

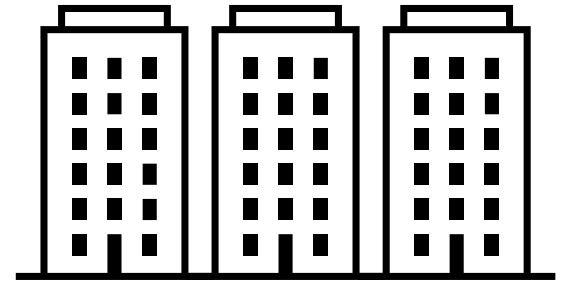
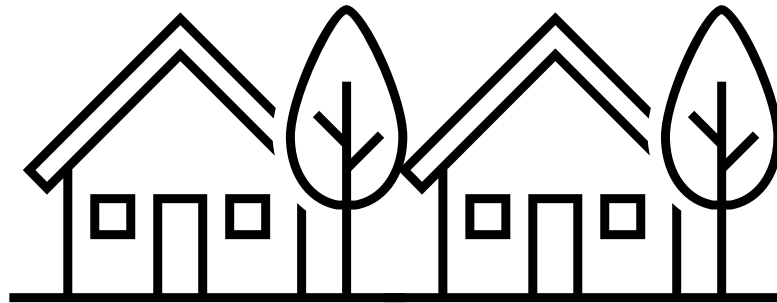
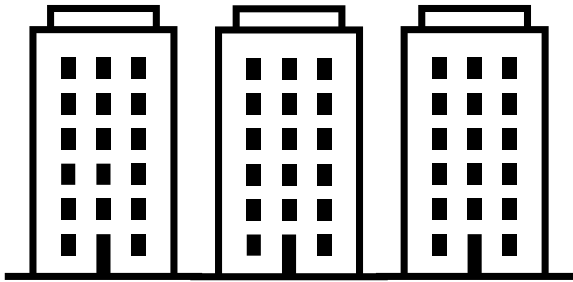


## **Housing Finance Agency**

*We Open the Doors to an Affordable Place to Call Home*

# HOTMA ESSENTIAL FOR LIHTC, HOME, AND NHTF

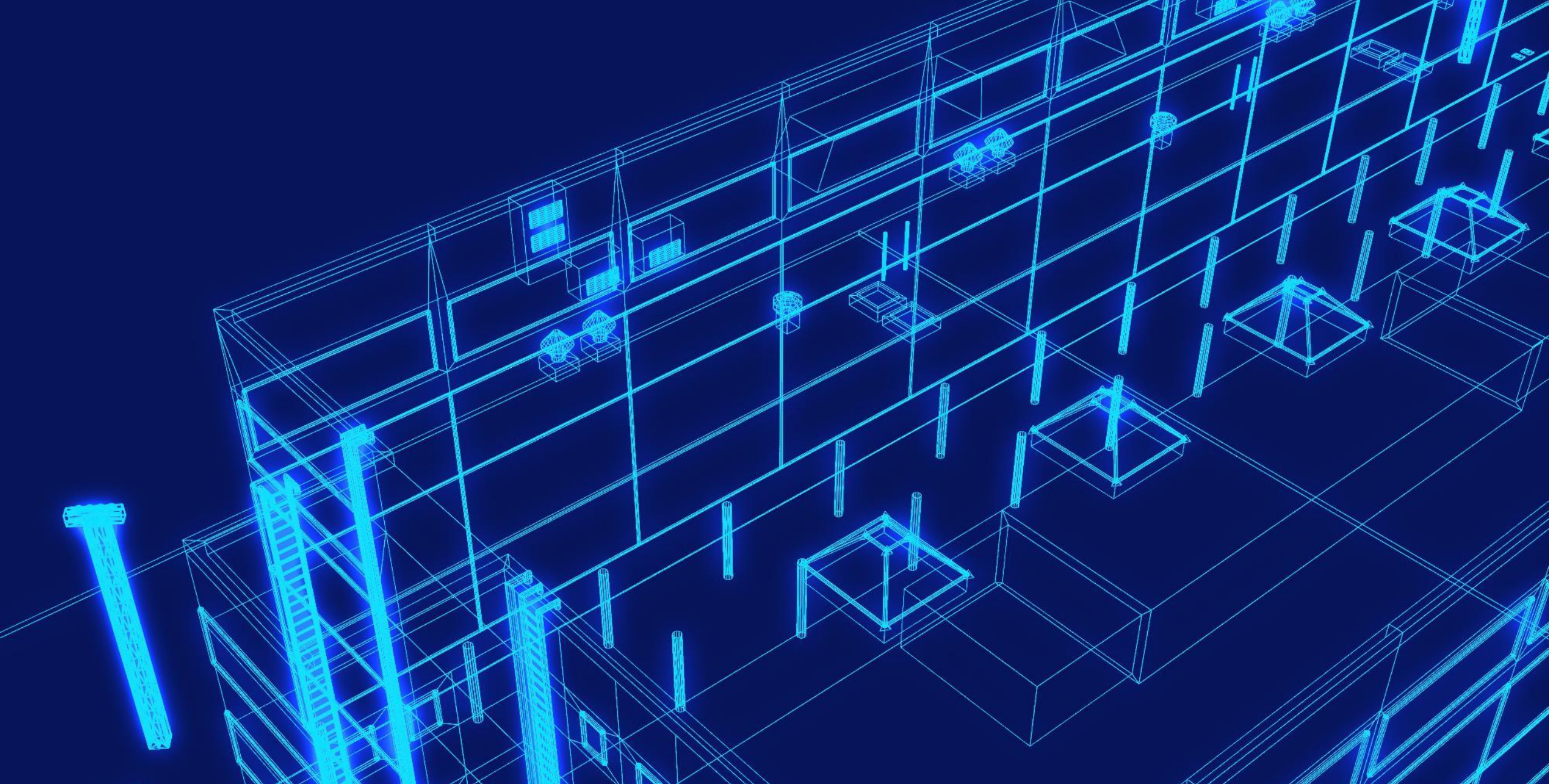
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# TOPICS

- What is HOTMA? Applicability & Timing
- New Definitions of Household Composition & Income, Adjustment Factors
- Annual Income Exclusions
- Assets & Exclusions
- Student Financial Assistance
- Verifications







# HOTMA OVERVIEW

- The Housing Opportunities Through Modernization Act (HOTMA) was signed into law July 2016.
  - Section 102 addresses income reviews, including the frequency of income reviews and revises the definitions of income and assets. Applies to LIHTC/HOME/NHTF
  - Section 104 sets asset limits for Section 8 and Public Housing Programs which includes HUD 811
- In February 2023, HUD published the final rule implementing HOTMA which was effective January 1, 2024
- HUD issued guidance
  - Owners must bring their programs into compliance with the HOTMA final rule as quickly as possible, but no later than July 1, 2025.
  - OHFA is implementing on January 1, 2025.



# APPLICABILITY OF HOTMA

	HOME	NHTF	LIHTC
Net Family Assets Definition (& 5.603)	Yes	Yes	Yes
Annual Income Definition (&5609 (a))	Yes	Yes	Yes
Annual Income Exclusions {&5.609(b)}	Yes	Yes	Yes
Annual Income Calculation & Reexaminations {&5.609(c)}	No, unless household is receiving Federal or State project-based rental subsidy	No, unless household is receiving Federal or State project-based rental subsidy or under a Federal tenant-based rental subsidy	No
Adjusted Income Mandatory Deductions {&5.611(a)}	Yes, if household is over-income and rent is based on adjusted income or when adjusted-income based rents apply to low HOME units where household is receiving project-based Federal rental subsidy	No, unless household is receiving Federal or State project-based rental subsidy or under a Federal tenant-based rental subsidy	No

# APPLICABILITY OF HOTMA

	HOME	NHTF	LIHTC
Adjusted Income Additional Deductions {&5.611(b)}	Yes, if household is over-income and rent is based on adjusted income at HOME projects with LIHTC funding	No, unless household is receiving Federal or State project-based rent subsidy or under a Federal tenant-based rental assistance program	No
Adjusted Income Financial Hardships Exemptions {&5.611(c)}	Yes, if the PJ (OHFA) elects to do so, if household is receiving Federal or State project-based rental subsidy or Federal tenant-based rental subsidy	No, unless household is receiving Federal or State project-based rental subsidy or under a Federal tenant-based rental assistance program	No
Restrictions on Eligibility of households with Assets over \$100.000 or who owns a Home {5.618}	No	No	No

HOME and NHTF columns based directly on the HOTMA Rule. The LIHTC column is based on the general applicability of HUD rules to the LIHTC program

# HOTMA OVERVIEW

Action is Still Required Before January 2025 for HUD Projects Only\*, not LIHTC

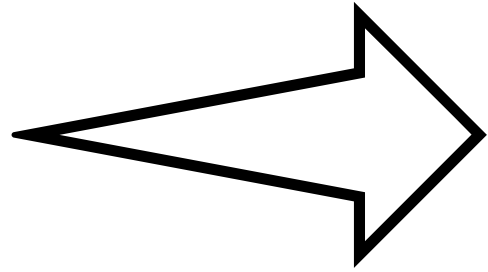
- By May 31, 2024, Owners must update Tenant Selection Plans (i.e. De Minimis Errors and Safe Harbor) and EIV procedures/policies.
- Once Owner's software is HOTMA compliant:
  - Owners must provide tenants 60 days notice that their lease will be modified at the end of the lease term. Owners must begin using the revised HUD Model Lease at the expiration of the tenant's lease term, if applicable
  - Prior to households first annual recertification under HOTMA, household must be notified income determination will change
  - Owners must implement revised TSPs and EIV policies/procedures when software is HOTMA compliant

\*Note: HUD projects include: Section 8 PBRA, Section 202, 811, public housing, housing choice vouchers, and project-based vouchers





# OHFA GUIDANCE ON HOTMA



- Use pre-HOTMA rules
  - All Move-In Certifications effective prior to January 1, 2025
  - Recertifications effective prior to January 1, 2025
- If project implemented some or all of the HOTMA final rules prior to January 1, 2025, use OHFA clarification record in the tenant file
  - explain which parts of HOTMA were used to certify the tenant
- Owners should begin creating internal procedures, forms, policies, and train staff
- TSPs must be implemented to reflect the HOTMA Rule once owner's software is HOTMA compliant. This does not apply to LIHTC

# OHFA GUIDANCE ON HOTMA

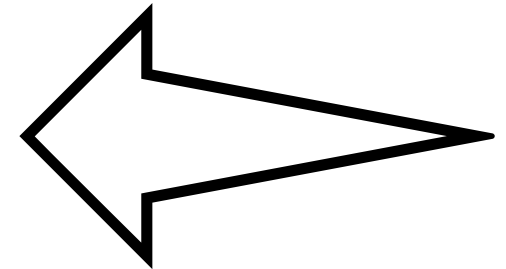
## COMPLIANCE MONITORING

PRIOR TO JANUARY 1, 2025:

- OHFA will not enforce (i.e. 8823) any HOTMA file errors discovered prior to January 1, 2025. For HUD funded projects, MFH (Office of Multifamily Housing) owners will not be penalized for HOTMA-related tenant file errors during Management and Occupancy Reviews (MORs). Instead, the Contract Administrator will issue observations with corrective actions.

AFTER JANUARY 1, 2025:

- OHFA will issue HOTMA-related findings





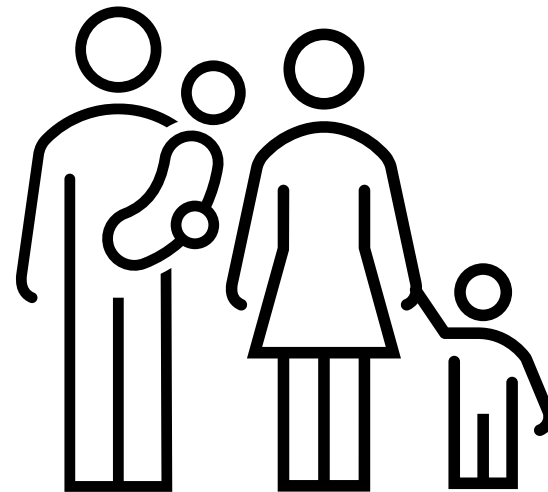
**NEW HOTMA DEFINITIONS**

Attachments E, F and H

# NEW DEFINITIONS OF HOUSEHOLD COMPOSITION AND INCOME

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## **HOUSEHOLD DEFINITION**





# FOSTERS (E.1)

Foster children and foster adults living in the household are **no longer counted as family members**

- Do not count in household size for income limit purposes
- Do not include their income and assets
- Treat similar to live-in aide

## **REMINDER:**

- When a member of a household is temporarily placed in foster care the member is still counted as a household member in the unit from which they were removed

Attachments E, F and H

# NEW DEFINITIONS OF HOUSEHOLD COMPOSITION AND INCOME

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## **ANNUAL INCOME DEFINITIONS**





# ANNUAL INCOME DEFINITIONS

HOTMA added the following definitions:

- **EARNED INCOME (F.2)** means income or earnings from wages, tips, salaries, other employee compensation, and net income from self-employment.
  - Earned income does not include any pension or annuity, transfer payments (*meaning payments made or income received in which no goods or services are being paid for, such as welfare, social security, and governmental subsidies for certain benefits*), or any cash or in-kind benefits.
- **UNEARNED INCOME (F.3)** means any annual income, as calculated under 24 CFR §5.609, that is not earned income.



# ANNUAL INCOME DEFINITIONS

## Earned Income

- Annual household income includes all amounts including the income of a day laborer, independent contractor, and seasonal worker received by
  - head of household
  - co-head
  - or spouse
- Income earned by a day laborer, independent contractor, or seasonal worker is **not** considered nonrecurring income and must be included

  
**NEW**

# EARNED INCOME

## HUD added 2 new definitions:

### Day Laborer (F.2.a)

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

### Independent Contractor (F.2.b)

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.

Individuals considered “gig workers,” such as babysitters, landscapers, rideshare drivers, and house cleaners, typically fall into the category of independent contractor.

# EARNED INCOME

## Seasonal Worker (F.2.c)

An individual who is:

1. Hired into a short-term position (e.g., for which the customary employment period for the position is 6 months or fewer); and
2. 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:** Employment limited to holidays or agricultural seasons, lifeguards, ballpark vendors, snowplow drivers



## **INCOME: WHAT'S COUNTED AND ADJUSTMENT FACTORS**

# WHOSE INCOME DO WE COUNT? POST HOTMA

“Family” Members *	Earned Income Counted?	Unearned & Asset Income Counted?
Head, Spouse, and/or Co-head	Yes	Yes
Other Adult Household Member	Yes	Yes
“Family” Dependents *		
Child Under 18	No	Yes
FT Student over 18 (not head, co-head, or spouse)	Yes <i>Up to the current dependent deduction ***</i>	Yes
Temporarily Absent Household Member	Yes	Yes
Person permanently living in a care facility	This is a Household decision	
Non-Family “Household” Members *		
Live-In Attendant	No	No
Foster Adults and Children	No **	No **
Guests	No	No

\* According to HUD guidance, “family” members are counted for income limit purposes.

“Household members are all authorized occupants of a unit. Post HOTMA, live-in aides and foster children and adults are part of the household, but not the family.

\*\* Changed by HOTMA from “yes”





**NEW**

## ADJUSTMENT FACTORS (ATTACHMENT H)

HUD added an annual inflationary adjustment factor

- The factors to calculate income will change every year.

HUD will publish notice every September as to the adjusted rate(s)

- Industry will have until January to implement

Helpful Tip:

Develop a system to track annual adjustment items, such as a simple spreadsheet.



**NEW**

# ADJUSTMENT FACTORS

- Imputed asset income threshold
- Non-necessary personal property inclusion threshold
- Asset self-certification threshold
- Elderly household deduction (HUD programs, HOME (when rent is based on adjusted income)
- Deduction for dependents (HUD programs, HOME (when rent is based on adjusted income)
- Limit on earned income for adult full-time students
- Limit on adoption assistance payments
- Passbook savings rate

# ADJUSTMENT FACTORS

Adjusted Item	Regulation	Implementation Notice Section	Amount at the start of HOTMA	Rounding Methodology	Applicable Programs
<b>Asset eligibility restriction</b>	<b>24 CFR 5.618 (a)(1)(i)</b>	<b>Attachment A</b>	<b>\$100,000</b>	<b>Nearest dollar</b>	<b>HUD subsidy programs</b>
Imputed asset income threshold	24 CFR 5.609 (a)(2) & (b)(1)	Attachment F	\$50,000	Nearest dollar	HUD programs   LIHTC   HOME   NHTF
Non-necessary personal property inclusion threshold	24 CFR 5.603(b) Net family assets	Attachment F	\$50,000	Nearest dollar	HUD programs   LIHTC   HOME   NHTF
Asset self-certification threshold	24 CFR 5.618(b)(1)	Attachment F	\$50,000	Nearest dollar	HUD programs   LIHTC   HOME   NHTF
<b>Elderly household deduction</b>	<b>24 CFR 5.611(a)(2)</b>	<b>Attachment C</b>	<b>\$525</b>	<b>Next lowest multiple of \$25</b>	<b>HUD programs   HOME, when rent is based on adjusted income</b>
<b>Deduction for dependents</b>	<b>24 CFR 5.611(a)(1)</b>	<b>Attachment C</b>	<b>\$480</b>	<b>Next lowest multiple of \$25</b>	<b>HUD programs   HOME, when rent is based on adjusted income</b>
Limit on earned income for adult full-time students	24 CFR 5.609 (b)(14)	Attachment G	\$480	Next lowest multiple of \$25	HUD programs   LIHTC   HOME   NHTF
Limit on adoption assistance payments	24 CFR 5.609 (b)(15)	Attachment G	\$480	Next lowest multiple of \$25	HUD programs   LIHTC   HOME   NHTF
Passbook savings rate	24 CFR 5.609 (a)(2) & (b)(1)	Attachment F	.4%	NA	HUD programs   LIHTC   HOME   NHTF

HOTMA Training-Ohio Housing Conference

# ANNUAL INCOME EXCLUSIONS

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**NEW**

# INCOME EXCLUSIONS

- Income from live-in aides, foster children or foster adults (G.4)
- Income & distributions from any Coverdell Education Savings Accounts (G. 18)
- Distributions from “Baby Bond” accounts (G. 18)

- Refunds or rebates for property taxes (F.4.e)
- Loan proceeds (G.12)
- Veterans Regular Aid & Assistance (G.10)
- “Gap” payments under the Uniform Relocation Act (URA) (G. 15)

**NEW**

# INCOME EXCLUSIONS

- Irrevocable Trusts or Revocable Trust outside of the control of the household (F.4b)
  - Any distributions of the principal or corpus from the trust
  - Distributions of income from the trust IF distributions are used to pay for the cost of health and medical expenses for a minor, does not include head or co-head

- Revocable Trust under the control of the household (F.4b)
  - Distributions from the trust are excluded EXCEPT
  - 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



**NEW**

# INCOME EXCLUSIONS



- Income received from any account under a retirement plan (except that any distribution of periodic payments from such accounts) (F4b)
- Income earned on amounts placed in a family's Family Self-Sufficiency (FSS) account (G.3)
- Civil Rights Settlements (G.21)
- Certain Payments Received by Tribal Members related to mismanagement of assets held by US Gov't (G.13)

# INCOME EXCLUSIONS: NON-CASH CONTRIBUTIONS

## ➤ In-Kind Donations (G.1.f)

- HOTMA excludes as income any non-monetary, in-kind donations, such as food, clothing or toiletries, received from a food bank or similar organization

## EXAMPLE

Gracie receives the following monthly non-cash contributions:

- \$100 worth of food from the local food bank
- \$75 worth of toiletries from the local food bank
- \$100 worth of toiletries from her father

➤ In this example, the two non-cash contributions received from the food bank, are EXCLUDED as income; however, the non-cash contribution received from her father must be INCLUDED as income.

# CHILD SUPPORT & ALIMONY

## HOTMA Rule:

Only count the amounts received,” NOT the court ordered amount The court-ordered amount will no longer be relevant or need to be verified unless the household is receiving the full amount. (F.1.)

## EXAMPLE

A family’s child-support or alimony income must be based on payments received, not the amounts to which the family is entitled by court or agency orders.

# DE MINIMIS ERRORS

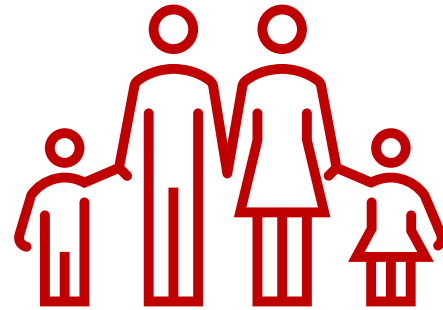
- Owner not be out of compliance solely due to minor errors when calculating the household income
  - Miscalculated income by \$30 or less per month in monthly adjusted income
    - \$360 in annual adjusted income
  - Corrective action required to credit or repay if household that is overcharged.
  - Households will not be required to repay the if owner error results in a household being undercharged rent.



De Minimis Errors do not apply to the LIHTC program  
*(Paragraph 5.609©(4))*

# HOTMA ESSENTIAL FOR LIHTC, HOME, AND NHTF

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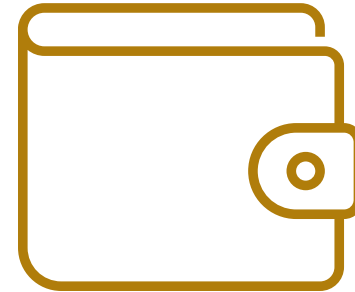
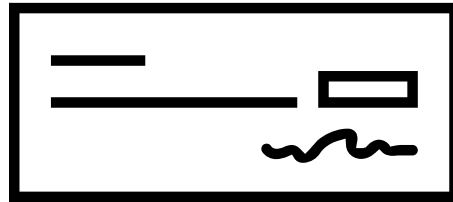
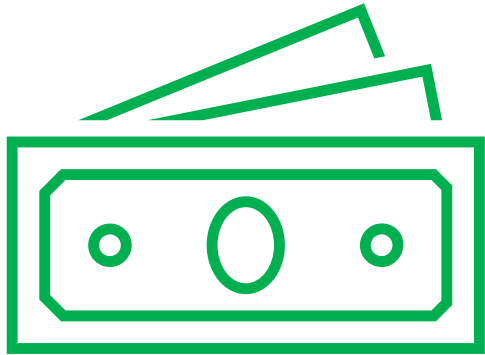




**EVERYTHING ASSETS**



# ASSETS AND EXCLUSIONS





**NEW**

# ASSET EXCLUSIONS

- Value of **necessary items of personal property**
- Combined value of all **non-necessary items of personal property** (which includes bank accounts or other financial investments) if the combined total value does not exceed \$50,000
- Value of any account under a **retirement plan** recognized by the IRS
- Value of **real property** that the family does not have legal authority to sell in the jurisdiction where the property is located
- Amounts received in any **civil action** or **settlement** based on a claim of malpractice, negligence, or other breach of duty resulting in a family member being a person with a disability

  
**NEW**

# ASSET EXCLUSIONS

- Value of any **Coverdell Education Savings Account** (under Section 530 of the IRC of 1986), any qualified tuition program (under **Section 529** of such Code)
- Value of **Achieving a Better Life Experience (ABLE) Account** (authorized under Section 529A of such Code)
- Value of any “**Baby Bond**” created, authorized or funded by Federal, State, or local government
- Interest in **Indian trust land**
- **Family Self-Sufficiency Accounts**
- **Federal Tax Refunds or refundable tax credits** for a period of 1 year from receipt (F.4.e)

**NEW**

# TAX REFUND VERIFICATION

- If the family's net assets are  $\leq$  \$50,000 (adjusted annually for inflation), verification not required [Including years when full asset verification is required or if self-certification of assets is not accepted]
  - family's federal tax refund or
  - refundable tax credit(s)
- Must verify if the family's net assets are \$50,000+
  - family's federal tax refund or
  - refundable tax credits



# 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

  
**NEW**

## EXAMPLE: RODRIGUEZ FAMILY

The Rodriguez family received a \$4,500 federal tax refund on 3/1 /2024

- At their annual review, the family tells the property manager they received a \$4,500 refund and deposited the refund into their checking account, which has a balance of \$50,000
- Family reports actual income of \$1000 from the checking account
- Family owns no other assets
- Total calculation of net family assets is \$50,000



**NEW**

## EXAMPLE: RODRIGUEZ FAMILY

In determining the total value of net family assets:

\$50,000 of net family assets

- \$4,500 refund

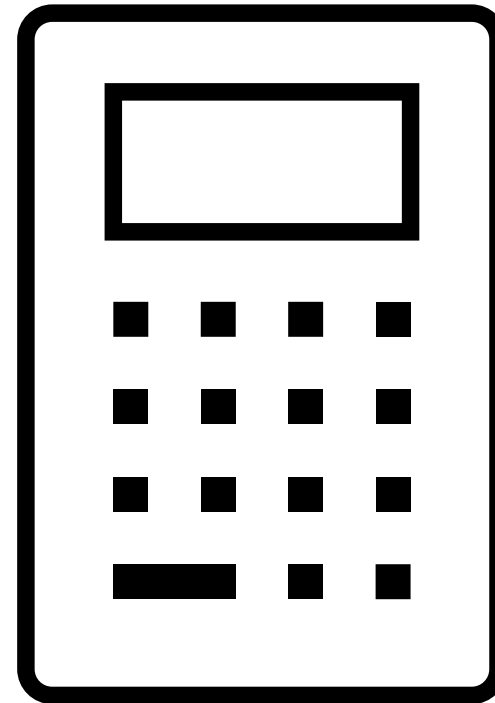
\$45,500 total countable assets

- \$1000 in actual income is included as income because actual income always included



# **NEW** ASSET EXCLUSIONS

- Full amount of assets held in an irrevocable trust
- Full value of assets held in a revocable trust where a member of the family is the beneficiary but the grantor/owner of the trust is not a member of the household





**NEW**

# TRUST ACCOUNTS-EXCLUDE

Irrevocable Trusts or Revocable Trust outside of the control of the household

- Distributions from principal or corpus of the trust
- Distributions of income IF distributions are used to pay for the cost of health & medical expenses for a minor (does not include head or co-head)

Revocable Trust under the control of the 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

# Annual Income/Net Family Assets Scenarios based on Trust Type

Trust Type	Is the trust considered a net family asset?	Is the actual interest earned by the trust considered family income?	Are distributions of trust principal considered family income?	Are distributions of interest earned on the trust principal considered family income?
Revocable - Grantor is not part of the assisted family or household (and the family or household is not otherwise in control of the trust)	No	No	No	Yes, unless the distributions are used to pay for the health and medical expenses for a minor
Irrevocable (Typically, Special Needs Trusts are irrevocable.)	No	No	No	Yes, unless the distributions are used to pay for the health and medical expenses for a minor
Revocable - Grantor is part of the assisted family or household (or the trust is otherwise under the control of the family or household)	Yes	Yes	No	No

## TRUST ACCOUNTS EXAMPLE: PAYMENTS FROM A TRUST

- Cody, age 22, receives periodic income distributions from a non-revocable trust established by his mom. Last year, they received \$15,000 from the trust.
- Documentation verified that \$5,000 of the funds distributed was interest income and \$10,000 was principal

In this example, only include the \$5000 in interest income when determining annual income. The principal amount of \$10,000 is excluded

# RETIREMENT ACCOUNTS - EXCLUDE

The value of any account under a retirement plan such as IRAs, employer retirement plans, and retirement plans for self-employed individuals

## HOTMA Example:

Leila, age 60, has a traditional IRA. It was verified that:

- ✓ Current Balance: \$100,000
- ✓ Penalty for Early Withdraw: \$0
- ✓ Interest Rate: 3%
- ✓ It was also verified that the Leila has access to the full balance and that payments are not being taken

Result: Under HOTMA, the IRA is not treated as a household asset

*Note: Periodic payments from the retirement accounts will continue to be included when determining household income*



# RETIREMENT ACCOUNTS - INCLUDE

Example:

Bob, age 60, has a traditional IRA. The brokerage firm verified:

- ✓ Current Balance: \$150,000
- ✓ Penalty for early withdraw: \$0
- ✓ Interest Rate: 1.7%
- ✓ The brokerage firm also verified Bob is taking monthly payments in the amount of \$825

In this example, the monthly amount of \$825 would be included when determining annual income ( $\$825 \times 12 = \$9,900$ )



# 3 TYPES OF ASSETS

- 1. Necessary personal property –**  
exclude from net family assets
- 2. Non-necessary personal property-**  
include in net family assets if  
combined value exceeds \$50,000
- 3. Real property (e.g., home or land)**  
- include in net family assets

Remember: Actual income is always included, “*regardless of the total value of net family assets or whether the asset itself is included or excluded from net family assets, unless that income is specifically excluded by 24 CFR 5.609(b)*”



# NECESSARY PERSONAL PROPERTY

- All assets fall into 2 categories: Real Property & Personal Property
  - Necessary personal property items are items essential to the family for maintenance, use, and occupancy of the premises of a home; OR that are necessary for employment, education, or health and wellness.
    - Can include personal effects (i.e., clothing), items that support and facilitate daily life within the home, items that assist a household member with a disability
    - Can include items that assist a household with a disability



*Does not include bank accounts, other financial investments, or luxury items*

# NON-NECESSARY PERSONAL PROPERTY

Non-necessary personal property includes items such as bank accounts, financial investments, luxury items and items of personal property that do not qualify as necessary personal property

- **Non-necessary items** of personal property with a combined value greater than \$50,000 (adjusted for inflation), are INCLUDED for the net family assets.
  - *Actual or imputed income is included for each asset*
- **Non-necessary personal property** with a combined value less than or equal to \$50,000 (adjusted for inflation) is EXCLUDED from net family assets
  - *However, actual asset income is still included*



# H 2023-10 - NON-NECESSARY PERSONAL PROPERTY

## 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
- Jewelry used in religious/cultural celebrations and ceremonies
- Religious and cultural items
- Medical equipment and supplies
- Health care-related supplies
- Musical instruments used by the family
- Personal computers, phones, tablets, and related equipment
- Professional tools of trade of the family, for example professional books
- Educational materials and equipment used by the family, including equipment to accommodate persons with disabilities
- Equipment used for exercising (e.g., treadmill, stationary bike, kayak, paddleboard, ski equipment)

## Non-Necessary Personal Property

- Recreational car/vehicle not needed for day- to-day transportation (campers, motorhomes, travel trailers, all- terrain vehicles (ATVs))
- Bank accounts or other financial investments (e.g., checking account, savings account, stocks/bonds)
- Recreational boat/watercraft
- Expensive jewelry without religious or cultural value, or which does not hold family significance
- Collectibles (e.g., coins/stamps)
- Equipment/machinery that is not used to generate income for a business
- Items such as gems/precious metals, antique cars, artwork, etc.

# NON-NECESSARY PERSONAL PROPERTY – EXAMPLE 1

The Adams household has 3 items of personal property:

- A current checking account amount of \$5000 with a 0% interest rate
  - \$15,000 recreational boat
  - \$3000 engagement ring
- The checking account and boat are considered non-necessary personal property. The combined value is \$20,000
  - The engagement ring is considered necessary personal property, because it is jewelry used in a religious/cultural celebration or ceremony and is excluded
  - Since the total value of non-necessary personal property is less than \$50,000, the household's non-necessary personal property will not be considered when calculating the household's net family assets

## NON-NECESSARY PERSONAL PROPERTY – EXAMPLE 2

The Adams household has 3 items of personal property:

- A current checking account amount of \$5000 that earns .07% interest annually
- A \$15,000 recreational boat
- A \$3000 engagement ring

- We know from the first example, the Adams net family assets are \$0
- BUT in this example the checking account has an annual interest rate
- We must count the actual income of \$3.50 ( $\$5000 \times .07\% = \$3.50$ )

# IMPUTING ASSET INCOME

Imputing Asset Income is NOT required:

- If a household's family assets exceed \$50,000 but actual income from ALL assets can be determined, imputing income is not required
- If a household's net assets are less than \$50,000, even if actual income can be computed for some assets, but not all assets, imputing asset income is not required



# IMPUTING ASSET INCOME – EXAMPLE 1

Harvey and his brother, Ted, apply for a unit.

- Harvey has a savings account with a current balance of \$33,000 and an interest rate of .05% which produces \$16.50 in income
- Ted has the following assets:
  - Checking account with a current balance of \$2500; 0% interest which produces no actual income
  - CD with a current value of \$22,000 and interest rate of .10% which produces \$22 in interest

Is imputing income required? **NO**

Total combined asset total is \$57,500 and actual income can be determined for all assets

- BUT you will still include the annual income from the asset which is \$38.50 (\$16.50 + \$22)



# IMPUTING ASSET INCOME – EXAMPLE 2

Judy and her niece, Allie, apply for a unit.

- Judy has a savings account with a current balance of \$3000 and an interest rate of .05% which produces \$1.50 in annual income
- Allie has a checking account with a current balance of \$5,500, \$0% interest which produces \$0 in income

Is imputing income required? **NO**

Asset value is under \$50,000 so imputing is not necessary

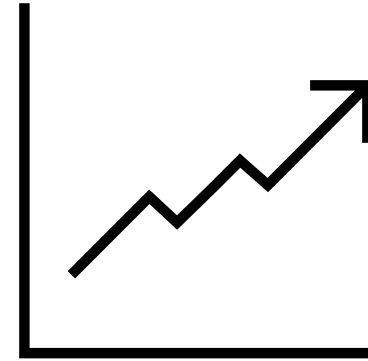
- But you count the \$1.50 in annual income

# WHEN IMPUTING ASSET INCOME IS REQUIRED

- If the household's net assets exceed \$50,000 and if the actual income can be computed for some assets, but not all assets, determine the actual income for those assets

THEN

- Calculate the imputed income for all remaining assets where the actual income cannot be determined, and COMBINE both amounts to account for assets of a combined value of over \$50,000



# IMPUTING ASSET INCOME – IS REQUIRED

Ellen and Roger apply for a unit.

- Ellen has a savings account with a value of \$14,500, an interest rate of .05% which generates \$7.25 in annual interest income
- Roger has the following assets:
  - CD with a current value of \$30,000 and cash value of \$26,000 an interest rate of 0.1% generating \$30 in annual interest income
  - An annuity with a cash value of \$10,000 (distributions are not being taken)

# IMPUTING ASSET INCOME – IS REQUIRED

Ellen and Roger apply for a unit.

- Ellen has a savings account with a value of \$14,500, an interest rate of .05% which generates \$7.25 in annual interest income
- Roger has the following assets:
  - CD with a current value of \$30,000 and cash value of \$26,000 an interest rate of 0.1% generating \$30 in annual interest income
  - An annuity with a cash value of \$10,000 (distributions are not being taken)

Is imputing income required? **YES**

Since the Cash value exceeds \$50,000 and actual income from all assets cannot be determined, imputing is necessary for the asset where the actual income cannot be determined (i.e. actual income cannot be determined for the annuity)

# IMPUTING ASSET INCOME – IS REQUIRED

Ellen and Roger apply for a unit.

- Ellen has a savings account with a value of \$14,500, an interest rate of .05% which generates \$7.25 in annual interest income
- Roger has the following assets:
  - CD with a current value of \$30,000 and cash value of \$26,000 an interest rate of 0.1% generating \$30 in annual interest income
  - An annuity with a cash value of \$10,000 (distributions are not being taken)

Cash Value of all assets is \$50,500  
( $\$14,500 + \$26,000 + \$10,000$ )

Imputed Income: \$40  
( $\$10,000 \times .40\% = \$40$ )  
{cash value of annuity x passbook rate}

Actual Income: \$37.25  
( $\$7.25 + \$30 = \$37.25$ )

Total Income from Assets: \$77.50  
( $\$40 + \$37.25$ )

# IMPUTING ASSET INCOME – NOT REQUIRED

Tony and Jen apply for a unit.

- Tony has a savings account with a cash value of \$37,000, an interest rate of .05% which generates \$18.50 in annual interest income
- Savings Bond with a cash value of \$15,000, an interest rate of 2.3%, which generates \$345 in annual interest income
- Jen has the following assets:
  - Savings account with a cash value of \$4,000, an interest rate of .05%, which generates \$2.00 in annual interest income
  - A CD with a current value of \$10,000, cash value of \$8,000. The CD has an interest rate of .5%, which generated \$50.00 in annual interest income

# IMPUTING ASSET INCOME – IS NOT REQUIRED

Tony and Jen apply for a unit.

- Tony has a savings account with a cash value of \$37,000, an interest rate of .05% which generates \$18.50 in annual interest income
- Savings Bond with a cash value of \$15,000, an interest rate of 2.3%, which generates \$345 in annual interest income
- Jen has the following assets:
  - Savings account with a cash value of \$4,000, an interest rate of .05%, which generates \$2.00 in annual interest income
  - A CD with a current value of \$10,000, cash value of \$8,000. The CD has an interest rate of .5%, which generated \$50.00 in annual interest income

Is imputing income required? **NO**

Even though the Cash value exceeds \$50,000, since the actual income from all assets can be determined, imputing asset income is not required.

# IMPUTING ASSET INCOME

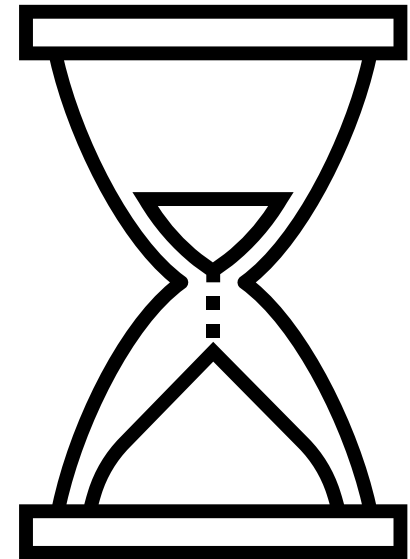
When Actual Income is Zero

- If the financial asset does not generate income, the actual income from the asset is considered to be \$0 and the income on the asset is not imputed.

## EXAMPLE

Tracey has a savings account with a balance of \$65,000 and 0% interest rate.

*The actual income from this asset is \$0 and income on the asset is not imputed.*

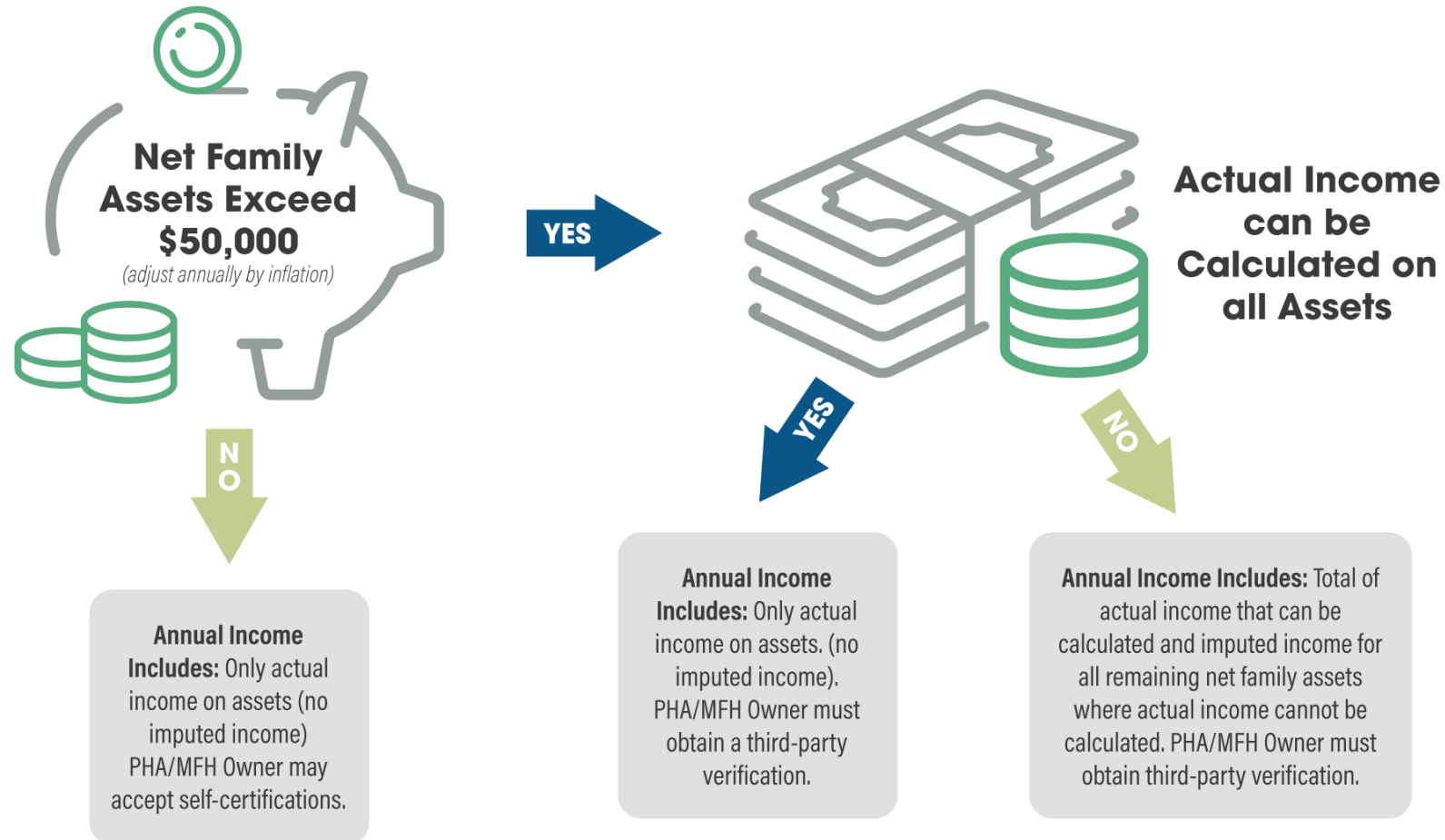




# IMPUTING ASSET INCOME CHART

	ACTUAL INCOME	IMPUTED INCOME	INCOME TO INCLUDE IN ANNUAL INCOME
Total Assets Less Than or Equal to \$50,000	Include	N/A	Actual Income
Total Assets Greater Than \$50,000 and Actual Income can be calculated for ALL assets	Include	N/A	Actual Income
Total Assets Greater than \$50,000 and Actual Income can be calculated on SOME assets	Calculate the Actual Income for the assets which actual income can be calculated	Calculate the Imputed Income for remaining assets	Actual Income + Imputed Income
Total Assets Greater Than \$50,000 and Actual Income cannot be calculated on ANY assets	N/A	Calculate asset income using: Total Cash Value of ALL assets x HUD passbook Rate	Imputed Income

# CALCULATING ASSET INCOME-DECISION CHART





**NEW**

# EXCLUDED ITEMS - AS INCOME AND AS AN ASSET

- Disability-related settlements
- Coverdell, 529, ABLE Accounts, and baby bonds
- IRS-recognized retirement accounts\*

*\*except that any distribution of periodic payments from retirement accounts is income*

- Tax returns or refundable tax credits
- Family Self-Sufficiency (FSS) Accounts

***Note: ABLE account income exclusions are complicated; refer to MFH Notice 2019-06 for more detail***

# THREE \$50,000 ASSET RULES

When Non-necessary personal property is excluded:

When total net non-necessary personal property does not exceed \$50,000 as adjusted

When Self-certification is allowed:

Self-certification is allowed when total net assets do not exceed \$50,000 as adjusted

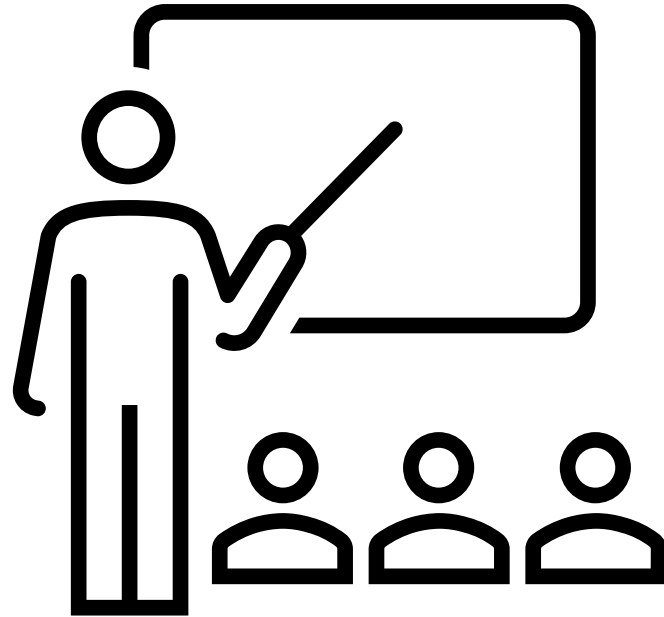
When asset income must be imputed on assets that cannot otherwise have income calculated:

When total net assets exceed \$50,000, as adjusted



**STUDENT FINANCIAL ASSISTANCE**

# STUDENT FINANCIAL ASSISTANCE





# STUDENT FINANCIAL ASSISTANCE

HOTMA removed the Student Financial Assistance Income exclusion for Non-Section 8 Households

Does the household receive Section 8 assistance?

- If YES, follow the current Section 8 Student Financial Assistance regulations
- If YES, but the household is exempt from the Section 8 Student Financial Assistance rules due to being over the age of 23 with dependent children, HOTMA rules will apply
- If NO, HOTMA rules will apply!

HOTMA changed the definition of “excess” student financial assistance



# STUDENT FINANCIAL ASSISTANCE

## Pre-HOTMA Regulation-Example A

Jennie is a 20-year old student applying for a unit and she does NOT receive Section 8 assistance. Jennie receives student financial assistance to attend college.

Since Jennie does not receive Section 8 assistance, ALL of her student financial assistance is excluded from income.

## HOTMA New Regulation-Example A

Jennie is a 20-year old student applying for a unit and she does NOT receive Section 8 assistance. She receives student financial assistance to attend college.

Any amounts of student financial assistance, not covered under the Higher Education Act (HEA), that exceeds the actual costs of attending school must be included as income.



# STUDENT FINANCIAL ASSISTANCE

## Pre-HOTMA Regulation-Example B

Jean is a 24-year old student who applies for a unit with her husband, Tom and their 1 daughter. They do NOT receive Section 8 assistance. Jean receives student financial assistance to attend college.

- Since Jean's household does not receive section 8 assistance, all student financial assistance is excluded.

## HOTMA New Regulation-Example B

Jean is a 24-year old student who applies for a unit with her husband, Tom and their 1 daughter. They do NOT receive Section 8 assistance. Jean receives student financial assistance to attend college.

- Any amounts of student financial assistance, not covered under the HEA, that exceed the actual costs of attending school must be included as income.

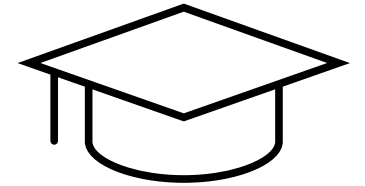
# STUDENT FINANCIAL ASSISTANCE

## UNDER HOTMA:

All Assistance under the 479B 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 (G.16.a)

## EXAMPLES:

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



# STUDENT FINANCIAL 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 be grants or scholarships received from:

- Federal Government
- A state, Tribe or local government
- A private foundation registered as a nonprofit
- A business entity (such as a corporation, joint venture) or
- An institution of higher education

The following is NO longer considered student assistance:

- Financial support provided to the student in the form of a fee for services performed (e.g. work study or teaching fellowship not part of HEA)
- Gifts, including gifts from family or friends

# STUDENT FINANCIAL ASSISTANCE

Actual covered costs include:

- Tuition, books, supplies
- Room and Board
- Fees required and charged by an institution of higher education

*For a student who is not the head of household, co-head or spouse:*

- Reasonable and actual costs of housing while attending the institution of higher learning and not living in the assisted unit

# STUDENT FINANCIAL ASSISTANCE

## Step 1:

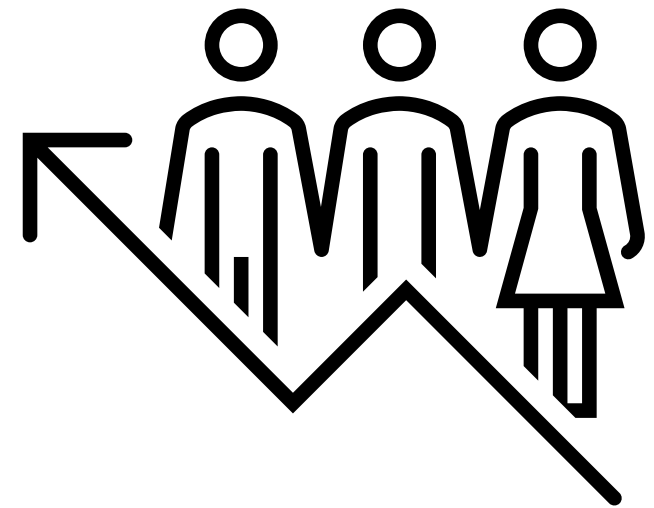
Subtract the amount of HEA Assistance FROM the Actual Covered Costs

$$\begin{array}{r} \text{ACTUAL COVERED COSTS} \\ - \text{HEA ASSISTANCE} \\ \hline = \text{"X"} \end{array}$$

## Step 2:

Subtract the amount from Step 1, FROM the amount of Non-HEA Assistance

$$\begin{array}{r} \text{NON-HEA ASSISTANCE} \\ - \text{"X"} \\ \hline = \text{INCOME} \end{array}$$



# STUDENT FINANCIAL ASSISTANCE: NON-SECTION 8 PROGRAMS

## Steps in Calculating Amount of Other Student Financial Assistance

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.

If the amount of assistance received under section 479B of the HEA exceeds the actual covered costs and the student did not receive any other student financial assistance, then step 2 is not necessary; none of the student financial assistance will be included in income, because the assistance received under section 479B of the HEA is excluded from income for students participating in the Public Housing and non-Section 8 programs administered by MFH.

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.

Step 2 requires the amount of other student financial assistance received by the student to be subtracted from the amount of actual covered costs paid by other means. If the resulting number in Step 2 is a positive amount, then that is the amount that should be included in the family's income. If the resulting number in Step 2 is zero or a negative amount, then there will be no student financial assistance included in income (i.e., all student financial assistance is excluded from annual income).



# STUDENT FINANCIAL ASSISTANCE

## Example 1:

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 of 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 (actual covered costs exceeding HEA assistance) from the Non-HEA Assistance

$$\$5,000 \text{ (Non-HEA Assistance)} - \$7,000 \text{ (Step 1 amount)} = -\$2,000$$

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 student financial assistance will be included.

# STUDENT FINANCIAL ASSISTANCE

## Example 2:

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
- \$500 gift from Aunt Lois, received twice a year

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

Step 1: Subtract the amount of 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

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

The recurring gift from Aunt Lois is NOT considered student financial assistance but will be INCLUDED in income

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



# STUDENT FINANCIAL ASSISTANCE

## Example 3:

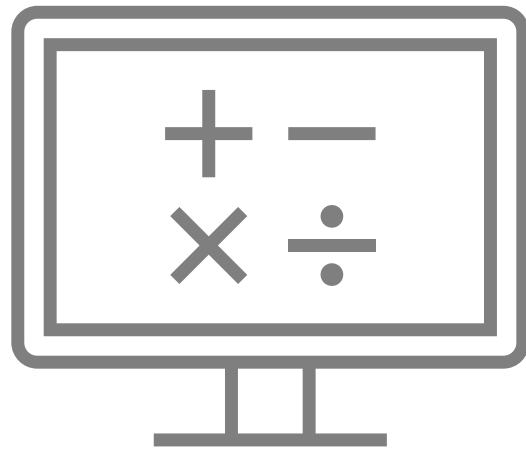
A student, who does not receive Section 8 Assistance, receives the following in student financial assistance:

- \$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 the actual covered cost.

# STUDENT FINANCIAL ASSISTANCE



If the household receives Section 8 assistance, follow the Pre-HOTMA REGULATIONS to calculate income, if any!



**NEW**

# NEW HIERARCHY

Order of Hierarchy	Hierarchy Type	Hierarchy Example
Highest	Upfront income verification from a source database	EIV-HUD projects only
Highest	Upfront income verification from a source database	Non-EIV systems such as the Work Number or web-based benefits system
High	Written, 3 <sup>rd</sup> party verification from the source provided by the tenant	Pay stubs, SSA benefit letters, bank statements, child support payment stubs, employer letters of hire/termination, income tax returns
Medium	Written 3rd party verification provided directly by the 3rd party	If non-EIV systems or 3rd party source provided by the tenant is not available or rejected by OHFA after a file inspection and owner is correcting
Medium	Written 3rd party verification provided directly by the 3rd party	Oral 3rd party verification
Low	Self-certification	

# PHA VERIFICATIONS

- The allowance to verify income with the PHA for a tenant who also has subsidy from the PHA (i.e. Housing Voucher) is known as 'using income determination' of a PHA
- PHA verification can be used for LIHTC projects

HOTMA Rule - The PHA verification will be required for:

- HOME and NHTF units with PBRA. OHFA will allow the PHA verification also for HOME units with TBRA
- NHTF units with TBRA

This allows for alignment with all HUD programs and LIHTC



  
**NEW**

# OTHER MEANS TESTED INCOME (SAFE HARBOR)

Owner may determine a household's income based on income determinations made within the previous 12-months from a Federal public assistance program:

- SNAP (Supplemental Nutritional Assistance Program)
- EITC (Earned Income Tax Credit)
- LIHTC (Low-Income Housing Credit)
- WIC (Special Nutrition Program for Women, Infants and Children)
- SSI (Supplemental Security Income)
- Other programs administered by the HUD Secretary (i.e. PHA verifications)
- Other means-tested forms of Federal Assistance for which HUD has established a MOU

Safe Harbor may be in the form of an award letter from the relevant federal program and must show the household's income determination was made in the previous 12 months.

- Verification is acceptable if the documentation was made within the 12 months prior to the receipt of the verification by the owner

## References

- IRS Reg 1.42-5 (b) (1) (vii)
- HUD Implementation Notice J.5.a
- HUD Implementation Notice Table J2
- 24 CFR 5.609 (c) (3)

  
**NEW**

# SAFE HARBOR VERIFICATION REQUIREMENTS

In order to use an income determination from another federal program, the verification must meet certain requirements:

- Verification must state:
  - Family size
  - Family composition – must match the composition of the household applying for housing
  - Family's annual income
  - Date of income determination – must have been made within the last 12 months

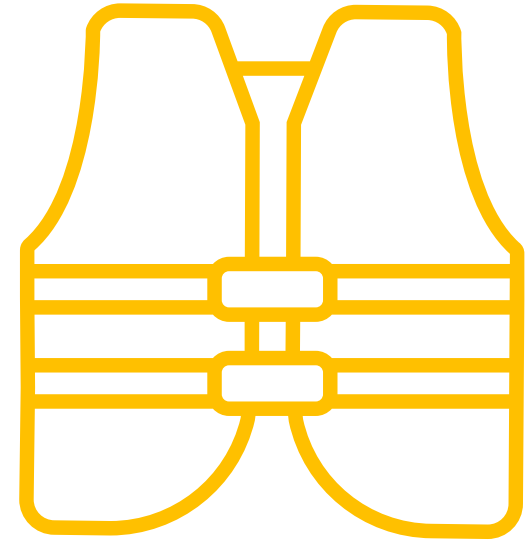
Award Letters – Are acceptable if the requirements above are met AND any of the following falls into the 12-month period prior to receipt of the documentation:

- Income determination effective date;
- Program Administrator's signature date;
- Family's signature date;
- Report effective date; or
- Other report-specific dates that verify the income determination date.

# MEANS-TESTED SAFE HARBOR OHFA POLICY

According to the IRS, HUD verification practices are a safe harbor for LIHTC certifications. OHFA will allow means-tested safe harbor.

- If owners are unable to obtain safe harbor documentation or if the household disputes the other program's income determination, owner must document using the established methods in 24 CFR 5.609 (c) (1) and (2)





  
**NEW**

## CHECKING ACCOUNTS AND PAY STUBS (J.5.A)

Under HOTMA, only a CURRENT checking account balance is required (obtain 1 statement). The 6-month average balance will no longer be required.

Under HOTMA, owners are required to obtain a minimum of 2 current and consecutive pay stubs for determining annual income from wages.

- Obtaining 4-6 pay stubs is no longer required.

Note: If pay stubs are not available or is a new income source, obtain 3<sup>rd</sup> party verification

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