made as new guidance is released. PHFA is keenly aware that correctly interpreting and implementing the new HOTMA rules could promote the expansion of housing opportunities for underserved communities.

## **Replicable**

Our *HOTMA Matrix* and *Resources* section can easily be replicated and can simplify any HFA's HOTMA policies and procedures. Virginia Housing used our *HOTMA Matrix* as a template to draft their own written program guidance. The *HOTMA Resources* section can be used as a template for other HFAs to publish and post HOTMA materials applicable to their state funding sources.

## **Responding to a Management Challenge or Opportunity**

PHFA recognizes that HOTMA regulations may be challenging to comprehend due to various funding sources and their specific requirements; as well as the difficulty of reading hundreds of pages to locate an answer can be overwhelming and time consuming. PHFA embraces these changes understanding that HOTMA could open the door to affordable housing for previously unqualified and underserved households. We took this opportunity to update policies, organize resources and publish them to our website in an easy to locate, one-stop-shop *HOTMA Resources* section. The *Matrix* and *Resources* section of our website is updated as changes are made to the HOTMA final rule; those changes are announced to our staff and housing partners accordingly. In addition to helping our Owners and Agents remain in compliance, the *HOTMA Matrix* also assists our staff during File and Management Audits as an easily accessible reference.

## **Achieve Measurable Improvements in Agency Operations**

Since creating, publishing, and updating our *HOTMA Matrix* and *HOTMA Resources* section, staff have seen a reduction in HOTMA inquiries from our external partners. PHFA's Manager of Tax Credit Compliance noted a 73% decrease in questions received via email. Our Project Operations team reported a similar statistic, noting a 71% decrease. In addition to reducing questions, PHFA has received positive feedback from Owners and Agents, Compliance Consultants and other HFA's that are utilizing our *HOTMA Matrix* and *HOTMA Resources* section. Please see pages 9-10 in the Appendix for testimonials.

## **Provide Benefits that Outweigh Costs**

Creating our *HOTMA Matrix* and *Resources* section took our team about 15 hours to finalize, and the numerous benefits far outweigh the costs... not just for our staff but our external partners as well. Simplifying the complexities of HOTMA affords our Owner and Agent partners a greater opportunity to stay in compliance and expand housing opportunities for underserved communities. Referencing our tools for information saves time and frustration – no more searching and scrolling hundreds of pages for answers. We provide PHFA policy guidance at-a-glance and conveniently break down directives for our different program types. Our website's *HOTMA Matrix* and *Resources* section provides easy to access forms, trainings and other HOTMA resources in one convenient location on our website. And because of PHFA's strategic design of both the *Matrix* and *Resources* section of our website, it's quick and easy for staff to make updates.

## **Demonstrate Effective Use of Resources**

In June of 2023, a HOTMA dream team was assembled. Combined, this team has decades of experience in affordable housing and extensive, comprehensive knowledge of the Low-Income Housing Tax Credits, HOME, and HTF programs. The team attended a multitude of HOTMA training sessions and participated in regular meetings to discuss and strategize policy changes and implementation. Compiling a team to gather and share information and brainstorm updates eliminated the potential burden to just one individual. We pooled resources acquired from various HUD and notable consultant trainings and incorporated them in our *HOTMA Resources* section.

## **Achieve Strategic Objectives**

PHFA achieved many of our strategic objectives by creating and publishing to our website the *HOTMA Matrix* – PHFA Policies and *HOTMA Resources* section. Objectives include:

1. Assisting Owners and Management Agents to achieve program compliance by providing helpful, easy-to-use tools necessary to navigate HOTMA's sweeping and challenging changes.
2. Continuing to be good partners to our Owners, Agents, and fellow HFA's by sharing our knowledge and materials.
3. Creating efficiencies for PHFA staff to be effective stewards of program compliance.
4. Expanding housing opportunities for households and communities of color and other historically underserved groups by comprehending, promoting, and implementing HOTMA policies.

## Appendix

### HOTMA Dream Team Members:

Heather Black, Manager of Tax Credits	Lisa Case, Manager of Project Operations
Khalifah Harding, Sr Housing Management Rep	Samantha Casterline, Sr Housing Management Rep
Lisa Uber, Sr Housing Management Rep	Lisa Santiago, Housing Management Rep II
Tina Chilla, Housing Management Rep I	

### Source:

[https://www.phfa.org/forms/property\\_management/hotma\\_resources/policies\\_and\\_procedures/hotma-policies-matrix.pdf](https://www.phfa.org/forms/property_management/hotma_resources/policies_and_procedures/hotma-policies-matrix.pdf)

### HOTMA Matrix – PHFA Policies:

HOTMA Matrix - PHFA Policies				
	LIHTC	HOME	Housing Trust Fund	Notes
<b>Implementation Date</b>	1/1/2025			<i>The effective date for HOTMA implementation is 1/1/2025. We will continue to work on policies prior to implementation. Please check back frequently for updates.</i>
<b>INCOME</b>				
<b>Revised definition of INCOME per §24 CFR 5.609(a); 5.603; 5.100</b>	YES	YES	YES	HUD is revising the definition of annual income in § 5.609(a) for clarity. In paragraph (a)(1), HUD relies on the definition of excluded income under § 5.609(b) to provide the scope of what is included in income. <a href="https://www.federalregister.gov/d/2023-01617/p-44">https://www.federalregister.gov/d/2023-01617/p-44</a> <a href="https://www.federalregister.gov/d/2023-01617/p-21">https://www.federalregister.gov/d/2023-01617/p-21</a> <a href="https://www.federalregister.gov/d/2023-01617/p-22">https://www.federalregister.gov/d/2023-01617/p-22</a>
<b>Revised INCOME EXCLUSIONS §24 CFR 5.609(b)(3)</b>	YES	YES	YES	<a href="#">Income and Income Exclusions Resource Sheet (hudexchange.info)</a>
<b>Unsecured and Unverifiable Income</b>	Do Not Count	Do Not Count	Do Not Count	PHFA policy for LIHTC, HOME and HTF units excludes unsecured and unverifiable income that is not imminent, known, and verifiable.
<b>Income: Use Average in range (not highest)</b>	YES	YES	YES	Average will be used for TBRA and PBRA assisted units. To provide consistency in the rules applied at a property the average will be used for TBRA and PBRA assisted units as well as for unassisted units.
<b>Income: Year-to-Date (YTD) as an eligibility determiner</b>	NO	NO	NO	PHFA does not require an Owner/Agent (O/A) to utilize year-to-date (YTD) as an eligibility determiner. The O/A may consider evaluating the household's YTD income to determine if a substantial difference exists between calculation methods. However, YTD income calculations should not be the sole eligibility determiner because it may not be indicative of anticipated income for the next 12 months. If a household's rent is based on their income, do not utilize the YTD calculation method.

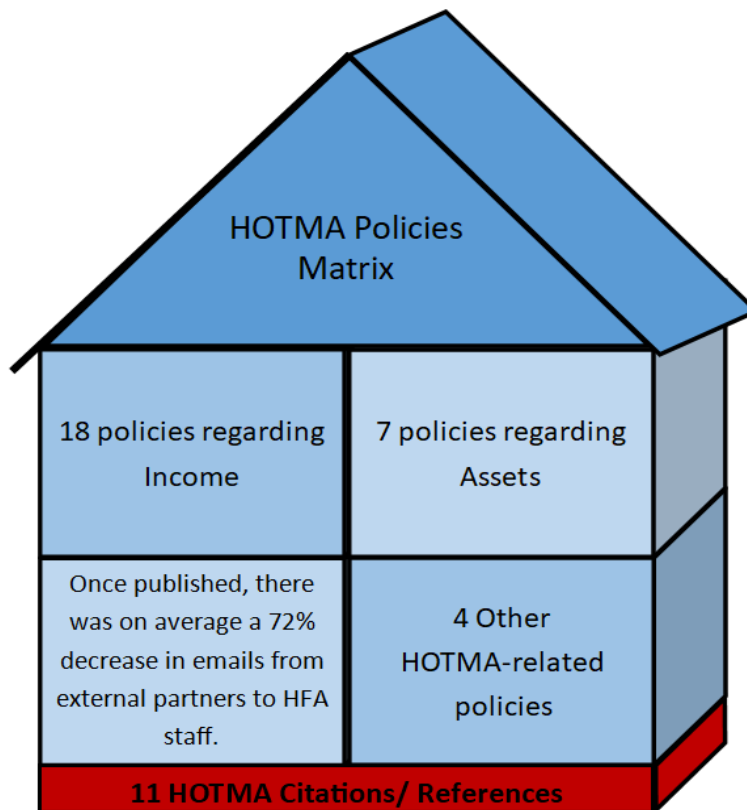
HOTMA Matrix - PHFA Policies				
	LIHTC	HOME	Housing Trust Fund	Notes
<b>Income: Two (2) months source documentation for verification of income at move-in and at 6-year full recertification</b>	NO	YES	YES	<b>LIHTC</b> – follow HUD 4350.3 Chapter 5 for documentation requirements. <b>HOME and HTF</b> require two (2) months source documentation for verification of income at move-in and at every 6-year full recertification, except for TBRA and PBRA units. For units with TBRA and PBRA, no 6-year recertification is needed since the PHA / Administrator income determination is used.
<b>Employment Income Verification   Two (2) Paystub Minimum</b>	YES	NO	NO	<b>LIHTC</b> will now adopt the use of two most recent, consecutive pay stubs. <b>HOME and HTF</b> require two (2) months source documentation for verification of income at move-in and at every 6-year full recertification, except for TBRA and PBRA units. For units with TBRA and PBRA, no 6-year recertification is needed since the PHA / Administrator income determination is used.
<b>Income: Use anticipated income for <u>MOVE-INS</u> (upcoming 12 months)</b>	YES	YES	YES	<b>LIHTC</b> – follow HUD 4350.3 Chapter 5 for documentation requirements. <b>HOME and HTF</b> require two (2) months source documentation unless the unit has TBRA or PBRA, in which the PHA/Administrator's income determination is utilized.
<b>Income: Use anticipated income at <u>RECERTIFICATION</u></b>	YES	YES	YES	HOTMA requires that income determinations for annual certifications be based on the previous 12 months. Additionally, HOTMA takes into consideration that changes made through interim certifications in the previous year may initiate tenant challenges which would then require the Owner/Agent to utilize the anticipated income. In response the Agency has concluded that anticipating income for all certifications will best meet the goals of the LIHTC program.
<b>Child Support/ Alimony</b>	YES	YES	YES	The income received from child support or alimony must be based upon payments received by the household, not the court ordered amount.

<b>Exclude Income from Foster Adults   Foster Children per 24 CFR § 5.609(b)(8)</b>	YES	YES	YES	Income of foster children or foster adults* is excluded from the family's calculation of annual income. In addition, payments received for the care of foster children and foster adults are excluded as income. Please note foster children and foster adults are counted to determine unit size. *Subject to change per IRS guidance.
<b>Use of "Means-Tested" Income</b>	NO	NO	NO	LIHTC, HOME, and HTF do not permit the use of "Means-Tested" income.
<b>HUD's Hierarchy of Verification</b>	YES	YES	YES	Refer to HUD's Hierarchy of Verification listed on page 106 of <a href="#">HUD's 2023-10 Notice</a> . Please note the Work Number is listed as an acceptable source of income verification.
<b>PBRA (PHA/Administrator) income determination required</b>	YES	YES	YES	When using a PHA or other administrators' determination of income, the Owner/Agent must obtain a completed PHA Income Determination Certification, which states the household size and annual gross income.
<b>TBRA (PHA/Administrator) income determination required</b>	YES	YES	YES	When using a PHA or other administrators' determination of income, the Owner/Agent must obtain a completed PHA Income Determination Certification, which states the household size and annual gross income.
<b>De Minimis Errors</b>	NO	NO	NO	The "De Minimis Errors" calculation method is not permissible for LIHTC, HOME or HTF (subject to change per IRS guidance).
<b>Earned Income Disregard (EID)</b>	N/A	24 months to phase out residents utilizing EID.	N/A	EID is available only to families that are participating in the program as of 1/1/24. They may continue to receive EID benefits until the allowable timeframe expires. All EID benefits expire as of December 31, 2025.

HOTMA Matrix - PHFA Policies				
	LIHTC	HOME	Housing Trust Fund	Notes
<b>Student Income</b>	YES	YES	YES	Earned income for adult dependent full-time students is limited to HUD's dependent deduction per year (\$480 in 2024 but adjusted annually for inflation, thereafter, rounded to next lowest \$25).
<b>ASSETS</b>				
<b>Revised ASSET EXCLUSIONS per §24 CFR 5.603 (3)</b>	YES	YES	YES	<a href="#">Asset Exclusions and Limitation on Assets Resource Sheet.pdf (hudexchange.info)</a> <a href="#">HUD's 2023-10 Notice</a> mentions 24 CFR 5.609(b). See Attachment F.
<b>Checking Account</b>	YES	YES	YES	Utilize the current balance for checking accounts. The six-months average is no longer used. HOME and HTF require two (2) months source documentation for verification of income at move-in and at every 6-year full recertification, except for TBRA and PBRA units.
<b>Imputed Asset Threshold §24 CFR 5.609(a)</b>	YES	YES	YES	Through HOTMA, HUD raised the imputed asset threshold from \$5,000 to \$50,000 which will be adjusted annually for inflation. Asset income is imputed only for those assets where the actual income cannot be computed. Changes are also reflected on the updated TIC and Under \$50,000 Asset Self-Certification form. <a href="https://www.federalregister.gov/d/2023-01617/p-46">https://www.federalregister.gov/d/2023-01617/p-46</a> <a href="#">HOTMA Talking Points Multifamily Programs.pdf (hud.gov)</a>

<b>Under \$50,000 Asset Self-Certification per § 24 CFR §§ 5.603; 5.609; 5.618; 5.659; 891.105; and 891.415(a)(2) at <u>RECERTIFICATION</u></b>	YES	YES	YES	When the combined value of all net family assets has a total value of \$50,000 or less, the family must include, on its self-certification that the net family assets do not exceed \$50,000, the amount of actual income the family expects to receive from such assets, and that this amount is to be included in the family's income. (See, § 5.618(b)). HOME and HTF require two (2) months source documentation for verification of income at move-in and at every 6-year full recertification, except for TBRA and PBRA units, in which the PHA / Administrator income determination is utilized. <a href="https://www.federalregister.gov/d/2023-01617/p-268">https://www.federalregister.gov/d/2023-01617/p-268</a>
<b>Passbook Rate per 24 CFR § 5.609(a)(2)</b>	YES	YES	YES	Passbook Rate of 0.40% effective January 1, 2024; updated annually by HUD.
<b>NOTED Asset Exclusions</b>	YES	YES	YES	Federal tax refunds or refundable tax credits are excluded from net family assets for a period of 12 months after receipt by the family. The amount of the refund must be deducted from the cash value of the asset.
<b>Restrictions on eligibility for households with Real Estate or assets over \$100,000 §24 CFR 5.618(a)(ii)</b>	N/A	N/A	N/A	<a href="https://www.federalregister.gov/d/2023-01617/p-74">https://www.federalregister.gov/d/2023-01617/p-74</a>

HOTMA Matrix - PHFA Policies				
	LIHTC	HOME	Housing Trust Fund	Notes
<b>OTHER</b>				
<b>Annual Self-Certifications of Income allowed after move-in (year one)</b>	SEE NOTES	YES, except every sixth year	YES, except every sixth year	The Agency does NOT require full recertifications after initial move-in, however program regulations apply. <b>LIHTC:</b> Permitted <i>except</i> on projects with market rate units. For projects with market rate units, a full recertification with source documentation is required every year for all households. <b>HOME and HTF:</b> Permitted after move-in except for the 6-year recertifications which require two (2) months of source documentation, unless the unit has TBRA or PBRA. Agents must obtain a completed PHA Income Determination for TBRA and PBRA units.
<b>Tenant Income Certification form</b>	YES	YES	YES	Agency will provide required Tenant Income Certification form
<b>General Release Form</b>	YES	YES	YES	Each household member aged 18 and older are required to sign a General Release Form which remains effective over the duration of their tenancy.
<b>Self-Certification of Social Security number</b>	YES	YES	YES	Applicants/ residents are permitted to self-certify their social security number after the PHA/MFH Owner has attempted to first obtain a valid SSN card issued by the SSA or an original document issued by a federal or state government agency that contains the name and SSN of the individual, accompanied with acceptable identifying information.



## HOTMA Resource Section

HOTMA Resources	
<b>Resources</b>	<ul style="list-style-type: none"><li><a href="#">HUD Notice 2023-10</a></li><li><a href="#">HUD Notice H 2023-10, Table F1: Examples of Necessary and Non-Necessary Personal Property</a></li><li><a href="#">Pre and Post HOTMA Regulatory Citation Matrix</a></li> <li><a href="#">HUD HOTMA Resources</a></li><li><a href="#">Federally Mandated Exclusions From Income-Updated Listing (January 31, 2024)</a></li><li><a href="#">HOTMA Talking Points and Q&amp;A for Multifamily Programs (February 2024)</a></li><li><a href="#">HOTMA Income Final Rule</a></li><li><a href="#">Costello Compliance HOTMA Changes Crosswalk</a></li></ul>
<b>PA Definitions</b>	<ul style="list-style-type: none"><li><a href="#">Pennsylvania Definitions</a></li></ul>
<b>Periodic Changes</b>	<ul style="list-style-type: none"><li><a href="#">HOTMA Factors Chart</a></li></ul>
<b>PHFA Policies and Procedures</b>	<ul style="list-style-type: none"><li><a href="#">HOTMA Policies Matrix (updated 3/25/2024)</a></li></ul>
<b>Sample Forms</b>	<ul style="list-style-type: none"><li><a href="#">Employment Verification</a></li><li><a href="#">Investment Verification</a></li><li><a href="#">PHA Income Determination Certification</a></li><li><a href="#">Student Tuition and Financial Assistance Verification</a></li><li><a href="#">Trust Verification</a></li><li><a href="#">Under \$50,000 Asset Certification</a></li></ul>
<b>Training Resources</b>	<ul style="list-style-type: none"><li><a href="#">HOTMA Income &amp; Assets Training Series</a></li><li><a href="#">HUD HOTMA Resources</a></li></ul>


## Testimonials

### 1. Bette Newcomer, Director of Compliance, M&L Compliance Management:

Good morning, ladies.

I hope life is treating you both well. I have finally had the opportunity to review the PHFA Matrix for HOTMA changes (love it, by the way, very helpful)...

[Click here to securely send me files](#)



**Bette J. Newcomer**, HCCP, NPCC, COS  
Director of Compliance  
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### 2. Carol Krusey, Compliance Analyst, Pennrose:



*Good Afternoon Heather:*

*We were reviewing the HOTMA Matrix, which by the way we LOVE, and with the release of the updated 9-29 HUD notice we were wondering if PHFA will be making any changes to the published polices.*

*If you would be so kind as to let us know? Thank you!*

**PENROSE**  
Bricks & Mortar | Heart & Soul  
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**Carol Krusey**  
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*Mission: Our committed team of exceptional professionals transforms communities by creating high quality real estate developments and delivering outstanding value to our clients and partners.*

**3. Erica Etterling, Rental Compliance Support Manager, Virginia Housing:**

*The affordable housing industry is undergoing many changes, including requiring Agencies to implement new program eligibility criteria under the Housing Opportunity Through Modernization Act of 2016 (HOTMA). Virginia Housing researched the websites of other state Housing Finance Agency partners to see what guidance other agencies were sharing about HOTMA and was impressed with the Pennsylvania Housing Finance Agency's (PHFA) Property Management web page layout and its HOTMA Policies Matrix. The document's format is easy to follow, the main criteria topics are separated into individual sections, and includes links to the source guidance on the HUD website and the PHFA-specific HOTMA guidance applicable for its managed programs and properties.*

*Our agency reached out to the PHFA Manager of Tax Credit Compliance, Heather Black, who graciously granted Virginia Housing permission to use its HOTMA Policies Matrix as a template to draft our Agency's written program guidance for our Rental portfolio. It is always helpful to collaborate with other state housing finance agencies to brainstorm, share knowledge, and help inform the guidance that we issue. We appreciate PHFA's thorough HOTMA research, promptness in responding to our request, and willingness to assist.*

**Erica Etterling, HCCP**

Rental Compliance Support Manager

804-343-5713

**Office Hours: Mon.&Wed.-7:30-3:30; Tues.&Thurs.-7:30-5:30; Fri.-7:30-3:30**