

# Understanding HOTMA Changes



National Council of  
State Housing Agencies

# PART 1

Overview

# Speakers

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- **Scott Michael Dunn**, Chief Executive Officer/Principal | Costello Compliance





# How are You Feeling?

Are we going to be OK?

**Yes !**

**We can do it together!**

## Comfort Zone 😊

**Fear** 😞 (whining, "why me", procrastination, catastrophizing)

➡ **Learning** (expand knowledge, move past fears)

➡ **Growth**



## Expanded Comfort Zone 😊

While Fear and Learning People are trying to catch up

# Brief History of HOTMA

# HOTMA Highlight



## *A brief history of HOTMA*

**2016** (Jul 29)

The Housing Opportunities Through Modernization Act (HOTMA) was passed into law. It is the largest revision of HUD processes in many decades. The stated goal was to simplify the program for PHAs, owners/agents, HOME PJs, and residents of HUD program housing. Title I of HOTMA contains 14 sections that affect the public housing and Section 8 rental assistance programs.

**2019** (Sep 17)

HUD published a proposed rule for sections and solicited public comments to regulate HOTMA Sections 102, 103, and 104.

**2023** (Feb 14)

HUD published the Final rule, first as a draft in January, and then officially in the Federal Register in February. It covers Sec. 102 [“Income reviews”], Sec.103 [“Limitation on public housing tenancy for over-income families”], and Sec. 104 [“Limitation on eligibility for assistance based on assets”]. LIHTC, HOME, and

**2023** (Feb 14)

HUD published the Final rule, first as a draft in January, and then officially in the Federal Register in February. It covers Sec. 102 [“Income reviews”], Sec.103 [“Limitation on public housing tenancy for over-income families”], and Sec. 104 [“Limitation on eligibility for assistance based on assets”]. LIHTC, HOME, and NHTF are affected by Sec. 102 provisions.

**2023** (Mar 16)

Section 103 provisions for PHAs become effective

**2023** (Sep 29)

HUD published the joint MFH/PIH HOTMA Implementation Guidance

**2024** (Jan 1)

Sections 102 and 104 rules become effective.

Deadline for PHAs to have their ACOPs and HCV Admin Plans updated for HOTMA.

**2024** (May 31)

Deadline for MFH owners/agents to have policies, procedures, and Tenant Selection Policies adapted for HOTMA. As soon as HUD and owner/agent software allows, the Owner/agent must come into compliance with HOTMA. A 60-day notice of the new Model Leases must be given and households will decide to sign or exit the HUD lease. Although noncompliance with HOTMA will not create negative scoring for Management Occupancy Reviews (MORs) conducted in 2024 by HUD or the Contract Administrator, the owner/agent will have to correct the noncompliance

**2025** (Jan 1)

Latest that PHAs have to bring public housing and HCV programs into compliance with HOTMA, although they are to have it in compliance “as soon as possible” after January 1, 2024. Pending HUD and subsequent PHA software upgrades required that HUD PIH defer the date for PHAs to get into full compliance.

The starting date when HUD MFH HOTMA noncompliance will result in MOR findings.

The latest HUD CPD programs are allowed to come into HOTMA compliance, upon software compliance.

***Fast Fact*** | HOTMA extensively changes how HUD calculates income for a property. This involves both periodic income and income calculated from assets. Besides HUD rental assistance programs, LIHTC, HOME, NHTF, tax-exempt bond, and Rural Development programs.

**URGENT Issues:**

1. State LIHTC implementation schedule? No federal guidance.
2. HOME/NHTF delayed by federal guidance.

# Questions & Answers



What is the point of HOTMA?

**Reduce Burdens**

**PHAs/Owner/Agents/Residents**

# Questions & Answers

What does NOT apply to  
LIHTC/HOME/NHTF?

## 1. Asset limitations

- \$100,000 net assets
- Real property suitable for occupancy

## 2. Discretionary policies

- Reason for HUD TSP revisions

## 3. Annual reexaminations

- Anticipated income, not past



# **ATTACHMENT E: TOPIC: HOUSEHOLD COMPOSITION**

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**ATTACHMENT E: TOPIC: HOUSEHOLD COMPOSITION**

**Regulations**

24 CFR §§ 5.403; 5.603; 5.609; and 891.105

**Applicable Programs**

HUD Multifamily Housing	HUD Multifamily Housing	Public and Indian Housing
Section 8 (Project Based Rental Assistance)	Section 202/811 PRAC, Section 236 IRP, Section 811 PRA	HCV (including Project-Based vouchers), Public Housing, Section 8 Moderate Rehabilitation, Section 8 Moderate Rehabilitation SRO
Yes	Yes <sup>E1</sup>	Yes

**Summary**

See subtopics.

**Subtopics**

**E.1 Definition of Family**

**Regulation:** 24 CFR § 5.403

**Summary:** The final rule revises the definition of family to also include a single person who:

- Is an otherwise eligible youth who has attained at least 18 years of age and not more than 24 years of age;
- Has left foster care, or will leave foster care within 90 days, in accordance with a transition plan described in section 475(5)(H) of the Social Security Act (42 U.S.C. 675(5)(H)); and
- Is homeless or is at risk of becoming homeless at age 16 or older.

The definition of “family” in the final rule incorporates revisions made to the 1937 Act by the Fostering Stable Housing Opportunities provisions of the Consolidated Appropriations Act, 2021, which expands the definition of “single persons.” Due to the modification of the statute prior to this final rule, HUD is making a conforming change to 24 CFR § 5.403 to align with the new statutory language.

## E.2 New Definitions of Foster Adult and Foster Child

**Summary:** The final rule establishes definitions for “foster adult” and “foster child.” A foster adult is defined as a member of the household who is 18 years or older and meets

<sup>E</sup> SPRACs have a program-specific definition of Family found in paragraph 2.3 (Families to be Housed) of the SPRAC II (form HUD-93742a).

ATTACHMENT E: TOPIC: HOUSEHOLD COMPOSITION

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PHA/MFH Owner Discretion: None.

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Foster adults/children **are not considered family members** and must not be included in calculations of income for eligibility and rent determination purposes. However, foster adults/children **are considered household members** and must be included when determining unit size or subsidy standards based on established policies.

under § 5.011(a) for a foster child or foster adult. Consistent with the determination that foster adults/children are not family members, income earned by foster adults/children, payments received for the care of foster adults/children, and expenses incurred related to foster adults/children are not considered to be family income or family expenses used in the determination of annual income. Reasonable unreimbursed child-care expenses (as defined in § 5.603) for foster children under 13 years of age may be deducted from annual income if those expenses are necessary to enable a member of the family to work, look for work, or to further their education.

Families may be eligible to continue to receive the child-care expense deduction, pursuant to a hardship exemption, when the unreimbursed child-care expense is for the care of a foster child under the age of 13, but only if the unreimbursed child-care expense for the care of the foster child is paid from the family's annual income (and not another source, such as a stipend from a child welfare agency). See [Attachment C](#) (paragraph C.5) (Child-Care Expenses Deduction and Hardship Exemption to Continue Child-Care Expenses Deduction) of this notice.

When a member of an assisted family is temporarily placed in foster care (as confirmed by the state child welfare agency), the member is still counted as a family member in the unit from which they were removed. This means that a foster child or foster adult could be considered an assisted family member in one household while also being a foster child or adult in another household and receiving consideration in both families' voucher size and/or unit size.

PHA/MFH Owner Discretion: None.

E.3 Alignment of Family Member Definition Across Programs

Regulations: 24 CFR §§ 5.403; 5.603; and 5.609

Summary: Since approximately 2008, MFH programs have treated foster children and foster adults as family members. Effective with the final rule, foster children and foster adults will be treated as household members in MFH programs. This policy alignment is

## E.2 New Definitions of Foster Adult and Foster Child

the definition of a foster adult under state law. State-level agencies define who is considered a foster adult/child, so the classification may vary from state to state.

In general, a foster adult is unable to live independently due to a debilitating physical or mental condition and is placed with the family by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction.

A foster child is defined as a member of the household who meets the definition of a foster child under state law. In general, a foster child is placed with the family by an authorized placement agency (e.g., public child welfare agency) or by judgment, decree, or other order of any court of competent jurisdiction.

Foster adults/children are not considered **family members** and must not be included in calculations of income for eligibility and rent determination purposes. However, foster adults/children are considered **household members** and must be included when determining unit size or subsidy standards based on established policies.

The definition of “dependent” under § 5.603 was revised to explicitly **exclude** foster children and foster adults. PHAs/MFH Owners may not provide a dependent deduction under § 5.611(a) for a foster child or foster adult. Consistent with the determination that foster adults/children are not family members, income earned by foster adults/children, payments received for the care of foster adults/children, and expenses incurred related to foster adults/children are not considered to be family income or family expenses used in the determination of annual income. Reasonable unreimbursed child-care expenses (as defined in § 5.603) for foster children under 13 years of age may be deducted from annual income if those expenses are necessary to enable a member of the family to work, look for work, or to further their education.

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Figure 5-2: Whose Income is Counted?

Members	Employment Income	Other Income (including income from assets)
Head	Yes	Yes
Spouse	Yes	Yes
Co-head	Yes	Yes
Other adult (including foster adult)	Yes	Yes
Dependents		
-Child under 18	No	Yes
Full-time student over 18	See Note	Yes
Foster child under 18	No	Yes
<b>Nonmembers</b>		
Live-in aide	No	No

**NOTE:** The earned income of a full-time student 18 years old or older who is a dependent is excluded to the extent that it exceeds \$480.

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Dependents		
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Full-time student over 18	See Note	Yes
<b>Nonmembers</b>		
Live-in aide	No	No
Foster child under 18 foster adult		
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<b>Nonmembers</b>		
Live-in aide	No	No
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foster adult	No	No

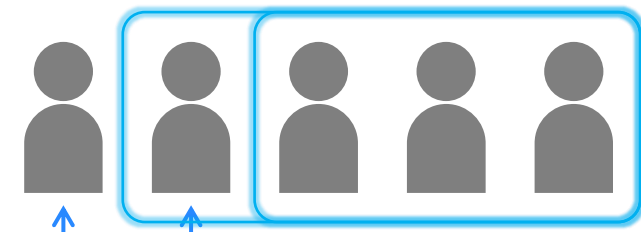
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Foster child under 18	No	No
foster adult	No	No

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New Change 4...



3-person family household

Live-in Aide

Foster Child

# **ATTACHMENT G: TOPIC: INCOME EXCLUSIONS**

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ATTACHMENT F: TOPIC: INCOME

Regulations

24 CFR §§ 5.100; 5.603; 5.603(b); 5.603(b)(3) – (b)(4); 5.609; 5.609(a)(1) – (a)(2); 5.618; 882.515(a); 882.808(i)(1); 891.105; 891.655; 960.259(c)(2); and 982.516(a)(3)

Applicable Programs

HUD Multifamily Housing	HUD Multifamily Housing	Public and Indian Housing
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## SIMPLIFIED DEFINITION!

### F.1 Annual Income

**Regulations:** 24 CFR §§ 5.609(a)(1)–(a)(2); and 891.105

**Summary:** Annual income includes all amounts received from all sources by each member of the family who is 18 years of age or older, the head of household, or spouse of the head of household, in addition to unearned income received by or on behalf of each dependent who is under 18 years of age. Annual income does not include amounts specifically excluded in paragraph (b) of 24 CFR § 5.609. See [Attachment G](#) (Income Exclusions). All amounts received by the head of household, co-head, or spouse, including the income of a day laborer, independent contractor, and seasonal worker (see paragraphs F.2.a, F.2.b, and F.2.c, below) are included in annual income regardless of age, unless otherwise excluded in paragraph (b) of 24 CFR § 5.609.

applicable debts, PHAs/MFH Owners must use the gross amount of the income, prior to the reduction, to determine a family's annual income.

<sup>F1</sup> See: <https://www.dol.gov/general/topic/wages/garnishments>; and <https://faq.ssa.gov/en-us/Topic/article/KA-01873>.

## HUD Housing Notice 2023-10 F.1 Annual Income

ATTACHMENT F: TOPIC: INCOME

Regulations

24 CFR §§ 5.100; 5.603; 5.603(b); 5.603(b)(3) – (b)(4); 5.609; 5.609(a)(1) – (a)(2); 5.618; 882.515(a); 882.808(i)(1); 891.105; 891.655; 960.259(c)(2); and 982.516(a)(3)

Applicable Programs

HUD Multifamily Housing	HUD Multifamily Housing	Public and Indian Housing
Section 8 (Project Based Rental Assistance)	Section 202/162 PAC, Section 202/8, Section 202/811 PRAC, Section 236 IRP, Section 811 PRA, SPRAC	HCV (including Project-Based vouchers), Public Housing, Section 8 Moderate Rehabilitation, Section 8 Moderate Rehabilitation SRO



**Note:** Annual income includes “all amounts received,” not the amount that a family may be legally entitled to receive but **did not**. For example, a family’s child-support or alimony income must be based on payments received, not the amounts the family is entitled to receive based on any court or agency order. A copy of a court order or other written payment agreement alone may not be sufficient verification of amounts received by a family. However, when a family member’s wages or benefits are garnished, levied, or withheld<sup>F1</sup> to pay restitution, child support, tax debt, student loan debt, or other applicable debts, PHAs/MFH Owners must use the gross amount of the income, prior to the reduction, to determine a family’s annual income.

<sup>F1</sup> See: <https://www.dol.gov/general/topic/wages/garnishments>; and <https://faq.ssa.gov/en-us/Topic/article/KA-01873>.

HUD Housing Notice 2023-10  
F.1 Annual Income

# ATTACHMENT J: TOPIC: VERIFICATION

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## J.5 Verification Hierarchy

**Regulation:** 24 CFR §§ 5.240(c); 5.659(d); 891.105; 891.410(b)-(c) and (g); 891.610(b)-(c) and (g); 960.259(c); 982.201(e); and 982.516(a)(2)

**Summary:** PHAs/MFH Owners are responsible for obtaining third-party verification of reported family annual income, the value of assets, expenses related to deductions from annual income, and other factors that affect the determination of adjusted income. Third-party verification is a process by which PHAs/MFH Owners gather information (e.g., about the family’s annual income, value of assets, etc.) independently from the source of the income, assets, expenses, or other factors that affect the determination of adjusted income. Third-party verification may be obtained directly from the third party or through the family. PHAs/MFH Owners must document in the tenant file the reason why third-party verification was not available unless HUD’s regulations specifically permit families to self-certify a particular component of adjusted income.

HUD developed a hierarchy (see table J2, below) that describes verification documentation from most acceptable to least acceptable. The PHA/MFH Owner must demonstrate efforts to obtain third party verification prior to accepting self-certification except instances when self-certification is explicitly allowed (e.g., net family assets that do not exceed \$50,000).

A description of each verification technique and additional guidance follows Table J2.



Rev. Proc. 94-65, 1994-2 CB 798--IRC Sec(s). 42

October 11, 1994

**1. Purpose**

This revenue procedure informs housing credit agencies (Agency) and owners of qualified low-income housing projects (owners) when a signed, sworn statement by a low-income tenant will satisfy the documentation requirement of section 1.42-5(b)(1)(vii) of the Income Tax Regulations.

**2. Background**

Section 1.42-5 provides the minimum requirements that an Agency's compliance monitoring procedure must contain to satisfy its compliance monitoring duties under section 42(m)(1)(B)(iii). Section 1.42-5(b)(1)(vi) provides that an Agency must require an owner to keep records for each qualified low-income building in the project that show for each year in the compliance period the annual income certifications of each low-income tenant per unit. Section 1.42-5(b)(1)(vii) provides that an Agency must require an owner to keep documents for each qualified low-

\$5,000 threshold that determined when income was required to be imputed (i.e. apply the passbook rate)

The Internal Revenue Service has determined that an owner may satisfy the documentation requirement of section 1.42-5(b)(1)(vii) for a low-income tenant's income from assets by obtaining a signed, sworn statement from the tenant or prospective tenant if (1) the tenant's or prospective tenant's Net Family assets do not exceed \$5,000, and (2) the tenant or prospective tenant provides a signed, sworn statement to this effect to the building owner. See H.R. Conf. Rep. No. 213, 103d Cong., 1st Sess. 544 (1993).

definition of "Net Family assets" in 24 CFR 813.102, which provides definitions for the H.U.D. section 8 program.

.02 Except as provided in sections 4.03 and 4.04 of this revenue procedure, an Agency's monitoring procedure may provide that an owner may satisfy the

Revenue Procedure 94-65

ATTACHMENT F: TOPIC: INCOME

Regulations

24 CFR §§ 5.100; 5.603; 5.603(b); 5.603(b)(3) – (b)(4); 5.609; 5.609(a)(1) – (a)(2); 5.618; 882.515(a); 882.808(i)(1); 891.105; 960.259(c)(2); and 982.516(a)(3)

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Yes	Yes	Yes

Summary

See subtopics.

Subtopics

F.1 Annual Income

HOTMA increases threshold that determines when income is now required to be imputed (i.e. apply the passbook rate)

Annual income also includes all actual anticipated income from assets even if the asset is excluded from net family assets but the income from the asset is not otherwise excluded. Imputed returns on net family assets are included in annual income only when net family assets exceed \$50,000 (a figure that is annually adjusted for inflation) and actual asset income cannot be calculated for all assets (see F.6.b, below, for a discussion of scenarios where income can be calculated for some but not all assets). PHAs/MFH Owners will not impute income from assets if the total value of net family assets is equal to or less than \$50,000 (as adjusted by inflation). See paragraph F.4.a (Determining Net Family Assets),

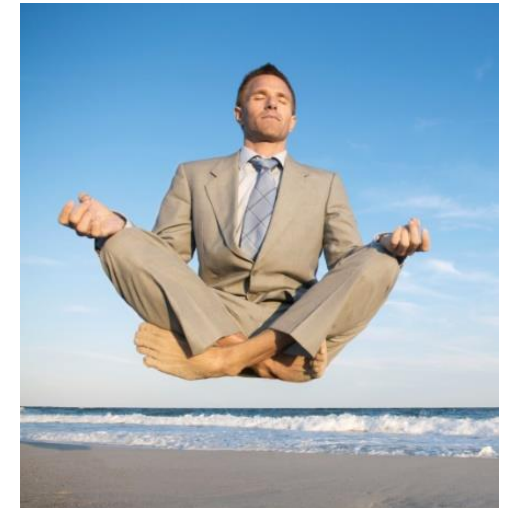
HUD Housing Notice 2023-10

**F.1 Annual Income**

Table J2: Verification Hierarchy

Level	Verification Technique	Ranking/Order of Acceptability
6	Upfront Income Verification (UIV), using HUD's Enterprise Income Verification (EIV) system	Highest PHAs/MFH Owners must pull the EIV Income Report for each family at every Annual Reexamination.  EIV may be used as the sole verification of Social Security income.  EIV income information may be used to calculate other types of annual income when family agrees. See Level 4 for more information.
5	Upfront Income Verification (UIV) using non-EIV system (e.g., The Work Number, web-based state benefits systems, etc.)	Highest
4	Written, third-party verification from the source, also known as "tenant-provided verification"  OR  EIV + Self-Certification  PHAs/MFH Owners can choose either option when both are available to verify income. PHAs/MFH Owners must use written, third-party verification when the income type is not available in EIV (e.g., self-employment, Go Fund Me accounts, general public assistance, Veterans Administration benefits, etc.)	High  <ul style="list-style-type: none"> <li>Written, third-party verification is used when tenant disputes EIV-reported employment and income information.</li> <li>The EIV Income Report may be used to verify and calculate income if the family self-certifies that the amount is accurate and representative of current income. The family must be provided with the information from EIV.</li> </ul>

LIHTC  
↓



HUD Housing Notice 2023-10, Table J2

except instances when self-certification is explicitly allowed (e.g., net family assets that do not exceed \$50,000).

A description of each verification technique and additional guidance follows Table J2.

Table J2: Verification Hierarchy

Level	Verification Technique	Ranking/Order of Acceptability
6	Upfront Income Verification (UIV), using HUD's Enterprise Income Verification (EIV) system	Highest PHAs/MFH Owners must pull the EIV Income Report for each family at every Annual Reexamination. EIV may be used as the sole verification of Social Security income. EIV income information may be used to calculate other types of annual income when family agrees. See Level 4 for more information.
5	Upfront Income Verification (UIV) using non-EIV system (e.g., The Work Number, web-based state benefits systems, etc.)	Highest

3	Written, Third-Party Verification Form	Medium	<ul style="list-style-type: none"> <li>Use if Level 5 or Level 4 verification is not available or is rejected by the PHA/MFH Owner and when the applicant or tenant is unable to provide acceptable documentation.</li> <li>May substitute Level 2 for written, third-party verification form, only completing one of the two forms of verification before moving to self-certification.</li> </ul>						
2	Oral Third-Party Verification	Medium	<table border="1"> <tbody> <tr> <td>1</td> <td>Self-Certification (not third-party verification)</td> <td>Low</td> </tr> <tr> <td colspan="3">Use as a last resort when unable to obtain any type of third-party verification or if specifically permitted, such as to determine actual income from assets when the family certifies that net family assets do not exceed \$50,000.</td> </tr> </tbody> </table>	1	Self-Certification (not third-party verification)	Low	Use as a last resort when unable to obtain any type of third-party verification or if specifically permitted, such as to determine actual income from assets when the family certifies that net family assets do not exceed \$50,000.		
1	Self-Certification (not third-party verification)	Low							
Use as a last resort when unable to obtain any type of third-party verification or if specifically permitted, such as to determine actual income from assets when the family certifies that net family assets do not exceed \$50,000.									
	2 Oral Third-Party Verification	Medium							



Examples of acceptable tenant-provided documentation (generated by a third-party source) include but are not limited to the following: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

PHAs/MFH Owners are required to obtain a minimum of two current and consecutive pay stubs for determining annual income from wages when they do not elect to use EIV + Self-Certification or the income type is not reported in EIV. MFH Owners were previously required to collect the most recent four to six weeks of pay stubs to verify employment income. For new income sources or when two pay stubs are not available, the PHA/MFH Owner should determine income based on the information from a traditional written, third-party verification form or the best available information.

**HUD Housing Notice 2023-10, Table J2**

When verification of assets is required, PHAs/MFH Owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts. MFH Owners were previously required to average the balance of six checking account statements to determine the cash value of a checking account.



date.

- **Written, Third-Party Verification Form (Level 3):** This practice is also known as "traditional third-party verification." This type of verification is a form developed by the PHA/MFH Owner and used uniformly for all families when needed to collect information from a third-party source. The form is completed by the third party by hand (in writing or typeset). PHAs/MFH Owners send the form directly to the third-party source by mail, fax, or email.

The PHA/MFH Owner may skip this level of verification before attempting Level 2, which means they will have only completed Level 3 or Level 2 verification before moving to Self-Certification.

- **Oral Third-Party Verification (Level 2):** Independent verification of information by contacting the individual income/expense source(s), as identified through the UIV technique, or identified by the family, via telephone or in-person visit. PHA/MFH Owner staff must document in the tenant file the date and time of the telephone call (or visit to the third party) and the name of the person contacted and their telephone number, along with the confirmed information.

This verification method is commonly used when the independent source does not respond to the PHA/MFH Owner's faxed, mailed, or e-mailed request for information in a reasonable time frame (e.g., 10 business days).

The PHA/MFH Owner may skip this level of verification if they attempted Level 3, which means they will have only completed Level 3 or Level 2 verification before moving to Self-Certification.

- **Non-Third-Party Verification Technique: Self-Certification (Level 1):** The tenant submits a signed statement of reported income and/or expenses to the PHA/MFH Owner. This verification method should be used as a last resort when the PHA/MFH Owner has not been successful in obtaining information via all other required verification techniques. When the PHA/MFH Owner relies on self-certification to verify income or expenses, the PHA/MFH Owner

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Previously...



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# **“Safe Harbor” Other Means-Tested Determinations**

# “Safe Harbor” Means-Tested Programs

- (A) **TANF** | The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.).
- (B) **Medicaid** (42 U.S.C. 1396 et seq.).
- (C) **SNAP** | The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.).
- (D) **EITC** | The Earned Income Tax Credit (26 U.S.C. 32).
- (E) **LIHTC** | **LIHTC income determinations will affect tenant rent!**
- (F) **WIC** | The Special Supplemental Nutrition Program for Women, Infants, and Children (42 U.S.C. 1786).
- (G) **SSI** | Supplemental Security Income (42 U.S.C. 1381 et seq.).
- (H) Other programs administered by the Secretary.
  - (I) Other means-tested forms of Federal public assistance for which HUD has established a memorandum of understanding.
  - (J) Other Federal benefit determinations made in other forms of means-tested Federal public assistance that the Secretary determines to have comparable reliability and announces through the Federal Register.

# “Safe Harbor” Verifications

If a PHA or owner intends to use the annual income determination made by an administrator for allowable forms of Federal means-tested public assistance, the PHA or owner must obtain it using the appropriate third-party verification. The verification must indicate the tenant’s family size and composition and state the amount of the family’s annual income. The verification must also meet all HUD requirements related to the length of time that is permitted before the third-party verification is considered out-of-date and is no longer an eligible source of income verification.

If the appropriate third-party verification is unavailable, or if the family disputes the determination made for purposes of the other form of Federal means-tested public assistance, the PHA or owner must calculate annual income per HUD’s usual anticipated income rules.


If a state LIHTC agency is going to allow the income determination of other means-tested programs, they will likely design a form for this purpose for the administrator of the means-tested program to complete. The Safe Harbor verification *may be in the form of an award letter* from the relevant federal program and must show that the family’s income determination was made in the previous 12 months. HUD clarifies in this notice that the verification will be considered acceptable if the documentation meets the criteria that the income determination was made within the 12 months before the receipt of the verification by

# “Safe Harbor” Verifications

The Safe Harbor documentation will be considered acceptable if any of the following dates fall into the 12 months before the receipt of the documentation by the PHA/MFH Owner:

- Income determination effective date.
- Program administrator’s signature date.
- Family’s signature date.
- Report effective date.
- Other report-specific dates that verify the income determination date.

# Questions & Answers



What if the other program doesn't do it right? Don't they have to use HUD definitions?

- **No**
- **This is a “safe harbor” by law**
- **Long allowed by tax code from PHAs**
- **One-form verification – income/assets**
- **Use program limits and student eligibility**

# PART 2

Income Changes and Updates

# Speakers

- **Stephanie Naquin**, Director of Multifamily Property Compliance | Novogradac & Company LLP
- **Wendy Fitzhugh**, Vice President, HUD Programs | National Center for Housing Management
- **Gary Kirkman**, Director of Compliance Training | US Housing Consultants

# Wendy Fitzhugh

Vice President, HUD Programs | National Center for Housing  
Management

# Definition of “Income” 24 CFR 5.609

OLD	NEW
<p><i>(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. [...]</i></p>	<p><i>(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, and (2) When the value of net family assets exceeds \$50,000 (which amount HUD will adjust annually in accordance with the Consumer Price Index for Urban Wage Earners and Clerical Workers) and the actual returns from a given asset cannot be calculated, imputed returns on the asset based on the current passbook savings rate, as determined by HUD. [...]</i></p>

# Definition of “Income” 24 CFR 5.609

## OLD

*(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. [...]*

- Troubling first phrase: “means” (vs. “includes”)
- Vague vocabulary
  - Amounts
  - Behalf
  - Anticipated
- Omits the key difference between “earned” and “unearned” income
- Asset income definition fails to address imputed income from assets.

# Definition of “Income” 24 CFR 5.609

- Income inclusions and exclusions built into the definition
- Demonstrates difference between earned and unearned income
- Far clearer asset income definition that includes imputing rules

## NEW

*(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, and (2) When the value of net family assets exceeds \$50,000 (which amount HUD will adjust annually in accordance with the Consumer Price Index for Urban Wage Earners and Clerical Workers) and the actual returns from a given asset cannot be calculated, imputed returns on the asset based on the current passbook savings rate, as determined by HUD.[...]*

# Income Exclusions

- Industry standard was to include any income that was not otherwise specifically excluded by HUD – this has not changed.
- There are many **new** income exclusions not yet considered pre-HOTMA.
  - Highlights:
    - All income received by fosters
    - Workers' compensation
    - Home-based care payments for a family member with a disability
    - Replacement housing gap payments

# Nonrecurring Income

- Temporary, sporadic, and non-recurring income that is considered excluded is now more precisely defined.
  - *Income that will not be repeated beyond the coming year ... is considered nonrecurring income and is excluded from annual income.*
- Specific examples:
  - Census employment ( $\leq 180$  days)
  - Stimulus payments
  - Gifts for significant events
  - In-kind donations
  - Income with discrete end dates

# Nonrecurring vs. Categorically Recurring

- To counter arguments that specific employers, or individual projects or odd-jobs are nonrecurring income that must be excluded, HUD affirmatively includes three categories of income as part of the annual income calculation.
  - Independent contracting
  - Day labor
  - Seasonal work
- Amounts received from these categories of employment are always included as income.

# Independent Contracting

## Definition:

*An independent contractor is 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 they have the right to control or direct only the conduct of the work.*

## Examples

- Third-party delivery/ transportation services
- Gig workers
  - Landscapers
  - Rideshare drivers
  - House cleaners

# Day Labor

## Definition:

*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*

## Examples

- Handypersons
- People who perform “odd-jobs”
- Babysitters

# Seasonal Work

## Definition:

*An individual who is: 1) hired into a short-term position ... and 2) 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 employer or industry*

## Examples

- Lifeguards
- Holiday workers
- Agricultural workers
- Ballpark vendors

# Updates to List of Federally Mandated Income Exclusions

- Not HOTMA, but still important
- Some sources of income are not excluded per HUD's *direct* guidance; the laws associated with these income sources specifically exclude them from being counted.
- January 31, 2024 update supersedes May 20, 2014 listing
  - Four new income exclusions
  - Four modifications to previous exclusions

# New Federally Mandated Income Exclusions

- Supportive services payments and reimbursements of out-of-pocket expenses as paid through the Domestic Volunteer Service Act of 1973, unless the CEO of the Corporation for National and Community Service determines that the payments earned by a participant are greater than or equal to the amount they could earn if paid at minimum wage.
- Any refund issued under the Internal Revenue Code. Such refunds or refundable tax credits are excluded from both income and assets for a period of 12 months following its receipt.
- Value of, distributions from, and certain contributions to ABLE accounts
- Payments made under the Emergency Rental Assistance Program (Consolidated Appropriations Act of 2021)

## Modified Federally Mandated Income Exclusions

- Tribal Trust Settlements – first \$2,000 of per capita shares excluded unless the per capita payments exceed the amount of the original proceeds under the trust, and they are made from a Tribe’s private bank account into which the Tribe has deposited settlement proceeds (previous exclusion vii)
- Spina bifida payments that go to veterans who served in Thailand also excluded (previous exclusion xvi)
- Wording of income exclusion for programs under NAHASDA (Native American Housing Assistance and Self-Determination Act) has adjusted (previous exclusion xxii)
- Clarification that assistance, benefits, or amounts earned by or provided to individual development accounts excluded, per Assets for Independence Act (previous exclusion xxiv)

# Gary Kirkman

Director of Compliance Training | US Housing Consultants

# Student Financial Assistance

- Under HOTMA, HUD changed its definition of student financial assistance for the purpose of determining annual income.
- The reason behind this change stems from the provision in Section 479B of the Higher Education Act (HEA).
  - This particular section prohibits the consideration of student financial assistance covered by the HEA when assessing eligibility for any other programs funded by the federal government.

# Student Financial Assistance

- For households **not receiving Section 8 assistance**, the Section 8 component was removed from the 24 § CFR 5.609; meaning, any household receiving student financial assistance, **regardless** of whether or not subsidy is being received, may need to have student financial assistance included in the household's annual income determination.
- The new regulation **does not** include an exception:
  - For students who are over the age of 23 with a dependent child; **OR**
  - For students who are living with their parents.

# Student Financial Assistance

- Evaluate the inclusion/exclusion of student financial assistance by asking:  
“Does the household receive Section 8 Assistance?”
  - If “**Yes**” follow the previous/current regulations.\*\*
  - If “**No**” follow the new regulations under HOTMA.

# Student Financial Assistance – Section 8 Assistance

- For applicants/tenants **RECEIVING** Section 8, **INCLUDE** the amount of student financial assistance in **EXCESS** of tuition and fees, **UNLESS**:
  1. The student is over the age of 23 (i.e., 24), with a dependent child, **OR**
  2. The student is living with their parent who receives the Section 8 assistance.

**\*\*Note**: If the student meets either of the above exceptions, their income must be calculated as if the household does **not** receive Section 8. (Refer to the HOTMA Regulations for determining student financial assistance.)

# Student Financial Assistance – Section 8 Assistance

- HUD defines student financial assistance as:
  - Assistance received under the Higher Education Act of 1965, such as:
    - Pell Grants, Federal Supplemental Education Opportunity Grants, Academic Achievement Incentive Scholarships, State Assistance Partnership Program, Robert G. Byrd Honors Scholarship Program, and Federal Work-Study Programs
  - Private Sources (non-governmental sources) such as:
    - Assistance from a parent, guardian, or another family member
  - Scholarships

# Student Financial Assistance – Section 8 Assistance

## Example – Household RECEIVES Section 8 Assistance

*Ella is 32, lives alone in a unit and receives Section 8 assistance. Ella reports that she is attending college where her annual tuition is \$17,500. Ella also receives the following student financial assistance:*

- *Pell Grant - \$9,000 a year*
- *Scholarship - \$4,000 a year*
- *Assistance from her parents - \$5,000 a year*

*In this example, only **\$500** (\$18,000 (total financial assistance) - \$17,500 (tuition) = \$500) from the financial assistance would be **included** as income as Ella receives Section 8 assistance but is not over the age of 23 with a dependent child nor does she live with her parents who receives the Section 8 assistance.*

# Student Financial Assistance – Section 8 Assistance

## Example – Household RECEIVES Section 8 Assistance

*Tabitha is 24, lives alone in a unit and receives Section 8 assistance. Tabitha reports that she is attending college where her annual tuition is \$22,000. Tabitha also receives the following student financial assistance:*

- *Pell Grant - \$12,000 a year*
- *Scholarship - \$8,000 a year*

*In this example, **\$0** (\$20,000 (total financial assistance) - \$22,000 (tuition) = \$-2,000) would be counted for student financial assistance as Tabitha receives Section 8 assistance but is not over the age of 23 with a dependent child nor does she live with her parents who receives the Section 8 assistance.*

# Student Financial Assistance – Non-Section 8 Assistance

- Two steps can be used to determine the amount of student financial assistance to include in the household's annual income, if any:

**STEP 1:** Subtract the amount received under section 479B of the HEA from the actual covered costs to arrive at the amount of actual covered costs exceeding section 479B assistance.

$$\text{(Actual Covered Costs – HEA Assistance) = “x”}$$

**STEP 2:** Subtract the actual covered costs exceeding section 479B assistance from the amount of other student financial assistance to arrive at the amount of student financial assistance included in income.

$$\text{(Non-HEA Assistance – “x” = Income)}$$

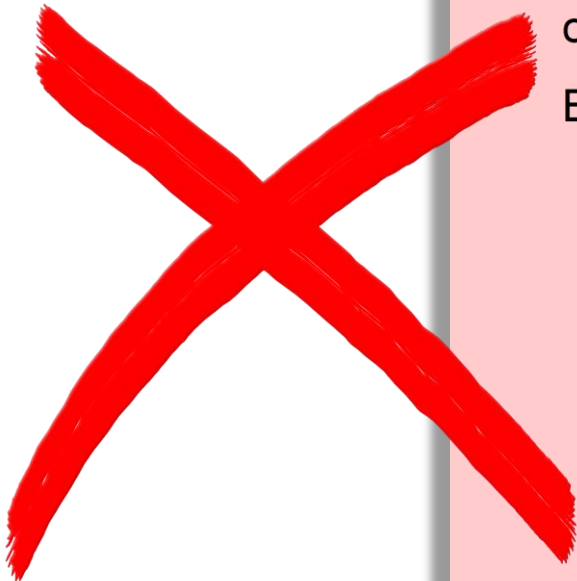
# Student Financial Assistance – Non-Section 8 Assistance

- Higher Education Act

✘ **All assistance** under the 479B of Higher Education Act (HEA) or the Bureau of Indian Affairs Student assistance program (BIA), **even amounts in excess** of actual covered costs of the student, is **excluded** from income.

Examples:

- ✘ Federal Pell Grants;
- ✘ Teach Grants;
- ✘ Federal Work Study Programs;
- ✘ Federal Perkins Loans;
- ✘ Student financial assistance received under the Bureau of Indian Education;
- ✘ Higher Education Tribal Grant;
- ✘ Tribally Controlled Colleges or Universities Grant Program;
- ✘ Employment training program under section 134 of the Workforce Innovation and Opportunity Act (WIOA).



# Student Financial Assistance – Non-Section 8 Assistance

## • Other Assistance (Non-HEA Assistance)

- ✓ **Other assistance**, such as scholarships or grants **not covered under HEA or BIA**; the amount of assistance **that is in excess** of actual covered costs of the student are **included** in annual income.

This can include grants or scholarships received from the following sources:

- ✓ The Federal government;
- ✓ A state (including U.S. territories), Tribe, or local government;
- ✓ A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3);
- ✓ A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity); or
- ✓ An institution of higher education.



# Student Financial Assistance – Non-Section 8 Assistance



- **The following is no longer considered student financial assistance, under HOTMA:**
  - Financial support provided to the student in the form of a fee for services performed (e.g., a work study or teaching fellowship that is not excluded under section 479B of the Higher Education Act HEA); or
  - Gifts, including gifts from family or friends

# Student Financial Assistance – Non-Section 8 Assistance

- **Actual Covered Costs include:**
  - Tuition, books, supplies (including supplies and equipment to support students with learning disabilities or other disabilities),
  - Room and board, and fees required and charged to a student by an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1087uu)).
  - For a student who is not the head of household, co-head, or spouse, actual covered costs also include the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

# Student Financial Assistance – Non-Section 8 Assistance

## **Example 1 – Combined Assistance (HEA Assistance & Non-HEA Assistance)**

*A student, who does not receive Section 8 assistance, receives the following in student financial assistance:*

- \$15,000 – Scholarship under the HEA
- \$5,000 – Private Scholarship not covered under HEA

*Student's actual covered costs: **\$22,000***

**Step 1: Subtract the amount HEA Assistance from the actual covered costs.**

$$\$22,000 \text{ (Actual Covered Cost)} - \$15,000 \text{ (HEA Assistance)} = \$7,000$$

**Step 2: Subtract the amount determined in Step 1 from the Non-HEA Assistance.**

$$\$5,000 \text{ (Non-HEA Assistance)} - \$7,000 \text{ (Step 1 Amount)} = \$0$$

→ *As the amount of the scholarship combined with the assistance excluded under HEA (\$20,000) is less than the student's actual covered costs (\$22,000), **no financial assistance will be included in income.***

# Student Financial Assistance – Non-Section 8 Assistance

## **Example 2 – Combined Assistance (HEA Assistance & Non-HEA Assistance)**

*A student, who does not receive Section 8 assistance, receives the following in student financial assistance:*

- \$15,000 – Scholarship under the HEA
- \$5,000 – Private Scholarship not covered under HEA

*Student's actual covered costs: **\$18,000***

**Step 1: Subtract the amount HEA Assistance from the actual covered costs.**

$$\$18,000 \text{ (Actual Covered Costs)} - \$15,000 \text{ (HEA Assistance)} = \$3,000$$

**Step 2: Subtract the amount determined in Step 1 from the Non-HEA Assistance.**

$$\$5,000 \text{ (Non-HEA Assistance)} - \$3,000 \text{ (Step 1 Amount)} = \$2,000$$

**→ As the student's assistance is more than actual covered costs, the excess of \$2,000 must be included when determining income.**

# Student Financial Assistance – Non-Section 8 Assistance

## **Example 3 – ONLY HEA Assistance**

*A student, who does not receive Section 8 assistance, receives the following in student financial assistance:*

- \$25,000 – Scholarship under the HEA

*Student's actual covered costs: **\$18,000***

*→ Since the only form of student financial assistance received is covered under the HEA, **the entire amount of the above scholarship is excluded from income**, even though the assistance exceeds actual covered costs.*

# Student Financial Assistance – Non-Section 8 Assistance

## **Example 4 – ONLY Non-HEA Assistance**

*A student, who does not receive Section 8 assistance, receives the following in student financial assistance:*

- \$28,000 – Private Scholarship not covered under the HEA
- \$5,000 – Private Grant not covered under the HEA

*Student's actual covered costs: **\$22,000***

*→ Since none of the financial assistance received is covered under the HEA, the amount of the student financial assistance that **exceeds actual covered costs**, in this case, **\$11,000**, must be included in income. (\$33,000 – \$22,000 = \$11,000).*

# PART 3

Identifying and Calculating Tenant Assets

# Speakers

- **Scott Michael Dunn**, Chief Executive Officer/Principal | Costello Compliance
- **Ronnette Jameson-Smith**, Senior Trainer | Zeffert & Associates, Inc.
- **Samantha Sowards**, Senior Manager of Professional Development | Nan McKay & Associates, Inc.

# Real Property and Personal Property

**Ronnette Jameson-Smith**, Senior Trainer | Zeffert & Associates, Inc.

# Types of Assets

- All assets are categorized as either:
  - Real property
  - OR
  - Personal property

# What is real property?

- *Real property* has the same meaning as that provided under the state law in which the real property is located
  - Examples include a home or a piece of land
- Equity in real property is included
  - The cash value of real property or other assets with negative equity would be considered \$0 for the purpose of calculating net family assets

# Real Property Exclusion

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

# Personal Property

- Items that are not real property are considered personal property
- Personal property is categorized as either:
  - Necessary
  - OR
  - Non-necessary

# Necessary Personal Property Exclusion

- Necessary personal property is excluded from net family assets

## Definition: Necessary Personal Property

- Items essential to the family for the maintenance, use, and occupancy of the premises as a home; or they are necessary for the employment, education, or health and wellness
- Includes more than merely items that are indispensable to the bare existence of the family
- Items that assist a household member with a disability
- May include:
  - Personal effects
  - Items that are convenient or useful to a reasonable existence
  - Items that support and facilitate daily life within the family's home

# Examples: Necessary Personal Property

- Car(s)/vehicle(s) that a family relies on for transportation for personal or business use (e.g., bike, motorcycle, skateboard, scooter)
- Furniture, carpets, linens, kitchenware
- Common appliances
- Common electronics (e.g., radio, television, DVD player, gaming system)
- Clothing
- Personal effects that are not luxury items (e.g., toys, books)
- Wedding and engagement rings

# Non-Necessary Personal Property

Non-Necessary personal property is included in net family assets if combined value exceeds \$50,000

## Examples: Non-Necessary Personal Property

- 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
- 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
- Other items such as gems/precious metals, antique cars, artwork, etc.

# Non-Necessary Personal Property

## Included as net family assets:

- Non-necessary personal property with a combined value greater than \$50,000, as adjusted by inflation

## Excluded from net family assets:

- When the combined value of all non-necessary personal property does not exceed \$50,000, as adjusted by inflation, all non-necessary personal property is excluded

# Asset Exclusions

**Ronnette Jameson-Smith**, Senior Trainer | Zeffert & Associates, Inc.

# Retirement Accounts

- IRS-recognized retirement accounts are excluded from net family assets
  - Examples: IRAs, employer retirement plans, and retirement plans for self-employed individuals
  - See IRS website for types of retirement plans
- 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
- An annuity if not recognized by the IRS will still be included as an asset

# Trusts

- Exclude from net family assets:
  - Full amount of assets held in an irrevocable trust
    - Must not consider actual income earned (e.g., interest earned, rental income if property is held in the trust) for so long as the income from the trust is not distributed
  - Full amount of assets held in a revocable trust where a family member is the beneficiary, but the grantor/owner and trustee of the trust is not a member of the participant family or household

# Trusts

- For revocable trusts considered part of net family assets, distributions from the trust are not considered income to the family
- For revocable or irrevocable trusts not considered part of net family assets, distributions from the trust are treated as follows:
  - Included in the family's income
    - Actual income
    - Distributions of income earned by the trust (i.e., interest, dividends, realized gains, or other earnings on the trust's principal), unless the distribution is used to pay for the health and medical expenses of a minor
  - Excluded from the family's income
    - All distributions from the trust's principal

# 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
- 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

# Income from 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

# Asset Exclusions (continued)

**Samantha Sowards**, Senior Manager of Professional Development |  
Nan McKay & Associates, Inc.

# 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
- At an annual or interim, if the federal tax refund was received during the 12 months before the effective date of the reexam, then the amount of the refund must be subtracted from the total value of net family assets
  - When the subtraction results in a negative number, net family assets are considered \$0

# Tax Refund Verification

- Not required to verify the amount of the family's federal tax refund or refundable tax credit(s) if the family's net assets are equal to or below \$50,000 (adjusted annually for inflation)
  - Even in years when full verification of assets is required or if self-certification of assets is not accepted
- Must verify the amount of the family's federal tax refund or refundable tax credits if the family's net assets are greater than \$50,000

# Anticipated Income

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

## Example: Rodriguez Family

- The Rodriguez family received a \$4,500 federal tax refund on 3/1
- At their 8/1 annual, the family explains they received a \$4,500 refund and deposited the refund into their checking account, which has a balance of \$10,000
- Family reports actual income of \$100 from the checking account
- Family owns no other assets
- Total calculation of net family assets is \$10,000

## Example: Rodriguez Family

- In determining the total value of net family assets:
  - \$10,000 of net family assets
  - \$4,500 refund
  - \$5,500 total countable assets
- \$100 in actual income is included as income because actual income always included

# Net Family Assets

**Samantha Sowards**, Senior Manager of Professional Development |  
Nan McKay & Associates, Inc.

# 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
  - 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
- To determine net family assets, calculate the net cash value of each asset
  - Market value minus reasonable costs = Net cash value
- Net family assets is the net cash value of all assets added together

# Actual Income and Returns from Assets

**Samantha Sowards**, Senior Manager of Professional Development | Nan McKay & Associates, Inc.

# Actual Income from Assets

- Income or returns from assets are generally considered to be: interest, dividend payments, and other actual income earned on the asset
  - Some assets generate no income (e.g., non-interest-bearing checking accounts)
- Income from assets is always anticipated
  - Regardless of the certification type

# Net Family Assets \$50,000 or Less

- When combined net family assets total \$50,000 or less:
  - May determine net family assets based on a self-certification
  - Actual income from assets is always included in a family's annual income
    - Unless that income is specifically excluded by 24 CFR § 5.609(b)
    - Regardless of the total value of net family assets or whether the asset itself is included or excluded from net family assets
  - May not calculate any imputed income

# Example: Eugene Park

- Eugene Park owns:
  - A non-interest-bearing checking account worth \$3,500
  - A savings account with a balance of \$10,000 for which he expects to earn \$300 in annual interest
- Both assets are non-necessary personal property
- Combined value of \$13,500 does not exceed \$50,000
- Both accounts are excluded from the calculation of net family assets
- Actual income from assets to be included: \$300
  - \$0 from checking account + \$300 from savings account

# Assets Exceeding \$50,000

- When net family assets exceed \$50,000:
  - If actual returns can be calculated, include actual income
    - E.g., a savings account, stock, or CD with a verifiable rate of return
  - If actual returns cannot be calculated, must calculate imputed returns using the HUD-determined passbook rate
    - E.g., recreational boat
- What if the PHA/owner 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

# Imputed Income

- An asset with an actual return of \$0 (e.g., non-interest-bearing checking account), is not the same as an asset for which an actual return cannot be calculated (e.g., recreational boat)
- If the asset generates no income, then the asset generates zero actual asset income, and imputed income is not calculated

# HUD-Determined Passbook Rate

- Prior to HOTA, passbook rate:
  - MF Owners: 0.06% (also in LIHTC)
  - PHAs: Set their own passbook rates
- With HOTA, HUD will publish a passbook rate annually
- For 2024, the passbook rate is 0.40%
  - For reexams that occur after January 1, 2024, but before the date on which the PHA/MFH Owner implements the new passbook rate, PHAs may continue to set their own passbook rates, and MFH Owners must continue to use the 0.06% passbook rate

## Example: Jorgensen Family

- The Jorgensen family own:
  - Vacant land with a cash value of \$25,000
  - Savings account with a verified balance of \$55,000 and an interest rate of 0%
- The family's total net assets are \$80,000

# Example 1: Jorgensen Family

- Actual income of the savings account is \$0
- Owner is unable to calculate the actual income earned for the property owned by the family
  - The property neither generates any income, nor can an income amount be computed as a matter of interest or dividend earnings
  - Imputed asset income for the real property must be calculated
    - $\$25,000 \times 0.40\% = \$100$

## Example 2: Conrad Family

- The Conrad family owns:
  - Recreational boat with a Kelley Blue Book value of \$15,000
  - Non-interest-bearing checking account with \$10,000
  - Savings account with \$30,000 that earns 3% interest
- Net family assets valued at \$55,000
- No actual returns on the boat can be computed, however actual income can be calculated for the savings account

## Example 2: Conrad Family

- Actual income can be calculated for the savings account
  - $\$30,000 \times 3\% = \$900$
- Actual rate of return for checking account is \$0
- No actual returns on the boat can be computed so the HUD-determined passbook rate is used
  - $\$15,000 \times 0.40\% = \$60$
- Total income from assets:  $\$900 + \$0 + \$60 = \$960$

# And Now...a Few Words of Encouragement

Scott Michael Dunn



## Comfort Zone 😊

**Fear** 😞 (whining, "why me", procrastination, catastrophizing)

➔ **Learning** (expand knowledge, move past fears)

➔ **Growth**



## Expanded Comfort Zone 😊

While Fear and Learning People are trying to catch up