

Proficiency in Income Qualification Part 2



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Catalyst Training Schedule



The Coalition is Florida's affordable housing training and technical assistance provider.

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Income Qualification Process

Pre-Application Steps

Step 1: Application

Step 2: Income Verification

Step 3: Asset Verification

Step 4: Calculation

Step 5: Certification

Step 6: Award



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Step 3: Verification of Assets

Count all:

- Bank accounts:
 - Checking, savings, CD
- Stocks or Bonds
- Mutual funds or Money Market Accounts
- IRA / 401K
- Lump sum receipts
- Whole Life Insurance surrender value
- Personal property held as investment
- Retirement Account
- Annuity

Review bank
statements for
potential income

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Do Not Count

- House that applicant lives in
- Personal property (furniture, cars, wedding ring)
- Term life insurance policies
- Assets not accessible to and that provide no income for the applicant
- Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

Resident Income Certification

D. **Assets:** All household members including assets owned by minors

Member	Asset Description	Cash Value	Income from Assets
1			
2			
3			
4			
5			
6			
7			
8			
Total Cash Value of Assets D(a)		\$	
Total Income from Assets		D(b)	\$
If line D(a) is greater than \$5,000, multiply that amount by the rate specified by HUD (applicable rate <u>.06</u> %) and enter results in D(c), otherwise leave blank.		D(c)	\$

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Resident Income Certification Page 2

Member	Wages / Salaries (include tips, commission, bonuses and overtime)	Benefits / Pensions	Public Assistance	Other Income	Asset Income
1					(Enter the greater of box D(b) or box D(c), above, in box E(e) below)
2					
3					
4					
5					
6					
7					
8					
	(a)	(b)	(c)	(d)	(e)
Totals					
Enter total of items E(a) through E(e). This amount is the Annual Anticipated Household Income					\$

F. **Recipient Statement:** The information on this form is to be used to determine maximum income for eligibility. I/we have provided, for each person set forth in Item C, acceptable verification of current and anticipated annual income. I/we certify that the statements are true and complete to the best of my/our knowledge and belief and are given under penalty of perjury.

WARNING: Florida Statute 817 provides that willful false statements or misrepresentation

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Checking and Savings Accounts

- For checking use the **average 6 months balance**
 - If third party verification provides more or less than six months, collect six months of bank statements and average using the end balance
 - If the applicant has had the account less than six months, use average for months the account has been open and document file
- For savings **use the most current end balance**
 - Check for interest earned on statement
 - Calculate the income from the asset

Asset Description: Best Practice

Make sure you accurately identify the asset:

- Bank name, last 4 digits of the account and type of account

Example: Bank of America, #1234, checking



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Calculating Cash Value of Asset

Step # 1: Calculate Cash Value

Cash Value = Market value of asset *minus* reasonable costs incurred to convert it to cash.

Examples:

- Early Withdrawal Penalty
- Broker/legal fees assessed to sell or convert the asset to cash

Calculating Income from Assets

Step # 2: Calculate Actual Income

Some Assets Generate Actual Income:

- Savings Account
- Certificate of Deposit
- Real Estate

Calculating Income from Assets (continued)

Step # 2: Calculate Actual Income

Savings Account or CD example:

\$125.00 most current balance

Interest rate 3%

Cash Value of the asset is \$125.00

Income from the asset is $\$125.00 \times 3\% = \3.75

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Asset Calculation

.03% (.0003) is not the same as 3% (.03)

$$\$100.00 \times .03\% = \$0.03$$

$$\$100.00 \times 3\% = \$3.00$$

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Calculating Income from Assets

Step # 3: Calculate Imputed Income

If total assets exceed \$5,000, “*impute*” income by multiplying by the passbook rate, currently .06%, specified by HUD

Source: HUD Handbook 4350.3, Chapter 5, Section 5-7 (F)

Imputed Income from Assets

- Include even small amounts
- Do not round up or down
- The larger amount of actual income from assets and imputed income from asset gets added to income.

D. Assets: All household members including assets owned by minors			
Member	Asset Description	Cash Value	Income from Assets
1	checking Ocean Bank #5206	\$ 1,781.24	\$ -
2	Savings Ocean Bank # 6720	\$ 8,432.68	\$ 16.29
3			
4			
5			
6			
7			
8			
Total Cash Value of Assets		D(a) \$ 10,213.92	
Total Income from Assets			\$ 16.29
If line D(a) is greater than \$5,000, multiply that amount by the rate specified by HUD (applicable rate <u>.06</u> %) and enter results in D(c), otherwise leave blank.			\$ 6.12

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Example of Calculating Property Value

Market value	\$50,000
Less mortgage	- \$30,000
Less sales costs	- \$4,000
Closing, realtor...	
Total cash value	<hr/> \$16,000

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Example of Income from Assets Property

\$7,200/year	\$600 of Monthly Rent
- \$2,000/year	Subtract expenses, such as taxes, insurance, and maintenance
<hr/>	
\$5,200/year	Actual asset income

Changes to Income Qualification Rules Are Coming!

- Housing Opportunity Through Modernization Act of 2016 (HOTMA)
- Modifies the rules for determining household income and assets in HUD's HCV, Public Housing, PBRA, Section 202/811, HOPWA, HOME, and Housing Trust Fund programs.
- Changes do not become effective until January 1, 2024

More resources:

https://www.hud.gov/program_offices/public_indian_housing/hotmaresources

https://www.hudexchange.info/news/hotma-income-and-assets-training-series/?utm_medium=email&utm_source=govdelivery



Asset-Related CHANGES in 2024

- HOTMA increases the imputed asset threshold from \$5,000 to \$50,000.
- Retirement accounts will not be counted as part of family assets
- For retirement age applicants, still count income received periodically from a retirement account



Not All Changes Impact SHIP

Confirmation from FHFC that
HOTMA Asset Limits are not
applicable to SHIP:

- Although Section 104 sets asset limits for the Section 8 and Public Housing programs, asset limits do not apply to the HOME program or LIHTC



Retirement Accounts

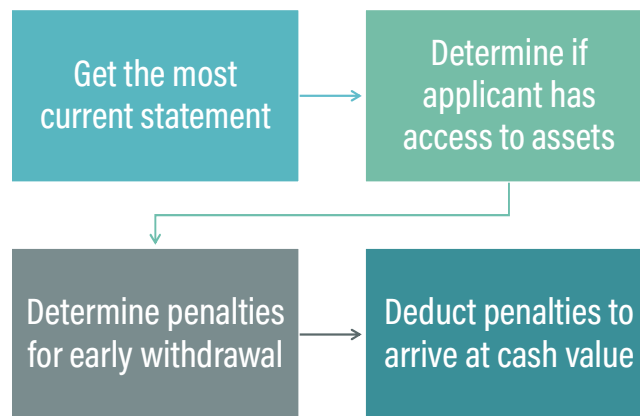
- These are assets if money is accessible, even if withdrawal would result in a penalty.
- Amounts only accessible upon retirement are not counted.



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Retirement Accounts



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Go Fund Me

*Go fund me **ONLY** converts to an asset if it is deposited into a checking or savings account.*

FHFC Guidance:

Monitor the amount of money in a GoFundMe account. If the GoFundMe account plus the household's other assets total \$5000 or greater, require that the GoFundMe balance be deposited into a checking or other bank account, so that imputed income from assets may be properly calculated.

Virtual Currency

A coinbase account should be treated as an asset and should be included on the RIC

Subtract from the cash value any costs that would be incurred cashing the asset (any fees for example).

- Determine the “cash out” of applicant’s “wallet” (the place where virtual currency can safely be stored) using a crypto exchange.
- Convert crypto currency amount to real dollars using an exchange rate.

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Debit Cards

Many agencies are using debit or EBT cards to issue benefits such as SS/SSI, MFIP, child support or unemployment. We recommend adding a question to your application regarding these cards as they are assets.

When interviewing a household who receives benefits but does not list any assets, follow up with a question such as, “Do you receive your benefits on a debit card?”

Counting a Social Security Debit Card as an Asset

First, income topic: count social security benefit as household income

Second, asset topic: HUD 2015 guidance: Handle a Direct Express Debit Card as a savings account. Current balance is the cash value





More about Social Security Debit Card

- Applicant provides an account balance no more than 120 days old from an ATM, through the online account service, or a paper statement.
- Verification document must identify the account and the account holder
- There is no actual income from this asset. If household assets exceed \$5,000, calculate imputed income

Source: HUD Archives Multifamily Housing 2013 website



Cash Apps



- STEP 1 Income Questions: Determine if money going into cash app is a newly identified source of income not yet reported by the applicant
- Applicant fills out an explanation of deposits form for every deposit of \$100 or more.
- Applicant must provide a profit and loss statement for business income
- 2022 HUD guidance: these transfers do not need to be verified:

<https://www.hudexchange.info/faqs/programs/housing-choice-voucher-program/calculating-income-rent-housing-assistance-payments/income-inclusions-and-exclusions/are-phas-required-to-use-form-hud-9886-to-verify-deposits/>

Date of Deposit	Amount (list <u>each</u> deposit individually)	Name of Bank/Institution and account #	Explain Source of Funds (Gift, Babysitting, Self-employment, bonus, child support, alimony, earnings, benefits, etc.)
February 10	\$100 Zel From John Smith	PNC Checking 9174	

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Step 4: Calculation Methodologies

Always use gross, Do not round up or down.

- Verification shows range of hours:
 - take the high end
- To annualize full-time employment, multiply:

• hourly wages by	2,080 hours
• weekly wages by	52
• bi-weekly amounts by	26
• semi-monthly amounts by	24
• monthly amounts by	12

Calculate this Household's Income

James White

- Full time \$14.25 /hour, Overtime (time and half) of 8 hours/month, Pension of \$400/month

Mary White

- 18 hours/week at a bank @ \$12.50/hour
- Her mom gives \$50/month to help w/ expenses

James White Jr, age 20

- 15 hrs./week, \$8/hour, FT college student

Household Member	Wages/ Salary	Benefit/ Pension	Public Assistance	Other	Total
James	31,692	4,800			36,492
Mary	11,700			600	12,300
James Jr	480				480
TOTAL James	41,820	4,800		600	49,272

Salary = $14.25 \times 40 \times 52 = \mathbf{\$29,640}$;

Overtime = $14.25 \times 1.5 = \$21.37 \times 8 = \$171 \times 12 = \mathbf{\$2,052}$;

Income = $\$29,640.00 + \$2,052 = \mathbf{\$31,692.00}$

Pension = $\$400 \times 12 = \mathbf{\$4,800}$

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Household Member	Wages/ Salary	Benefit/ Pension	Public Assistance	Other	Total
James	31,692	4,800			36,492
Mary	11,700			600	12,300
James Jr	480				480
TOTAL	41,820	4,800		600	49,272

Mary

12.50 x 18 x 52 = **\$11,700**; \$50 x 12 = **\$600**

James Jr

Full time student over 18, not head of household

Count first **\$480** only

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Exercise

Calculating Annual Income Income Sources	Family Members	Position in Family	Age
Daniel Roberts works full-time at a local manufacturing plant at a rate of \$11.00/hour.	Daniel Roberts	Head	39
Anabel Roberts operates an in-home day care business for a small number of neighborhood children. Her net income from this business is \$12,000 per year.	Anabel Roberts	Spouse	37
None	Marsha Roberts	Daughter	13

Assets

- The Roberts's non-interest-bearing checking account has a \$950 average 6-month balance.
- The Roberts have a savings account with a current balance of \$5,000. The account carries an annual interest rate of 3%.
- The Roberts have certificates of deposit totaling \$5,000. The applicable interest rate is 5%.
- The Roberts plan to use the savings account and redeem the certificates of deposit in order to pay the down payment on the home they purchase.

Additional Information

- Daniel Roberts pays \$200 per month in alimony to his ex-wife.
- Are the Roberts eligible for assistance?

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Exercise – Asset Calculation

Exercise 1

F. Assets: All household members including minors.

Household Member	Asset Description	Total Cash Value	Income from Assets
(1) Anabel and Robert	Checking account Chase #1234	\$950	0
(2) Anabel and Robert	Savings Chase #4321	\$5,000	\$150
(3) Robert	Certificate of deposit Chase #1111	\$5,000	\$250
Total Net Value of Assets		F(a) \$10,950	
Total Actual Asset Income			F(b) \$400
If line F(a) is greater than \$5,000, multiply that amount by HUD approved passbook rate .06% and enter results in F(c); otherwise, leave blank.			F(c) \$6.57

Chase #1234 = \$950.00

Chase #4321 \$5,000 x 3% = \$150.00

Chase CD #1111 \$5,000 x 5% = \$250.00

Actual income from assets = \$400.00

Imputed income from assets \$10,950.00 x \$6.57
.06% =

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Exercise – Income Calculation

Exercise 1

G. Anticipated Annual Income: Earned income and support paid on behalf of minors.

Household Member	Wages/ Salaries	Benefits/ Pensions	Public Assistance	Other Income (include bonus, tips, overtime, and commissions)	Asset Income
(1)	\$22,880				Enter the greater of lines F(b) or F(c), above, in box (e) below.
(2)	\$12,000				
Totals	(a) \$34,880	(b)	(c)	(d)	(e) \$400
Enter total of items G(a) through G(e).					\$35,280

This is Annual Income

Daniel - $\$11.00 \times 40 = \$440.00 \times 52 = \$22,880.00$

Anabelle - \$12,000

Total household Income $\$34,880 + \400.00 (higher of actual or imputed)
= \$35,280.00

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Step 5: Income Certification

- Review of Steps 1- 4
- Re-check and document Computations
- All household members over 18 sign. Housing Provider Signs last.
- Effective Date: Date last person signs
- Allocation Year: SHIP funding Year
- Issue award letter
- No white out

Income and Asset Information Required in Each File

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227 North Bronough Street, Suite 5000, Tallahassee, Florida 32301-1329; (850) 488-4197; Fax (850) 488-9809

RESIDENT INCOME CERTIFICATION - RENTAL HOUSING State Housing Initiatives Partnership (SHIP) Program

A. Certification Information (select one)

☐ Initial Certification (IC)

Effective Date:

☐ Annual Recertification (AR)

Effective Date:

B. Subsidy Use (check all that apply)

☐ Multifamily Rental

☐ Other

☐ Transitional Housing

C. Household Information: Include all household members

Member	Full Name	Relationship to Head	Age
1	<input type="text"/>	HEAD	<input type="text"/>
2	<input type="text"/>	<input type="text"/>	<input type="text"/>
3	<input type="text"/>	<input type="text"/>	<input type="text"/>
4	<input type="text"/>	<input type="text"/>	<input type="text"/>
5	<input type="text"/>	<input type="text"/>	<input type="text"/>
6	<input type="text"/>	<input type="text"/>	<input type="text"/>
7	<input type="text"/>	<input type="text"/>	<input type="text"/>

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RESIDENT INCOME CERTIFICATION - HOME OWNER State Housing Initiatives Partnership (SHIP) Program

Effective Date: Allocation Year:

A. Recipient Information (select one)

a. ☐ Current homeowner

b. ☐ Home buyer ☐ Existing Dwelling ☐ Newly Constructed Dwelling

B. Subsidy Use (check all that apply)

☐ Down Payment Assistance

☐ Principal Buy Down

☐ Closing Costs

☐ Rehabilitation

☐ Interest Subsidy

☐ Emergency Repair

☐ Loan Guarantee

☐ Other

C. Household Information: Include all household members

Member	Full Name	Relationship to Head	Age
1	<input type="text"/>	HEAD	<input type="text"/>
2	<input type="text"/>	<input type="text"/>	<input type="text"/>
3	<input type="text"/>	<input type="text"/>	<input type="text"/>
4	<input type="text"/>	<input type="text"/>	<input type="text"/>
5	<input type="text"/>	<input type="text"/>	<input type="text"/>

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Income Certification Quiz: When to Use Which Income Limits

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RESIDENT INCOME CERTIFICATION - RENTAL HOUSING

State Housing Initiatives Partnership (SHIP) Program

A. Certification Information (select one)

<input type="checkbox"/> Initial Certification (IC)	Effective Date: <input type="text"/>
<input type="checkbox"/> Annual Recertification (AR)	Effective Date: <input type="text"/>

B. Subsidy Use (check all that apply)

<input type="checkbox"/> Multifamily Rental	<input type="checkbox"/> Other
<input type="checkbox"/> Transitional Housing	

C. Household Information: Include all household members

Member	Full Name	Relationship to Head	Age
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QUIZ: When to Use Which Income Limits

March 6, 2015 **2015 Income Limits Posted**

January 27, 2016 Completed application

March 18, 2016 All verifications received

March 28, 2016 **2016 Income Limits Posted**

April 8, 2016 Administrator Signed Certification

April 9, 2016 Adult HH members Signed Cert

April 9, 2016 Award Letter issued

Effective Date on the Certification Form?

Use 2015 or 2016 Income Limits?

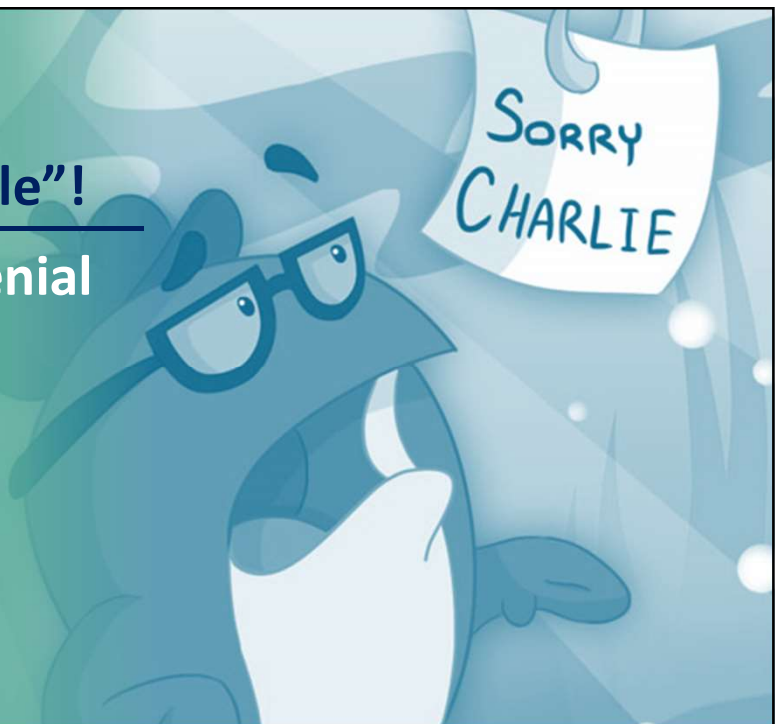
Any activity completed “Out of Order?”



Denial Letter

“You’re not eligible”!

What should a denial letter include?



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Step 6. Award

- Award letter or written commitment
- State the terms/conditions of the award
- Execute Lease
- Specifies an “expiration” date
- Provides “next steps”

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Timing

Verifications shall be dated no more than **120 days** from each other.

- Re-verify those out of compliance

“Stop The Clock”

- Issue Award Letter
- Contract for Lease, Purchase or New Construction
- **Or** Fully provide assistance




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120 Day Clock Example

- Received first verification on February 1.
- Receive 2nd verification March 1.
- Received last verification on June 1 (the 121st day).
- The first verification is outside the 120-day clock.
- Update first verification. March 1 starts a new 120 day clock.




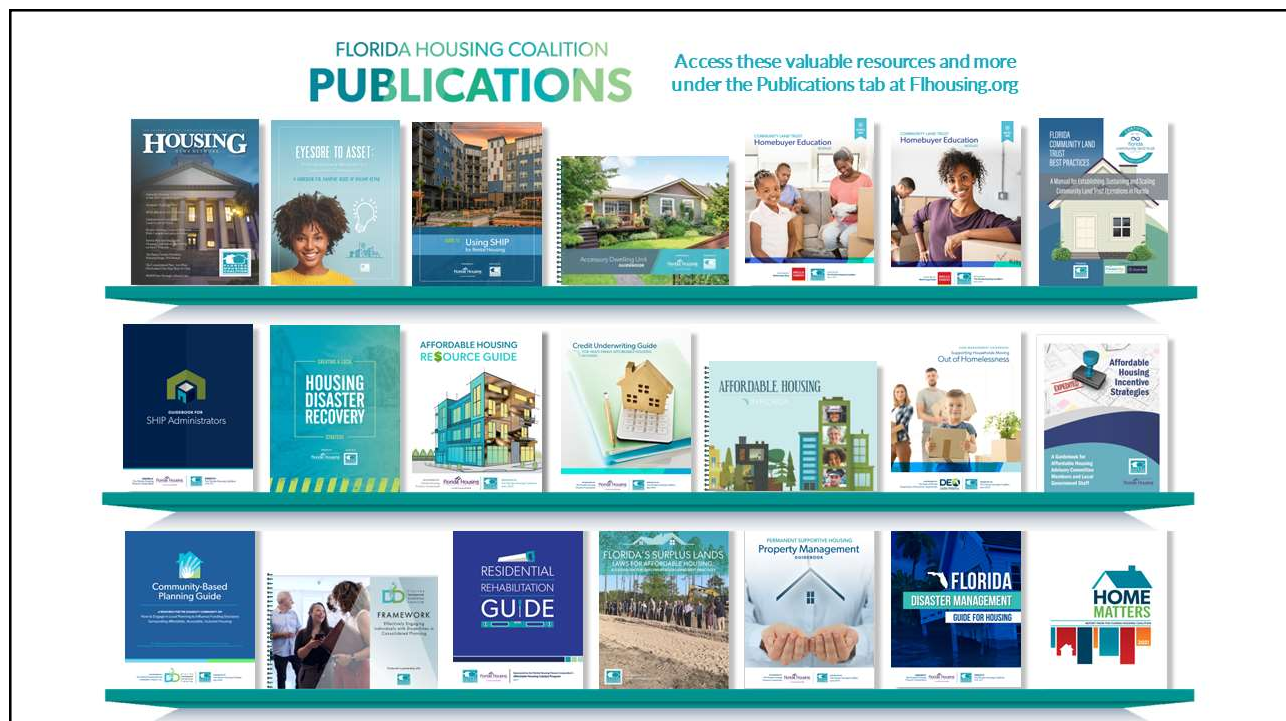


Avoid Common Administrative Mistakes

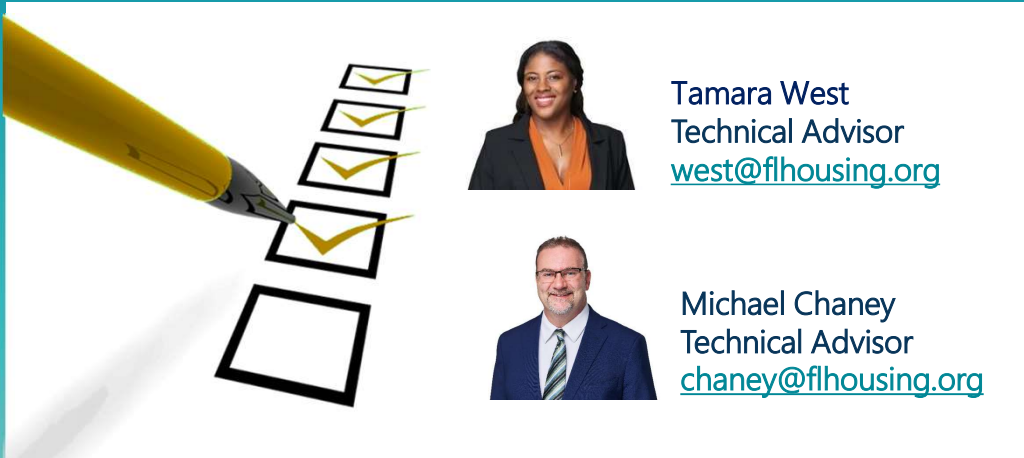
- Income Calculations
- Exceeding 120-day clock
- Inaccurate or Incomplete Verifications
- Missing or incomplete Income Certification

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Please complete the evaluation!



Technical Assistance Hotline: 1-800-677-4548