Chapter 1:
Verifying Family Income & Allowances

Introduction to Subsidy Calculations

- One of the most critical aspects of a Housing Specialist's job is correctly determining the subsidy for which a family qualifies.
- To correctly calculate subsidy, you must properly identify and verify each of the following:
  - Annual Income (24 CFR 5.609);
  - Household characteristics;
  - Expenses and allowances;
  - Deductions;
  - Adjusted Income (24 CFR 5.611);
  - Total Tenant Payment (TTP) (24 CFR 5.628)
  - Unit Size; and
  - PHA Payment and Subsidy Standards
- The rules for calculating family income and the allowable deductions are the same for the Housing Choice Voucher program and Public Housing.
  - Effective with the Housing Opportunity Through Modernization Act (HOTMA) the definition of income will change.

Income Verification Basics

Documentation

- HUD requires PHAs to verify information provided by the family related to income, assets, and expenses related to deductions from annual income.

- PHA files must contain documentation to support amounts used to calculate family subsidy.

EIV

- HUD Notice 2018-18 includes Admin Guidance for Effective and mandated use of the Enterprise Income Verification (EIV) System (Supersedes PIH 2010-19 and 2013-23)
- Because of the availability of EIV, third party verification is not required when documents created by third parties, provided by the tenant, are consistent with EIV.
- Use of the EIV Income Report to confirm information by the family and to identify income discrepancies is a mandatory part of the verification process for annual re-examinations.
    - PHA's *may* decide whether to use EIV for interim re-examinations or not. The policy must be included in the Administrative Plan.

HOTMA: Optional *now*

- EIV is not available for new admissions so other verification sources must be used. An EIV review must be conducted 120 days after the effective date of the new admission.

Verification Hierarchy

- PHAs are required to attempt verification in a particular order and use the best information that is available at the time the certification of income is completed. See *Overview of HUD* Verification Hierarchy on the following page.

Overview of HUD Verification Hierarchy

Level	Verification Type (Reliability Ranking)	Description
6	EIV (Highest – Mandatory)	Data from EIV Income Report is used primarily as a comparison to other verification information and NOT used in calculations except in the case of SS and SSI.
5	Non-HUD Upfront (UIV) System (High – Highly Recommended, but optional)	Systematically maintained electronic data (other than HUD's EIV system) can be used as verification without additional documentation. Examples: The Work Number, information available electronically from state or local governments that report on unemployment, child support, and welfare benefits.
4	Written Third Party Documents (High)	An original document generated by a third-party source such as a payroll record, a printout of benefits provided, an award letter. These documents may be accepted even if provided by the family.
3	Written Third Party Form (Requests) (Medium-Low)	PHA verification form mailed, faxed, or emailed directly from staff to third party source and returned by source.
2	Oral Third Party (Low)	Phone call by staff to third party source following up on a Written Third-Party form. Attempts and information gathered must be documented in the file.
1	Tenant Declaration (Last Resort)	A statement of reported income and/or expenses provided by the family when no other verification source is available. File must document attempts to obtain better verification and reasons why a higher form of verification was not possible.

Streamlined Verification

In recent years HUD has issued guidelines allowing for streamlining of HCV procedures to ease PHAs' administrative and operational burden. Some of the changes are highlighted below:

Income

- At admission, third party verification of all income sources for all household members must be completed.
- Participants who have fixed incomes do not have to verify income each year, but verify no less often than every 3 years:

PIH 2016-05 Streamlining Rule, published March 5, 2016

The Housing Opportunity through Modernization Act of 2016 (HOTMA) was enacted on July 29, 2016.

HOTMA: Optional *now*

  - Cost of Living Adjustment (COLA) must be applied to the fixed source of income annually, when applicable (i.e. Social Security benefits).
  - COLA amount must be obtained from public source or tenant provided third party documentation.

- Participants with 90% or greater of household income from a fixed income source may have all income verification applied every third year.

- Fixed sources of income include:
  - Social Security payments, to include Supplemental Security Income (SSI) and Supplemental Security Disability Insurance (SSDI);
  - Federal, state, local, and private pension plans; and
  - Other periodic payments received from annuities, insurance policies, retirement funds, disability or death benefits, and other similar types of periodic payments.

Fully Excluded Income

- A PHA is not required to:
  - Verify the income in accordance with the HUD Verification Hierarchy;
  - Document the tenant file why third-party verification is not required; or
  - Report the income in Section 7 of the Form HUD-50058

- A PHA may accept an applicant's or participant's self-certification as verification of fully excluded income.

Assets

- At admission and no less often than every third year (per PIH Notice 2016-05), all assets of a family will be verified.

- At reexamination, households are allowed to self-certify when having a combined asset threshold of less than $5,000.
    - HOTMA provisions will increase the asset threshold to $50,000 and the amount will be updated annually by HUD.

HOTMA:

Effective date TBD

- Family declaration of assets under the asset threshold must include income amounts expected to be received from assets within the next 12 months.
- Whenever a family member is added, a PHA must obtain third-party verification of that family member's assets:
    - At the next annual reexamination of income following the addition of that family member, a PHA must obtain third-party verification of all family assets if the addition of that family member's assets puts the family above the asset threshold.
- PHAs may continue to verify all assets at both admission and annual reexamination as provided in their policies (Administrative Plan)

<u>Safe Harbor Income</u>

Effective with HOTMA, PHAs are permitted to use **pre-deduction income** based on income determinations made by other means-tested federal public assistance programs within the previous 12 months. These programs include Low Income Housing Tax Credit; SNAP; etc. The PHA must collect all verification documents used by the program to determine the annual income

HOTMA: Optional *now*

Annual Income

Overview

- Annual income is the gross amount of income anticipated to be received by the family during the 12 months following the effective date of examination or reexamination.
- **Effective with HOTMA,** anticipating income will be performed at the initial occupancy/new admission and at interim re-examinations. The PHA will use income from the previous 12 months for annual re-examinations (the compliance date for this provision has been delayed until further notice).

HOTMA:
Effective date TBD

- Effective with HOTMA, some of the definitions associated with Annual Income have or will change. The new definition of Annual Income will be:
    - All amounts, <u>not specifically excluded</u>, received from all sources by each household member who is:
        - 18 years of age or older or
        - The head of household or spouse of the head of household (any age)
    - Additionally:
        - Unearned income by or on behalf of each minor *dependent* *(*excluding Foster Youth)
        - Actual income from assets (if known)
        - Imputed return on assets over $50,000

HOTMA:
Effective date TBD

- Annual Income is broken down into three general categories:
    - <u>Earned income</u> is defined as income or earnings from wages, tips, salaries, other employee compensation, and net

income from se-employment. It does not include any pension or annuity, transfer payments or any cash or in-kind benefits.

  - Unearned income is any annual income, as calculated under 24 CFR 5.609, that is not earned income. Generally, unearned income comes from sources other than employment such as public assistance, retirement and pension income, Social Security or disability benefits, etc.
  - Asset income from resources owned by the family. This can be a savings or checking account, stock and bonds, insurance settlements, inheritances, some personal property, land, etc.

- A list of Income **Inclusions** – to be counted in calculations and Income **Exclusions** – not counted in calculations, is located at the end of this chapter.

Income Calculations are Affected By:

- The type of income (earned, unearned, and asset; and whether HUD has specified the income “included” or “excluded”);
- Household designation or characteristics;
- How income is paid (e.g., salaried, hourly, through a third party, regular payments, lump sum);
- Verification procedures and availability of information;
- Whether the individual is an applicant or a current participant; and
- Administrative Plan requirements for reporting income between Annual Reexaminations.

Income Types

Member Status Excluded Income

- Income from some household members is never counted. Do not include:
  - Income of live-in aides
  - Earned income of minors
  - Payments for the care of a foster child or adult (Foster Care Payments)
  - Kinship, Kin-Gap or the Guardianship Care Payments
  - Asset and income from a state ABLE account provided for the qualified disability expenses of the designated beneficiary of the account. Income Based on Family Designation or Characteristics
  - Exclude ALL income of foster youth and foster adults – earned or unearned.

Income of Temporary Absent Family Members

- PHAs must count all income of family members on the lease, even if they are temporarily absent and do not send income to the household.
  - PHAs must establish a limit on how long someone is temporarily absent before the person is declared not a family member.

Deployment of Military Personnel to Active Duty

- Individuals on active military duty who do not have a spouse or dependents in the household should not be included in the household.
- An individual on active military duty who has a spouse or dependents in the unit remains a member of the family and the individual's

income is counted (except for hazardous duty pay, which is an income exclusion).

Income of Full Time Students age 18+

- Exclude earned income greater than the amount of the deduction for the full-time student age 18+ (except if head of household or spouse).

Unearned Income

Adults

- Count the full amount of unearned income of the head, co-head or spouse, and any other adult member of the household unless the income is specifically excluded (see list of in exclusions at the end of the chapter).

Minors

- Count the full amount of unearned income of minors. Benefits and other unearned income paid directly to or on behalf of a minor or full-time student are counted.
    - Include only the unearned income that has not been specifically excluded as income or asset.

Earned Income

Adults

- Count the full amount of earned income of the head, co-head, spouse, or any other adult family member, unless the income is specifically excluded.

Minors

- Earned income of minors is not counted, unless the minor is the head, co-head, or spouse.
- An emancipated minor who is the head, co-head, or spouse is treated as an adult. (An emancipated minor is a person under 18 who

has been determined by the government to be able to enter contracts)

- An emancipated minor who is residing with a family but is not the head, co-head, or spouse, is treated as a minor.

Asset Income

- An asset is an item of value that can be converted into cash. Assets may or may not earn income.

Exceptions:

1. If an adult is a full-time student (and is not head, co-head or spouse), count a maximum of the annual deduction amount per year.
2. Exclude incremental earnings received from qualified employment training programs and training of PHA resident management staff.
   - The qualified training program is authorized or funded by federal, state or local law or is operated by a public agency and has clear goals and objectives. This would include programs that have the goal of assisting individuals in obtaining employment skills.
   - Only exclude the compensation related to the training; other sources of income are included.
   - Exclude the income only during the period when the family member participates in the employment training program.

Verifications

Verifying Earned Income

- While EIV is the highest level on HUD's verification hierarchy, it is not used to calculate employment income. EIV is compared to other documents to confirm income and to identify additional sources of household member income that may not have been reported.
- If EIV identified income does not exceed the tenant provided income by $2,400 or more, use the tenant-provided document to calculate Annual Income.

- If EIV identified income is $2,400 or more than the annual income calculated using family provided documents, additional verification is needed.
- If the tenant disputes the EIV data, third-party verification must be obtained
- If EIV is not available, an attempt should be made to obtain UIV sources. Each PHA determines which UIV sources staff will use.
- If UIV is not available, third-party documents may be used
- Household member certifications such as affidavits or statements should only be used if no other form of verification is available. The file should be documented as to why other forms of verification were not available.
- **Note**: PHAs may choose not to use EIV when processing an interim reexamination.

HOTMA: Optional *now*

Verifying Fully Excluded Income

- A PHA is **<u>not</u>** required to:
    - Verify the income in accordance with the HUD-prescribed verification hierarchy;
    - Document the tenant file why third-party verification is not required; or
    - Report the income in Section 7 of Form HUD-50058.
- A PHA may accept an applicant's or participant's self-certification as verification of fully excluded income.
- Supplemental Assistance to Needy Families (SNAP)/Food Stamps and income from a Live-in Aide are examples of fully excluded income.

Verifying Partially Excluded Earned Income

- HUD provided guidance on verifying partially excluded income in Notice HUD 2013-04, published on January 28, 2013.

  - Partially excluded income means that only a certain portion of the income reported by the family qualifies to be excluded. Examples include the earnings in excess of the deduction amount (currently $480) for full-time students 18 years old or older, who are not head, co-head or spouse.

Verifying Excluded Unearned Income

- For fully excluded income, a PHA may accept an applicant's or participant's self-certification. Example: SNAP (food stamp) benefit.
- Partially excluded income must be verified in accordance with HUD's prescribed requirements for non-excluded income.
  - Partially excluded income means that only a certain portion of the income reported by the family qualifies to be excluded. Examples include:
    - The Department of Veteran's Affairs "Aid and Attendance" benefits that are "specifically for, or in reimbursement of, the cost of medical expenses for any family member"; and
    - The amount in excess of the dependent allowance in Adoption Assistance payments made to the applicant or tenant.

For a complete list of income exclusions see 24 CFR 5.609 (e)

Discontinuation of EID

- EID completely phased out on January 1, 2026.

Calculating Different Types of Income

Earned Income

- Use current circumstances to anticipate earned income unless the verification forms indicate an imminent change.

- To convert income to an annual figure, one of three methods is generally used:
    - Rates of pay (works best when an individual’s work hours are consistent);
    - Average of gross income from more than one paystub; and
    - Year-to-date (YTD) income.
- Which method is best?
    - Use the method that works best with the documentation provided AND that best represents the anticipated income of the individual.

Rate of Pay Method

- If an individual works full time, use the chart below to annualize income.

Annualizing Full-time Employment	
Wage Rate	**Multiply By**
Hourly (40hrs per week)	2,080
Weekly	52
Bi-weekly (every other week)	26
Semi-monthly (twice a month)	24
Monthly	12

- If an individual does not work full time, use the actual periods to annualize income. Example:
    - $8.50/hour x 24 hours/week x 52 weeks/year = $10,608

Average of Pay Stubs Method

- When using the average pay stub method, HUD requires at least 2 recent, consecutive pay stubs be used.

Average of Pay Stubs Method	
Paystub 1:	$450 Gross Income (weekly pay schedule)
Paystub 2:	$512 Gross Income (weekly pay schedule)
Total:	$962
$962 / 2 weeks = $481 (average weekly gross pay)	
$480 x 52 weeks = $25,012 Annual Income	

Year to Date Method

- The year-to-date method is a variation on the average method.

Year to Date Method
Jane is paid every two weeks. Her pay stub for the pay period ending 4/18 shows $2,600 year-to-date (YTD). Determine how many pay periods this represents. You may need to use a calendar to make the determination. For this example, this represents **8** pay periods. $2,600 YTD / 8 pay periods = $325 per pay period $325 x 26 total pay periods = $8,450 Annual Income

Unearned Income

Social Security Benefits

- Social Security benefits are counted as unearned income, including benefits that are being paid to or on behalf of a minor.
  - Effective with HOTMA, this is excluded for foster youth and foster adults.
- Include in annual income the gross amount of Social Security benefits before deductions (including any deductions for Medicare premiums).
- SS/SSI benefit information is available in EIV for participants and household members whose identities have been verified in EIV.
- Information from SSA is reported and updated in EIV every 3 months.
  - EIV information must be used as the sole source of verification for SS and SSI at recertification unless the family disputes the amount.
- Because EIV information may not be current, many PHAs also require third-party documentation to be provided by the family. Benefit letters or print-out of benefits issued by SSA are acceptable third-party verification.
- The SSA rounds all benefit amounts down to the next lower dollar and therefore the amount on the benefit letter may differ from the amount reported in EIV.
  - PHAs are required to use the EIV-reported SS and SSI benefit amount unless the tenant disputes the EIV-reported amount.

Example	
Benefit Letter	$450.80
EIV Report	$450.00
Report on 50058	$450.00

Exception

Do not count any amount of the lump sum payment that is for a period prior to participation in the HCV program. Any amount the family still has at the time of assistance would be counted as an asset.

Deferred and/or over-payments are also excluded.

See PIH Notice 2018-24 #16-23 for additional guidance on verification and EIV reports.

- EIV is not available for applicants. Applicants must provide a copy of their SS or SSI benefit letter, dated within the last 60 calendar days.
- Effective with HOTMA, PHAs *may* accept letters dated within the last 120 calendar days or within the appropriate benefit year for fixed income sources.
    - If an applicant does not have a copy of the letter, ask them to request a letter from the SSA website, Social Security Online at www.socialsecurity.gov
    - Do not send the applicant to the SSA office.

HOTMA: Optional *now*

- Each October, SSA announces the cost-of-living adjustment (COLA) for the upcoming year.
    - PHAs are required to factor in the COLA for SS/SSI annual income for all annual and interim recertifications which have not been completed and will be effective January 1st or later of the upcoming year.
- When Social Security and SSI benefit income is paid in a lump sum as a result of deferred periodic payments, that amount is not included in annual income.

Example

Bob Jones currently receives $500 per month in Social Security benefits. The COLA established for the upcoming year is **3.6%**. Bob's annual recertification is effective on February 1st, and you are in the process of completing his recertification in November.

You must include the COLA when determining his SS income for the recert:

$500 x **3.6%** (or 0.036) = $18.00

$500 + $18 = $518 (new gross SS benefit effective January 1st)

$518 x 12 months = $6,216 Annual SS Income

Unemployment

- Unemployment benefits are counted as income.
- **Exception**: Do not count any amount of the lump sum payment that is for a period prior to participation in the HCV/ Public Housing program. Any amount the family still has at the time of assistance would be counted as an asset.

Welfare Assistance

- Welfare assistance, including TANF (Temporary Assistance for Needy Families) is counted as income, when paid to or on behalf of any family member.
- Certain amounts for training that may be paid through a public assistance agency are excluded.
- Electronic benefit data (UIV) may be available in some localities and may be used without further verification.
- Benefit award letters or print outs of payments created by a third party are acceptable verification.
- Special rules apply in a few localities that have “as-paid” welfare assistance.

Reductions in Assistance for Non-Compliance

- When welfare payments are reduced as a result of fraud, failure to participate in an economic self-sufficiency program, or failure to comply with a work requirement, a special analysis of the amount of income that must be counted is required.
- The amount the family’s benefits are reduced by is called the “specified welfare benefit reduction” and may also be referred to as a sanction. This amount must continue to be

counted unless the family adds new income to offset the loss of benefits.

- This requirement does not apply:
    - If the family was not receiving housing assistance at the time of the sanction; or
    - If welfare benefits are lost for another reason such as reaching the lifetime limit on receipt of benefits or failure to obtain employment.
- Before making a determination to adjust a family’s income amount, the PHA must receive written verification from the welfare agency that specifies the reason for the reduction and provides the amount and term of the reduction.

  The welfare agency is also expected to inform the PHA of any subsequent changes in the term or amount of the grant reduction.

Adjustments for Prior Overpayment of Benefits

- If the welfare, Social Security, or unemployment office has adjusted a family’s benefits to a lower amount because the family previously received an overpayment, count as annual income, the amount the family is receiving after the adjustment.
- When determining the benefit amount, consider the length of time (months) the payment will be reduced so that annual income calculations are accurate.

Social Security Overpayment: Example 1

Bob's gross monthly SSI benefit is $500 (or $6,000 annually).

On February 1, 2025, Bob brings in a letter showing that SSA has determined that he has been overpaid by $100 and will begin deducting 10% ($50) from his monthly check on March 1, 2025.

Note that this deduction would occur for only **two months** (March and April). A PHA has 2 options for calculating income.

The PHA could calculate annual income at $5,400 ($500 - $50 = $450 x 12) and Bob's rent contribution should be changed for two months; however, once the deduction ends (May 2025), annual income should be recalculated again, and the full SSI benefit should again be used to calculate annual income

OR

The PHA could calculate two months at $450 and ten months at $500 (2 x $450 = $900; 10 x $500 = $5,000; Total Income = $5,900 ($900 + $5,000 = $5,900). Income would not need to be recalculated.

State and Local Employment Training Programs

- Exclude incremental earnings received from qualified employment training programs.
    - Exclude wages, stipends or transportation or childcare payments related to the training.
- Annual income does not include incremental earnings and benefits from training programs funded by HUD or qualifying federal, state, tribal, or local employment training programs (**including training programs not affiliated with a local government**) and training of a family member as resident management staff.
    - Excluded amounts must be received under employment training programs with clearly defined goals and objectives and only excluded during participation in the program unless the amounts are excluded as Federal Financial Aid.

Regular Contributions and Gifts

- Count regular contributions and gifts from persons outside the household as income.
- This may include rent and utility payments paid on behalf of the family and other cash or non-cash contributions regularly provided.
- Temporary, non-recurring, or sporadic income, (including gifts), are not counted as income.
- Actual food provided is not counted as a contribution. However, cash provided is counted.

Child Support/Alimony/Spousal Support

- Count amounts received as alimony or child support.
- Rely upon documentation provided by a government resource, if available. Child support payments are often channeled through state or local government entities.
- If actual payments received cannot be verified through a third-party source, count amounts awarded as part of a divorce or separation agreement as income unless the household certifies this income is not being provided.

Income from a Business (Includes Self-Employed)

- Exclude the gross income received through self-employment or operation of a business; with the exception of the following which is considered income:
    - Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness will not be used as deductions in determining net income.

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

- **Note**: Gross income is the total income that a business brings in and is not reflective of the costs of operating a business or of being self-employed
- Count the **net income** from the operation of a business or profession. Generally net income equals gross income less expenses. Examples:
  - An independent hairdresser who rents a chair from a salon may deduct the rental cost from income.
  - The owner of a construction business can deduct wages of employees, office space, tools, equipment, and supplies (not separately paid for by a customer).
- If net income from a business is negative, it must be counted as zero income.
- Documentation must be provided to deduct business expenses.
- Business expenses can include depreciation (straight-line), interest payments on loans, and all expenses except those for expansion or capital improvements.
- If an individual owns a company and receives a paycheck, EIV information should be available as Employment Income.
- If an individual is self-employed and does not receive a check, EIV data would not be available. Verification is obtained in one of two ways:
  - A 1040/1040A tax return transcript provided by the IRS or a print-out of an on-line return submitted by a 3rd party; or

Verification Suggestions for Self-Employment

- Most recent finalized tax return, including Schedule C
- Profit and Loss Statement
- Bank statements showing income and expenses related to business

- A notarized statement or affidavit signed by the applicant or participant showing the amount earned and the pay period.

Withdrawal of Cash or Assets from an Investment

- When cash or assets from an investment are received as periodic payments, those amounts are counted as income, unless the family can document the payments are reimbursements for the amounts invested.
- Regular withdrawals will count as income only after the amount invested has been totally paid out.

Student Financial Assistance

- The Consolidated Appropriations Act of 2026 removed the HCV–specific student financial assistance rule that had required counting all excess student financial aid as income for certain households (students under 24 without dependents).
- HUD now uses a single unified method for all programs — the HOTMA student financial assistance rules.
  - Category 1 (Title IV / HEA / BIA student aid) → Always excluded from income
  - Category 2 (all other student aid) → Only excess amounts beyond actual covered costs included as income
- For students receiving Housing Choice Voucher assistance:
  - Age and dependency status no longer change how student financial aid is treated.
  - Room & board portions of non-Title-IV aid may still be counted, but only under the standard HOTMA rules.

  - Title IV aid (Pell, SEOG, Work-Study, Direct Loans, etc.) is excluded, even when it exceeds tuition.

- Under HOTMA, for non–Title IV aid, PHAs must count as income only the portion of aid that exceeds "actual covered costs."

- Actual covered costs of the student are the actual costs of: tuition, books and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, or other fees required and charged to a student by the education institution, and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

Note: This rule should not be confused with the exclusion of earned income for a student.

- The rule includes student financial assistance received by full- and part-time students.

Note: Mandatory education fees, such as required lab fees, are considered part of tuition and not counted as income.

- Documentation of student status may be:
  - An original document created by the educational institution that specifies the financial aid provided and amounts in excess of tuition;
  - Verification form received from a third-party;
  - Oral verification from a third party; or
  - Individual declaration (only if school is unable to verify).

Lump Sum Payments

- Most lump sum amounts received by a family are <u>not</u> counted as income. This includes lump sums such as:
  - Inheritances, insurance settlements, proceeds from the sale of property;
  - Social Security and SSI benefit income received in a lump sum as a result of the delay in receiving periodic payments; and

    - Deferred VA disability benefits received in a lump sum or paid on a monthly basis. Deferred payments will be identified separately on the VA statement.

- However, Unemployment and Welfare assistance received as lump sums are counted as income IF received while the household is receiving HCV assistance.
- Amounts families may have received as lump sums may sometimes be counted as assets.
    - If at the time of initial certification or a reexamination, the family still has some or all of the lump sum (e.g. in a savings or checking account), it would be counted as an asset.

Example- Lump Sum Payments

A family loses its job on October 19 and applies for unemployment benefits. The family receives a lump sum payment of $700 in December to cover the period from 10/20 to 12/5 and begins to receive $100/week effective 12/6.

Option A – PHA processes interim immediately effective 11/1 and a second interim after unemployment benefits are known.

	10/1	11/1	12/1	1/1	2/1
Monthly Gross Income	$800	$0*	$0*	$492**	$492**
Monthly Allowances 3 minors x $480 / 12 months	$120	-	-	$120	$120
Monthly Adjusted Income	$680	$0	$0	$372	$372
Total Tenant Payment 30% of monthly adjusted income	$204	$0	$0	$0***	$112***

*The family's income is calculated at $0/month beginning November 1, continuing until benefits actually begin and new income is calculated.

**Family's actual income for 1/1 is $100/week x 52 weeks = $5,200 / 12 = $433. However, because the family's TTP was calculated at zero income for the months of November and December (the period eventually covered by the $700 lump sum payment), the income to be used in the calculations should be:

$100 x 52 weeks = $5,200 + $700 lump sum = $5,900 annual gross income / 12 months = $492 monthly gross income

***Increased rent does not start until 2/1 in order to give the family notice of rent increase.

Option B – PHA processes interim recertification after unemployment benefits are known.

	10/1	11/1	12/1	1/1	2/1
Monthly Gross Income	$800	$800*	$800*	$433**	$433
Monthly Allowances 3 minors x $480 / 12 months	$120	$120	$120	$120	$120
Monthly Adjusted Income	$680	$0	$0	$313	$313
Total Tenant Payment 30% of monthly adjusted income	$204	$204	$204	$94	$94
Recalculated TTP	-	$94***	$94***	$94	$94
Rent Credit	-	$110****	$110****	-	-

*The family's actual income for 11/1 and 12/1 is zero but because the PHA does not process an interim reexamination, the family's TTP continues to be calculated using $800 as monthly gross income.

**Beginning 1/1, monthly gross income is known to be $100/week, or $433/month.

***TTP for November and December recalculated using $433 monthly gross income and $313 monthly adjusted income is $94.

****A credit or refund to the family of $110/month is given for November and December for the difference between the TTP paid of $204 and the recalculated TTP of $94.

Zero Income Households

- Some families may claim they have no income.
- The following are some items and questions that a Housing Specialist can inquire about when an HCV applicant declares zero income:

Items	
• Grocery Bill • Housing & Utilities • Paper Products • Grooming Products & Services • Cleaning Products & Services • Car • Car Maintenance/Insurance • Transportation • Entertainment	• Telephone Service • Internet • Cell Phone • Clothing/Shoes • Unreimbursed Medical Expenses • Barber/Hairstylist • Childcare • Education • Church Contributions
Questions 1. How does the family pay for these? 2. Does someone contribute these on a regular basis? If so, who? 3. Frequency of payment? 4. What amount do you pay?	

Calculating Annual Asset Income

Overview

- An asset is an item of value that can be converted into cash. Assets may or may not earn income.
    - For example, a savings account is an asset that earns interest, while cash stuffed under a mattress is an asset that does not earn interest.
- There is no asset limitation for eligibility for the HCV Program but income from assets is included in annual income.
- Effective with HOTMA, an asset limitation of $100,000 will be imposed as well as prohibition of ownership of suitable and livable property. The asset limitation amount will be updated by HUD annually.

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- Annual income includes amounts derived from assets to which the family has access.
- Asset income must be counted even if the family does not directly receive the income.
    - Example: a family member earns income on an investment, which is automatically added to the investment, rather than the member receiving the income.
- When calculating income from assets, PHAs must determine:
    - Is it an asset?
    - What is the Market Value?
    - What is the Cash Value?
- Effective with HOTMA, the definition of “Net Family Assets” will change to:
    - The net cash value of all assets owned by the family, after deducting reasonable costs that would be incurred in disposing

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of real property, savings, stocks, bonds, and other forms of capital investment.

  - This new definition includes the cash value of all family assets with the exception of the expanded exclusions.

Imputed Income from Assets

- When the cash value of a family's total net family assets is $5,000 or less, actual income from those assets is counted.
- When the cash value of the family's total net family assets is greater than $5,000, a special calculation is required.
- Effective with HOTMA, the net asset threshold will increase to $50,000, and this amount will be updated by HUD annually.

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- The PHA must include in Annual Income, the greater of:
  - Actual income from assets; or
  - An imputed income from assets, which is calculated using the passbook rate established by HUD.

Income from Asset Example	
Actual Income from Assets Calculation:	
$5,380	Savings Account Balance
x .53%	Interest Rate
= $28.51	Actual Earnings from Savings
Imputed Income from Assets Calculation:	
$5,380	Savings Account Balance
X .45%	HUD Passbook Rate
= $24.21	Imputed Income from Savings
Use the actual earnings ($28.51) from assets	

- This special imputed income calculation is intended to help recognize that families with significant assets (even if they are non-income producing) are in a different financial situation than families who do not have those assets.
- The following is an example of how non-income producing assets over $5,000 should be

included in the income calculation, and how this compares to a household with no assets.

Imputed Income Example	
Mary Johnson is retired, and her only source of income is $15,000 from Social Security. The PHA calculates her income using the following steps:	
$15,000	Social Security Income
$0	Other Income
= $15,000	Annual Income
Lucy Smith is retired, and her only source of income is $15,000 from Social Security, but she also owns a plot of land she inherited. The land is worth $12,000 and she receives no income from the property. Some amount of income must be attributed (imputed) to the value of the land. The PHA calculates her income using the following steps:	
$12,000 Asset x .45% Passbook Rate = $54 Imputed Income	
$15,000	Social Security Income
$54	Asset Income
= $15,054	Annual Income

Market Value

- The definition of market value varies depending on the type of asset.
    - For some investments, such as a Certificate of Deposit, the market value is the face value.
    - For other assets, such as real estate, the market value is the value the asset would have on the market.

Cash Value of Assets

- Cash value is the amount the family would receive if the assets were converted to cash.
    - An applicant/tenant is never required to convert an asset to cash.
- Cash value is the market value less reasonable expenses that would be incurred in selling or converting the asset to cash. Reasonable expenses may include:
    - Penalties for premature withdrawal;
    - Broker and legal fees; and
    - Settlement costs for real estate transactions.

Market Value of Asset
- Cost to Convert
= Cash Value of Asset

Summary of Asset Inclusions and Exclusions

Assets Include:

1. Amounts in savings and checking accounts.
2. Stocks, bonds, savings certificates, money market funds and other investment accounts.
3. Equity in real property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the assets and reasonable costs (such as broker fees) that would be incurred in selling the assets.
4. The cash value of trusts that are available to the household.
5. IRA, Keogh and similar retirement savings accounts, even though withdrawal would result in a penalty.
6. Some contributions to company retirement/pension funds.
7. Assets which, although owned by more than one person, allow unrestricted access by the applicant.
8. Lump sum receipts such as inheritances, capital gains, lottery winnings, insurance settlements and other claims.
9. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.
10. Cash value of life insurance policies.
11. Assets disposed of for less than fair market value during the two years preceding certification or recertification.

Assets Do Not Include:

1. Necessary personal property, except as noted in above in number 9.
2. Interest in Indian trust lands.
3. Assets that are a part of an active business or farming operation.

NOTE: Rental properties are considered personal assets held as an investment rather than business assets unless real estate is the applicant's/tenant's main occupation.

4. Assets not accessible to the family and which provide no income for the family.
5. Vehicles especially equipped for the handicapped.
6. Equity in owner-occupied cooperatives and manufactured homes in which the family lives.

Types of Assets

Checking Accounts

- The cash value of a checking account is generally determined by calculating the average monthly balance over several months because a single month might not be representative. Although the HCV Guidebook identifies 6 months as the timeframe, this is not regulatory, and HUD has given PHAs some latitude to determine verification processes based on cost effectiveness. (See Notice PIH 2004-1). Check local procedures to determine how the average monthly balance is determined for your PHA.
    - Recent statements showing the monthly balances or an on-line printout may be used for documentation.
    - When calculating an average, negative or zero balances are counted.
- If the account earns interest, the PHA must estimate annual income using the interest rate or interest amounts included in the statement.

Savings Accounts

- The current balance is the cash value for a savings account. “Current” means the statement must be within 60 days of the request.
- Effective with HOTMA, the following savings accounts are excluded from the definition of family net assets:
    - Retirement account recognized by IRS.
    - The value of certain education or disability support savings accounts
    - Family Self-Sufficiency (FSS) accounts

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Non-Cash Assets

- The cash value of a non-cash asset is its market value less reasonable expenses that would be incurred in selling or converting the asset to cash. These expenses may include:
    - Penalties for premature withdrawal (would apply to an investment such as a Certificate of Deposit);
    - Brokers fees (could apply when stocks or other investments are sold); and
    - Settlement and other fees for real estate transactions.

Personal Property

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- Effective with HOTMA, the following personal property is excluded from the determination of asset income:
    - Necessary items of personal property such as medical devices, vehicle for commute (HUD will issue guidance on what is considered "necessary")
    - Non-necessary items of personal property if the combined total value does not exceed $50,000 (the amount will be updated annually by HUD)

Cash Value of Real Estate	
Market Value	$170,000
Less Mortgage	-$135,000
= Equity	$ 35,000
Less Broker's fees	-$ 17,000
Less Settlement Costs	-$ 5,000
= Cash Value	$ 13,000

Assets Owned Jointly

- Assets owned by more than one person are prorated according to the percentage of ownership.

- Determining ownership requires information and reasonable judgment. Documentation of who contributed to an asset, who is paying taxes on the asset, or whose Social Security Number is connected to the asset, may help identify ownership. However, in many situations, a Social Security Number does not indicate ownership.
- Make sure to apply judgement consistently. For example, if a bank account is held jointly between a married couple, apply 100% of the asset to the Head of Household or 50/50 for each person

Assets Disposed of for Less Than Fair Market Value

- Most assets disposed of for less than market value must be counted.
- However, assets disposed of as a result of a divorce or separation, foreclosure, or bankruptcy are not considered assets disposed of for less than fair market value.
- Verification of assets disposed of for less than fair market value is done by the applicant's/tenant's certification.
- PHAs need verify only those certifications that warrant it.
- Lump sum awards should be verified to determine how the money was distributed. If amounts over $1,000 were given away, they would be considered disposed of assets.
- Disposed of assets are counted for two years after the date of disposal.
- HUD does not specify a minimum threshold for counting assets disposed of for less than fair market value. A PHA may establish a threshold in its administrative plan/admission and continued occupancy policy, which enables the PHA to ignore small amounts such as charitable contributions.

Retirement Funds

- While an individual is employed, count only amounts the family can withdraw from the retirement fund without retiring or terminating employment.
- After retirement or termination of employment, count as an asset any amount of the retirement fund the employee elects to receive as a lump sum.
- Include in annual income any retirement fund benefits received through periodic payments.
- To correctly include or exclude contributions to retirement/pension funds for an employed person, you must know whether the money is accessible before retirement.

Annuities

- An annuity is a contract sold by an insurance company, designed to provide payments, usually to a retired person, at specific intervals.
- Generally, a person holding an annuity from which he or she is not yet receiving payments will also be earning income. In most instances, a fixed annuity will be earning interest at a specific fixed rate, similar to a certificate of deposit earning a fixed rate of interest. A variable rate annuity will earn (or lose) based on market fluctuations, as in a mutual fund.
- Do not count an annuity as an asset if the holder does not have the right to withdraw the balance.
- If the holder has the right to withdraw the balance, deduct any surrender or withdrawal fees from the balance along with any tax penalties to determine the cash value.
- Interest earned from an annuity (whether paid to the holder or reinvested in the annuity) is included as income from an asset.

- Depending on the type of annuity and status, the PHA will need to ask different questions of the verification source, which will normally be the family's insurance broker.
- When verifying an annuity, PHAs should ask the verification source whether the annuity's holder has the right to withdraw the balance of the annuity.
    - If the holder of the annuity does not have the right to withdraw the balance, the annuity is not treated as an asset.
    - If the holder has the right to withdraw the balance, deduct any surrender or withdrawal fees and any tax penalties from the balance to determine the case value.
- Generally, when the holder has begun receiving annuity payments, the holder can no longer convert the annuity to a lump sum of cash.
    - In this situation, the holder will receive regular payments from the annuity, which are treated as regular income, and no calculations of income from assets are made.
    - However, the amount the holder invested in the annuity is not counted as income.
    - Regular payments from the annuity, less the amount from the payment that represents the holder's investment, are counted as income.

Trusts

- A trust is a legal arrangement in which one party (the creator or grantor) transfers property to a second party (the trustee) who holds the property for the benefit of one or more third parties (the beneficiaries). A trust must contain cash or other liquid assets or real or personal property that could be turned into cash.

Generally, the assets are invested for the benefit of the beneficiaries.

Revocable Trusts

- If any member of the assisted family has the right to withdraw the funds from the trust, the trust is considered an asset and is treated as any other asset.
- The cash value of the trust (the amount the family member would receive if he or she withdrew all that could be withdrawn) is added to the actual total net assets.
- The actual income received is added to the actual income from assets.

Non-revocable Trusts

- If no family member has access to either the principal or income from the trust, the trust is not included in the calculation of income from assets or in annual income.
- If only the interest (and none of the principal) from the trust is available to a family member, the interest income is counted as annual income (not as an asset). The principal in the trust is not included in the calculation of income from assets or in annual income.

Non-revocable Trust as an Asset Disposed of for Less Than Fair Market Value

- If an assisted household sets up a non-revocable trust for the benefit of another person, the trust is considered an asset disposed of for less than fair market value. If the trust has been set up so income from the trust is regularly reinvested in the trust and is not paid back to the creator, the trust is calculated as any other asset disposed of for less than fair market value for two years and not taken into consideration thereafter.

Payment of Principal from a Trust

- The beneficiary of a trust may receive funds from the trust in different ways.
    - A beneficiary may receive the full value of the trust all at one time. In that instance, the funds would be considered a lump sum receipt and would be treated as an asset.
    - A trust may pay only income from the trust on a periodic basis. When the principal is paid out on a periodic basis, those payments are considered regular income and are counted as annual income.

Adjusted Income

Overview

- Adjusted Income is Annual Income minus any of the following expenses and allowance that apply to the family's circumstances.
    - Dependent Allowance
    - Elderly/Disabled Household Allowance
    - Medical Expenses
    - Child Care Expenses
    - Disability Assistance Expenses

Allowances

Dependent Allowance

- A **$480** deduction is given for each household member who is a "dependent."
    - This amount will be adjusted annually by HUD beginning when HOTMA is in full effect.

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- A dependent is a household member who:
    - Is under 18 years of age OR is disabled OR a full-time student; and
    - Is NOT the head, co-head, spouse, foster child, or live-in aide.

Verification of the Dependent Allowance

- Verification of Age:
    - Birth Certificate;
    - Adoption Certificate (if it shows the date of birth); or
    - Federal or state government document that shows date of birth.
- Verification of Full-time Student Status

- Original documents created by the educational institution.

Elderly or Disabled Household Allowance

- A $400 deduction per family applies to all Elderly or Disabled Families.
    - Effective with HOTMA, this amount will change to $525 and will be adjusted annually by HUD.

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-
    - In order to qualify for this deduction, the head of household, co-head, or spouse must be at least 62 years old or disabled (any age).
    - The PHA must verify age (see above) or disabled status.
- Verification of Disability
    - EIV Reports that show the individual is disabled and is receiving payment of disability benefits;
    - Original, unaltered SSA notice or benefit letter/printout from the family member;
    - Mailed or faxed verification form from a 3rd party source; or
    - Oral verification.

Expenses

Medical Expenses

- Medical expenses may be considered ONLY for households in which the head, co-head, or spouse is at least 62 years old, OR if the head, co-head or spouse is disabled (any age).
- If a household is eligible for a medical expense deduction, the medical expenses of all family members are counted.
- Medical expenses are those anticipated to be incurred during the 12 months following

certification/recertification and are not covered by an outside source, such as insurance.

- An allowable medical expense is that portion of total medical expenses (medical expenses of all family members), which is greater than three percent (3%) of annual income.
    - Effective with HOTMA, this threshold will increase to 10%. PHAs can implement a hardship exemption to phase-in this change over a two-year period once it becomes effective with HOTMA.
    - Include any out-of-pocket expenses for the Medicare prescription drug plan premium and/or drug spending (see Notice PIH 2005-21) as eligible medical expenses.

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Verification of Medical Expenses

- The status of the family as an elderly or disabled household; and
- The amount of the medical expenses.

Verification of prescription drug costs may be obtained:

- Through third-party verification from the pharmacy using either written statements or oral verification by telephone;
- From prescription receipts; or
- From statements of prescription spending sent to the family by the prescription drug plan provider.

Only credit the actual out-of-pocket expenses.

See Medical Expenses Example on Next Page

Example: Medical Expenses

Taylor (Head)	45
Hillary (Co-Head)	72
Annual Income	$22,293.25
Total Medical Expenses	$1,500

$22,293.25	Annual Income
X .03	
$ 668.80	3% of Annual Income
$ 1,500.00	Total Medical Expenses
- 668.80	
$ 831.20	Allowable Medical Expense

Eligible Expenses

- Services of Doctors and Health Care Professionals (and health care facilities)
- Medical Insurance Premiums
- Medications
- Prescription and Non-prescription Medications
- Transportation to Treatment
- Dental Expenses, Eyeglasses, Hearing Aids, Batteries
- Live-in or Periodic Medical Assistance and
- Monthly payments on accumulated bills

Disability Assistance Expense

- Disability assistance expenses may be considered if any member of the family is a person with disabilities.
    - Eligibility for these expenses is not based on whether the head or spouse is disabled.
    - However, there are limitations on the deduction.

- The expense must exceeds 3% of annual income.

Eligible Expenses

- Anticipated expenses for care attendants and any “auxiliary apparatus” for disabled family members may be deducted for expenses that:
  - Exceed three percent (3%) of income.
  - Enable an adult family member (including the disabled family member) to work; and
  - Do not exceed the earned income of the household member(s) enabled to work.
- “Auxiliary apparatus” are items such as wheelchairs, ramps, special equipment to enable blind persons to read or type, etc., (if directly related to permitting the disabled person or other family member to work).

Verification of Disability Assistance Expenses

- PHAs must verify:
  - That the individual meets the definition of a disabled person;
  - The cost of the care or apparatus is reasonable and actually incurred; and
  - The designated person who is permitted to work.
- Verification methods include:
  - Written verification from a care attendant, doctor or rehabilitation agency, source of costs and purpose of apparatus;
  - Mail or faxed verification form from a third party source;
  - Oral verification with a third-party source; or
  - Self-declaration if no other form of verification is available.

Special Calculation for Households who are Eligible for Disability Assistance and Medical Expenses

- If a family has both medical and disability assistance expenses, a special calculation is required.
    - Three percent (3%) of annual income should first be deducted from the disability assistance expenses.
    - Any remainder of the 3% of annual income is then deducted from total medical expenses.

Example 1: Disability Assistance and Medical Expenses	
An elderly family has $2,000 in medical expenses and $3,500 in expenses for disability assistance. Their annual income is $20,000. Of their annual income, $2,400 is earned because the disability assistance enables a family member to work.	
First, find 3% of the family's annual income.	$20,000 annual income x 3% = $600
Total Disability Assistance Expense:	$3,500
Less 3% of Annual Income:	- $600
Maximum Disability Expense:	$2,900
Earnings made possible by the disability expense:	$2,400
Allowable Disability Expense: (cannot exceed income earned)	$2,400
Total Medical Expense:	$2,000
Medical Expense Allowance:	$2,000

Example 2: Disability Assistance and Medical Expenses	
An elderly family has $1,000 in medical expenses and $500 in expenses for disability assistance. Their annual income is $20,000 and $4,000 of their annual income is earned because the disability assistance enables a family member to work.	
First, find 3% of the family's annual income.	$20,000 annual income x 3% = $600
Total Disability Assistance Expense:	$500
	- $600
Less 3% of Annual Income:	(-$100)
Maximum Disability Expense:	**$0**
Total Medical Expense:	$1,000
Less balance of 3% of Annual Income	-$100
	$900
Allowable Medical Expense:	**$900**

- Most PHA computer systems make this calculation automatically if both medical expenses and disability assistance expenses apply.

Childcare Expenses

- Childcare expenses for the care of children aged 12 and younger, including foster children, may be deducted from annual income if all of the following are true:
    - Childcare is necessary to enable a family member to work, look for work, or further his/her education (academic or vocational);
    - The expense is not reimbursed by an agency or individual outside the household; and
    - The expenses incurred to enable a family member to work are not greater than the amount earned.

    - Expenses incurred that enable a family member to go to school or look for work are not capped.

- Childcare Expenses Must be Reasonable.
  - PHAs must determine if childcare costs are “reasonable,” meaning reasonable for the care provided.
  - Reasonable costs for in-home care may be very different than reasonable day care center costs.
  - Families may choose the type of care to be provided.
- Child Support Cannot be Deducted.
- Child-support payments to guardians or separated partners on behalf of a minor not living in the assisted household cannot be deducted.

Determining Family Member Enabled to Work

- When more than one family member works, the PHA must determine which family member is enabled to work because of the childcare (a good general rule is to assume that the childcare expenses enable the lowest paid individual to work, unless this is obviously not the case).

Prorating Childcare

- When a family member works and attends school, the PHA must prorate the expense so that the appropriate portion can be compared with the amount earned.

Verification of Childcare Expenses

- Verification must indicate the amount of payment, hours of care, names of children and the frequency of payment. If the childcare allows someone to:

- Work, verification of employment is required.
- Go to school, verification of student status is required.
- Look for work, verification from an employment agency or a self-declaration indicating the time/efforts devoted to looking for work including the time spent is required.

Proration of Disability Assistance and Child Care Expense

- When the same care provider takes care of children and a disabled person over the age of 12, the PHA must prorate expenses accordingly.

Example: Proration of Disability Assistance and Child Care Expenses				
Head	$10,000	Both sons are cared for by one care provider who charges $100 per week, prorated at:		
Spouse	$5,000	$30 – Childcare		
Son – age 10		$70 – Disability Care		
Son – age 15 (disabled)				

$30 x 52=	$1,560	Childcare Expense	$1,560	Childcare Expense
$70 x 52=	$3,640	Disability Expense	+ $3,190	MAX Disability Expenses
	- $450	3% of Annual Income	**$4,750**	**Total Expense**
	$3,190	**MAX Disability Expenses**		

$5,000 – Earnings made possible by the childcare and disability expenses
$4,750 – Total Allowable Expenses (does not exceed the lower wage earner's income)

Calculating TTP and Tenant Rent

Total Tenant Payment (TTP)

- For **Housing Choice Voucher** families, the TTP is used to describe the minimum amount a tenant can pay for rent and utilities;
- For **Public Housing residents,** the TTP is the family's share of rent, or tenant rent.
- In the **Housing Choice Voucher** program the TTP is the greater of:
  - 30 percent of monthly adjusted income;
  - 10 percent of monthly gross income;
  - The welfare rent; or
  - The PHA minimum rent.

Example: Calculating TTP			
A family has an annual gross income of $27,000 and they receive a dependent deduction of $480.			
1. Determine the family's monthly adjusted income:	$27,000 – 480 = $26,520 $26,520 / 12 months = $2,210 monthly adj. income	Find 30% of monthly adjusted income:	$2,210 x 30% = **$663**
2. Determine their monthly gross income:	$27,000 / 12 = $2,250 monthly gross income	Find 10 % of monthly gross income:	$2,250 x 10% = **$225**
3. Welfare Rent:	N/A	Use the welfare rent:	N/A

- For **Public Housing** families, the same calculation is used to calculate income-based rents but it is often referred to as the tenant rent instead of the TTP.
- **Public Housing** families can choose to either pay an income-based or flat rent.

Choice of Rent for Public Housing Residents

- Once a year, the PHA must give each family the opportunity to choose between an:
    - Income-based rent, or
    - Flat rent.
- Regardless of the type of rent selected, the family must always pay at least the minimum rent set by PHA policy.
- If the family opts to pay an income-based rent, that rent may not exceed the Total Tenant Payment (TTP) minus any applicable utility allowance.
- In public housing, the TTP is usually equal to the tenant rent.

Income-Based Rent

- An income-based rent is calculated using a PHA established policy that must be described in its Admission and Continued Occupancy Plan (ACOP).
- The PHA's rent policies must specify a reasonable system to determine the income-based rent. The system may use:
    - A percentage of family income determined by the PHA; or
    - The same formula used to determine the TTP; or
    - Any other reasonable approach as long as the income-based tenant rent does not exceed the TTP for the family minus any applicable utility allowance.
- Among other possibilities, the PHA's income-based rent policy may provide for:
    - Depositing a portion of tenant rent in an escrow or savings account; or
    - Adopting permissive income deductions.
    - For a family that chooses Income-based Rent, the PHA must conduct a

reexamination of family income and composite at least annually.

Flat Rent

- The flat rent should be designed to encourage public housing residents to:
    - Seek self-sufficiency; and
    - Continue residency in public housing units as they become economically self-sufficient.
- The flat rent is based on the market rent charged for comparable units in the private unassisted rental market. It should be equal to the estimated rent for which the PHA could promptly lease the unit when it has been prepared for occupancy.
- The PHA must use a reasonable method to determine the flat rent for a unit. To determine the flat rent, the PHA must consider the following nine characteristics of the unit:
    - Location
    - Quality
    - Size
    - Unit Type
    - Age of the Unit
    - Any Amenities
    - Housing Services
    - Maintenance
    - Utilities provided by the PHA according to the lease.
- The PHA must maintain records that document the flat rents to families and the method used to determine those flat rents.
- For a family that chooses a flat rent, the PHA must conduct a reexamination of family income at least once every three years and family composition at least annually.
- For units where the tenant pays utilities, the PHA must adjust the flat rent downwards by the amount of the Utility Allowance that the family would otherwise be eligible.
- PHAs must update the flat rent amount no more than 90 days after HUD issues new Fair Market Rents (FMRs).

- If the new flat rent amount causes the family's rent to increase more than 35%, the income must be phased in at 35% annually until either the family chooses income-based rent or the new flat rent amount is achieved.

Information for Families

- The PHA must provide sufficient information for the family to make an informed choice about its rent options, including:
  - The PHA's policies on switching to another type of rent in circumstances of financial hardship; and
  - The dollar amounts of tenant rent the family would pay under each option.
  - Apply the family's rent decision at the next lease renewal.
- If the family chooses a flat-rent for the previous year, the PHA is required to provide the amount of income-based rent for the subsequent year only in the year that the PHA conducts an income reexamination and submits updated income information.

Changes Because of Hardship

- A family that is paying a flat-rent may, at any time, request a switch to payment of income-based rent if the family is unable to pay flat rent because of financial hardship. The PHA must adopt written policies for determining when payment of flat rent is a financial hardship that include at least the following:
  - The family has experienced a decrease in income because of changed circumstances including loss or reduction of employment, death in the family, or reduction in or loss of earnings or other assistance.

Minimum Rent Hardship

- Minimum Rent applies to both Housing Choice Voucher and Public Housing.
- PHAs must establish a minimum rent of $0 to $50.
- To revise its current minimum rent level, a PHA must formally amend its administrative plan and notify the HUD field office immediately of its intent to implement a new minimum rent policy.
- The PHA must grant an exemption from the minimum rent requirement to any family unable to pay the amount due to financial hardship unless the hardship is temporary. "Financial hardship" includes families:
    - Who have lost eligibility or are awaiting an eligibility determination for a federal, state, or local assistance program;
    - Who would be evicted as a result of imposing the minimum rent requirement;
    - Whose income has decreased because of changed circumstances including the loss of employment;
    - Who have had a death in the family; and
    - Who have had other circumstances as determined by the PHA or HUD.
- Each PHA must notify all families:
    - Of the right to request minimum rent hardship exemption; and
    - That hardship determination is subject to the PHA's informal hearing procedures.
- If a family requests a minimum rent hardship exemption, the PHA must suspend the minimum rent charge and adjust the HAP payment effective at the beginning of the month that follows the one in which the family made the hardship request.

  - The PHA may request documentation of the hardship and must determine promptly whether a hardship exists and if it is temporary or long term.
  - If the PHA determines no hardship exists, the minimum rent is imposed retroactively to the time of suspension.
  - If the hardship is determined to be temporary:
    - The minimum rent may not be imposed for a period of 90 days from the date of the family’s request.
    - At the end of that period, the minimum rent is imposed retroactively to the time of suspension.
    - A reasonable repayment agreement to cover minimum rent charges accumulated during the suspension must be offered.

- If the PHA determines the hardship to be of long-term duration, the family receives an exemption until the hardship no longer exists.

<u>Medical Expense Hardship</u>

- HOTMA provisions will provide two types of hardship exemptions to the new ten percent threshold for unreimbursed health and medical care expenses (for elderly and disabled families) and reasonable attendant care and auxiliary apparatus expenses (for families that includes a person with disabilities).

HOTMA:

Effective date TBD

- The first category is for families eligible for and taking unreimbursed health and medical care expenses and reasonable attendant care and auxiliary apparatus expenses deduction in effect prior the HOTMA effective date.
  - Required Phase-In: The PHA must deduct eligible expenses exceeding 5

percent of the family's income for the first year.

  - The second year, the PHA must deduct expenses exceeding 7.5 percent of the family's annual income.
  - The third year, the PHA must deduct only the expenses that exceed ten percent of the family's annual income, unless the family qualifies for a new exemption under the other eligible category of health and medical care and reasonable attendant care and auxiliary apparatus expense hardships.

- The second category is for families that can demonstrate that their health and medical care expenses or reasonable attendant care and auxiliary apparatus expenses increased, or the family's financial hardship is a result of a change in circumstances that would not otherwise trigger an interim reexamination.
  - For these families, the PHA deducts the eligible expenses in excess of 5 percent of the family's income for a period of up to 90 days.
  - The PHA may extend such exemptions for additional 90-day periods at their discretion, based on the family's circumstances.
  - The PHA may also terminate the hardship exemption if it determines that the family no longer needs the exemption.
  - Families in the first category who have exhausted that relief after 24 months, or who chose to apply for relief under this category in the 2nd year of receiving a deduction from the first category may also receive this hardship.
    - The family would then receive a deduction for their qualifying expenses over 5% of their income

instead of those exceeding 7.5% of their income.

- The family will no longer be eligible for a hardship exemption under the first category, even if they had not finished the 24-month period.

Childcare Expense Hardship

HOTMA:

Effective date TBD

- Effective with HOTMA, a family whose eligibility for the childcare expense deduction is ending may request a financial hardship exemption to continue the deduction.
- The family must demonstrate that they are unable to pay their rent because of loss of this deduction, and the childcare expense is still necessary even though the family member is no longer employed or furthering education.
- The hardship exemption may last up to 90 days and may be extended, at the PHA's discretion, for an additional 90-day periods based on family circumstances.
- The PHA may terminate the hardship exemption if they determine that the family no longer needs it.

Public Housing Over Income

- Families in Public Housing who reach the Over Income Limit and remain at that level for 24 consecutive months are no longer eligible for Public Housing.
- Over Income (OI) limit is set by the using the Very low-income level multiplied by 2.4 to equal to approximately 120% of the AMI
- During the 24-month period, the PHA has required income review requirements (see Interim Re-examinations) and notice requirements to the family.
- The PHA must have a policy which can either allow the family to remain in the property as Non-Public Housing Over Income Residents

paying an alternative rent; or they must be terminated and move from the property.

- Families who remain as Non-Public Housing Over Income Residents must sign a new Non-Public Housing lease.

<u>Calculating Prorated Assistance for Mixed Families</u>

- Assistance for mixed families is calculated based on the percentage of eligible individuals in the household.
    - A family is considered a "mixed family" when the family contains at least one member who is a citizen or has eligible immigration status but also has one or more members who are not citizens or do not have eligible immigration status.

Calculation Method of Pro-rated Assistance for Public Housing

Step 1	Determine the TTP
Step 2	Subtract the TTP from the PHA's flat rent for the applicable unit. The result is known as the *family maximum subsidy*.
Step 3	Divide the *family maximum subsidy* by the total number of household members (ALL family members). The result is known as the *member maximum subsidy*.
Step 4	Multiply the *member maximum subsidy* by the number of family members with eligible citizenship/immigration status (known as *eligible family members*).
Step 5	The product of Steps 1-4 is amount of subsidy the household is eligible for.
If the household's TTP is greater than the Public Housing flat rent, the PHA must use the TTP as the mixed-family's TTP. The Utility Allowance is subtracted from the TTP and the remaining difference is the mixed-family's rent.	

*Annual income includes income of ALL family members, including those who have not established eligible immigration status.

EXAMPLE

The TTP for the household is $300. The PHA flat rent for the unit is $1,000. The UA for the unit is $50. The household has a total of five family members. Three members have eligible immigration status, while two members do not.

Step 1	TTP = $300
Step 2	$1,000 - $300 = $700 *(family maximum subsidy)*
Step 3	$700 / 5 = $140 *(member maximum subsidy)*
Step 4	$140 x 3 *(eligible family members)* = $420
Step 5	The household is eligible for $420 in subsidy

Final Rule – Applicable to Public Housing

- Requires PHAs to use the established flat rent applicable to the unit to calculate rents for Mixed Families.
- Requires a Mixed Family's payment to be equal to their TTP when the TTP exceeds the flat rent.

Calculation Method of Pro-rated Assistance for Housing Choice Vouchers

Step 1	Determine the amount of the pre-proration HAP
Step 2	Multiply the amount in Step 1 by the fraction determined using the figures below in (A) and (B)
2(A)	The numerator (top number in the fraction) is equal to the number of family members with eligible citizenship/immigration status
2(B)	The denominator (bottom number in the fraction) is equal to the total number of family members in the household
Step 3	The product of Steps 1-2 is the prorated HAP amount for the mixed family
Proration of the HAP does NOT affect the rent due to the owner. The family must pay the owner the portion of rent not covered by the pro-rated HAP.	

*Annual income includes income of ALL family members, including those who have not established eligible immigration status.

EXAMPLE

The TTP for the household is $800. The household has a total of five family members. Three members have eligible immigration status, while two members do not.

Step 1	HAP=$800
Step 2	$800x3/5-$480
2(A)	3
2(B)	5
Step 3	The pro-rated HAP amount is $480

Appendix A: Income and Exclusions 24 CFR 5.609

§ 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

(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.

(b) Annual income does not include the following:

(1) Any imputed return on an asset when net family assets total $50,000 or less (which amount HUD will adjust annually in accordance with the Consumer Price Index for Urban Wage Earners and Clerical Workers) and no actual income from the net family assets can be determined.

(2) The following types of trust distributions:

(i) For an irrevocable trust or a revocable trust outside the control of the family or household excluded from the definition of net family assets under § 5.603(b):

(A) Distributions of the principal or corpus of the trust; and

(B) Distributions of income from the trust when the distributions are used to pay the costs of health and medical care expenses for a minor.

(ii) For a revocable trust under the control of the family or household, any distributions from the trust; except that any actual income earned by the trust, regardless of whether it is distributed, shall be considered income to the family at the time it is received by the trust.

(3) Earned income of children under the 18 years of age.

(4) Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments.

(5) Insurance payments and settlements for personal or property losses, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation.

(6) 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.

(7) 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, that resulted in a member of the family becoming disabled.

(8) Income of a live-in aide, foster child, or foster adult as defined in §§ 5.403 and 5.603, respectively.

(9)

(i) Any assistance that section 479B of the Higher Education Act of 1965, as amended (20 U.S.C. 1087uu), requires be excluded from a family's income; and

(ii) Student financial assistance for tuition, books, and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and other 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. 1002)) and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

(A) Student financial assistance, for purposes of this paragraph (9)(ii), means a grant or scholarship received from—

(*1*) The Federal government;

(*2*) A State, Tribe, or local government;

(*3*) A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3);

(*4*) A business entity (such as corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity); or

(*5*) An institution of higher education.

(B) Student financial assistance, for purposes of this paragraph (9)(ii), does not include—

(*1*) Any assistance that is excluded pursuant to paragraph (b)(9)(i) of this section;

(*2*) 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 pursuant to paragraph (b)(9)(i) of this section);

(*3*) Gifts, including gifts from family or friends; or

(*4*) Any amount of the scholarship or grant that, either by itself or in combination with assistance excluded under this paragraph or paragraph (b)(9)(i), exceeds the actual covered costs of the student. The actual covered costs of the student are the actual costs of tuition, books and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, or other fees required and charged to a student by the education institution, and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit. This calculation is described further in paragraph (b)(9)(ii)(E) of this section.

(C) Student financial assistance, for purposes of this paragraph (b)(9)(ii) must be:

(*1*) Expressly for tuition, books, room and board, or other fees required and charged to a student by the education institution;

(*2*) Expressly to assist a student with the costs of higher education; or

(*3*) Expressly 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.

(D) Student financial assistance, for purposes of this paragraph (b)(9)(ii), may be paid directly to the student or to the educational institution on the student's behalf. Student financial assistance paid to the student must be verified by the responsible entity as student financial assistance consistent with this paragraph (b)(9)(ii).

(E) When the student is also receiving assistance excluded under paragraph (b)(9)(i) of this section, the amount of student financial assistance under this paragraph (b)(9)(ii) is determined as follows:

(*1*) If the amount of assistance excluded under paragraph (b)(9)(i) of this section is equal to or exceeds the actual covered costs under paragraph (b)(9)(ii)(B)(4) of this section, none of the assistance described in this paragraph (b)(9)(ii) of this section is considered student financial assistance excluded from income under this paragraph (b)(9)(ii)(E).

(*2*) If the amount of assistance excluded under paragraph (b)(9)(i) of this section is less than the actual covered costs under paragraph (b)(9)(ii)(B)(4) of this section, the amount of assistance described in paragraph (b)(9)(ii) of this section that is considered student financial assistance excluded under this paragraph is the lower of:

(*i*) the total amount of student financial assistance received under this paragraph (b)(9)(ii) of this section, or

(*ii*) the amount by which the actual covered costs under paragraph (b)(9)(ii)(B)(4) of this section exceeds the assistance excluded under paragraph (b)(9)(i) of this section.

(10) Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, “baby bond” accounts created, authorized, or funded by Federal, State, or local government.

(11) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

(12)

(i) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);

(ii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (*e.g.,* special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(iii) Amounts received under a resident service stipend not to exceed $200 per month. A resident service stipend is a modest amount received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development.

(iv) Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in qualifying Federal, State, Tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program unless those amounts are excluded under paragraph (b)(9)(i) of this section.

(13) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.

(14) Earned income of dependent full-time students in excess of the amount of the deduction for a dependent in § 5.611.

(15) Adoption assistance payments for a child in excess of the amount of the deduction for a dependent in § 5.611.

(16) Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.

(17) Payments related to aid and attendance under 38 U.S.C. 1521 to veterans in need of regular aid and attendance.

(18) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.

(19) 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. Authorized payments may include payments to a member of the assisted family through the State Medicaid agency (including through a managed care entity) or other State or Federal agency for caregiving services the family member provides to enable a family member who has a disability to reside in the family's assisted unit.

(20) Loan proceeds (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 (*e.g.,* proceeds received by the family from a private loan to enable attendance at an educational institution or to finance the purchase of a car).

(21) 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.

(22) Amounts that HUD is required by Federal statute to exclude from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in paragraph (b) of this section apply. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary.

(23) Replacement housing “gap” payments made in accordance with 49 CFR part 24 that offset increased out of pocket costs of displaced persons that move from one federally subsidized housing unit to another Federally subsidized housing unit. Such replacement housing “gap” payments are not excluded from annual income if the increased cost of rent and utilities is subsequently reduced or eliminated, and the displaced person retains or continues to receive the replacement housing “gap” payments.

(24) Nonrecurring income, which is income that will not be repeated in the coming year based on information provided by the family. Income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under this paragraph, even if the source, date, or amount of the income varies. Nonrecurring income includes:

(i) Payments from the U.S. Census Bureau for employment (relating to decennial census or the American Community Survey) lasting no longer than 180 days and not culminating in permanent employment.

(ii) Direct Federal or State payments intended for economic stimulus or recovery.

(iii) Amounts directly received by the family as a result of State refundable tax credits or State tax refunds at the time they are received.

(iv) Amounts directly received by the family as a result of Federal refundable tax credits and Federal tax refunds at the time they are received.

(v) Gifts for holidays, birthdays, or other significant life events or milestones (*e.g.,* wedding gifts, baby showers, anniversaries).

(vi) Non-monetary, in-kind donations, such as food, clothing, or toiletries, received from a food bank or similar organization.

(vii) Lump-sum additions to net family assets, including but not limited to lottery or other contest winnings.

(25) Civil rights settlements or judgments, including settlements or judgments for back pay.

(26) Income received from any account under a retirement plan recognized as such by the Internal Revenue Service, including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals; except that any distribution of periodic payments from such accounts shall be income at the time they are received by the family.

(27) Income earned on amounts placed in a family's Family Self Sufficiency Account.

(28) Gross income a family member receives through self-employment or operation of a business; except that the following shall be considered income to a family member:

(i) Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations; and

(ii) Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

(c) ***Calculation of Income.*** The PHA or owner must calculate family income as follows:

(1) ***Initial occupancy or assistance and interim reexaminations.*** The PHA or owner must estimate the income of the family for the upcoming 12-month period:

(i) To determine family income for initial occupancy or for the initial provision of housing assistance; or

(ii) To determine family income for an interim reexamination of family income under § 5.657(c), § 960.257(b), or § 982.516(c) of this title.