E3 HOUSING SOLUTIONS
ENGAGING
EDUCATING
EMPOWERING

HOUSING OPPORTUNITY THROUGH MODERNIZATION ACT (HOTMA)

1

Background

July 2016 – HOTMA signed into law
- Intended to streamline administrative processes

September 2019 – HUD issued proposed rule

February 2023 – final rule published

September 2023 – Implementation Guidance published

~~March 31, 2024~~ **May 31, 2024** – TSP and EIV Policies must be updated

~~**January 1, 2025** –~~ **Full Compliance date**

~~**January 1, 2027** –~~ **Full Compliance Date**

January 1, 2028 – Full Compliance Date

2

Resources

https://www.hud.gov/program_offices/housing/mfh/hotma



3

Implementation

You **should not** implement HOTMA provisions until you are software compliant.

Update TSP and EIV Policy by **May 31, 2024**, BUT continue to use current TSP and EIV Policy until software is compliant with TRACS 203A.

4

Income Exclusions

Temporary, nonrecurring or sporadic (including gifts) replaced with

- Nonrecurring income
  - Income that will not be repeated in the coming year
  - State/Federal tax refunds/credits
  - Economic Stimulus payments
  - In-kind donations (clothing, toiletries, etc.)
- Gifts have their own exclusion (birthday, Christmas, wedding, baby shower, etc.)

5

Income Exclusions

Income received by Foster Children / Adults

- All income received (earned & unearned)

Income received for the care of Foster Children / Adults

- Kinship Guardian Assistance Payments (KIN GAP)
- Kinship Care payments
- Other state-based payments that are alternatives to traditional Foster Care payments

Fosters count as household members (unit size) – not family members (deductions)

6

Income Exclusions

Insurance Payments from Personal or Property Loss

Currently – only of received as a lump-sum

HOTMA

- Payments through health insurance
- Motor Vehicle Insurance
- Property Insurance
- Workers Comp

John received $10,000 from insurance due to property loss from a fire. Upon appeal, he received another $5,000 - **Excluded**

7

Income Exclusions

Civil Settlements from an action that caused a disability

Resident's child is born with disabilities caused by toxic chemicals in the water while the resident was pregnant. County is court-ordered to pay $900 per month to assist with child's disabilities. – **Excluded**

8

Income Exclusions

Veterans Aide & Assistance

Monthly compensation from VA in addition to normal pension.

Jim receives $2,500 a month from the VA

- $1,800 in standard pension
- $700 in Aid and Attendance
- $1,800 is income; $700 is **excluded**

9

Income Exclusions

IHSS

Current – only if for the care of developmentally disabled resident

HOTMA – **all excluded**

Jenny receives IHSS income to take care of her disabled 20-year-old son so he can reside in the unit. – **excluded**

Jenny receives IHSS income to take care of her neighbor. - **included**

10

Income Exclusions

Trusts

Distributions of the principal of the trust

Distributions of income when they are used to pay the costs of health and medical care expenses of a minor

For revocable or trusts under the control of the family

- Distributions are excluded except any actual income earned by the trust, regardless of whether it is distributed, shall be considered income at the time it was received.

11

Annual Income

Child Support

Currently - Count what was awarded by court unless resident self certifies that payments are not being made and that he or she has taken all reasonable legal actions to collect amounts due

HOTMA – only count what is received

Garnished, Levied or Withheld Wages

- Count Gross Wages prior to deductions

12

Annual Income

Gig Income (Uber, etc)

- Treat as Independent Contractor
- Not considered nonrecurring income and **must** be included

13

Safe Harbor Income Determination

Owners may determine a family's annual income, including income from assets, prior to the application of any deductions based on income determinations made within the previous 12-month period, using income determinations from the following types of means-tested federal public assistance programs:

- The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.).
- Medicaid (42 U.S.C. 1396 et seq.).
- Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.).
- The Earned Income Tax Credit (26 U.S.C. 32).
- The Low Income Housing Tax Credit (26 U.S.C. 42).
- The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786).

14

Safe Harbor Income Determination

- Supplemental Security Income (42 U.S.C. 1381 et seq.).
- Other programs administered by the Secretary.
- Other means-tested forms of federal public assistance for which HUD has established a memorandum of understanding.
- Other federal benefit determinations made by other means-tested federal programs that the Secretary determines to have comparable reliability and announces through a Federal Register notice.

15

Safe Harbor Income Determination

If an Owner elects to use the annual income determination from one of the above-listed forms of means-tested federal public assistance, then they must obtain the income information by means of a third-party verification.

The third-party verification:

- must state the family size,
- must be for the entire family (i.e., the family members listed in the documentation
- must match the family's composition in the assisted unit, except for household members) and
- must state the amount of the family's annual income. The annual income need not be broken down by family member or income type.

16

Safe Harbor Income Determination

Owners are not required to accept or use determinations of income from other federal means-tested forms of assistance.

Owners **must** establish in policy whether and when they will accept Safe Harbor income determinations (e.g., at reexamination only or at admission and reexamination), including which programs from which they will accept income determinations.

Owners **must** also create policies that outline the course of action when families present multiple verifications from the same or different acceptable Safe Harbor programs (e.g., to accept the most recent income determination).

These policies **must** be included in the Tenant Selection Plan.

17

Determining Annual Income

Step 1:

Determine annual income for the previous 12-month period. If there have been no changes, use this amount. Review the following:

- EIV Income Report.
- Income reported on the most recent certification (AR/IR)
- What the family reported on their annual reexamination paperwork for the prior year's income

18

Determining Annual Income

Move-In / Initial Certification



Annual / Interim Certification



19

Determining Annual Income

Wages

Pay Period	Amount	FEIN	Employer Name and Address
Q1 of 2023	$3,756.00	85-1066395	J CAVARI DELIVERY INC 3247 REDWOOD CANYON LN # C, BAKERSFIELD CA 93314-5256
Q4 of 2022	$2,885.00	85-1066395	J CAVARI DELIVERY INC 3247 REDWOOD CANYON LN # C, BAKERSFIELD CA 93314-5256
Q3 of 2022	$6,642.00	85-1066395	J CAVARI DELIVERY INC 225 S LAKE AVE STE 300, PASADENA CA 91101-3009
Q2 of 2022	$420.00	85-1066395	J CAVARI DELIVERY INC 225 S LAKE AVE STE 300, PASADENA CA 91101-3009
Q1 of 2022	$2,375.00	34-1441019	FEDEX HOME DELIVERY 1000 FEDEX DR, CORAOPOLIS PA 15108-9373

20

Determining Annual Income

Step 2:

Take into consideration any interim reexamination of family income completed since the last annual reexamination.

- If the site had executed an IR, use the annual income from that certification, unless there are additional changes.
- If the site had not executed an IR, or if there have been additional changes, proceed to Step 3.

21

Determining Annual Income

Step 3:

If there were changes in annual income not processed since the last reexamination, use current income.

If there are no reported changes, you may use documentation of the prior year's income for calculation purposes:

- EIV + self-certification (wages, SSI, SSA, unemployment)
- Year-end statement
- Paycheck with year-to-date amount
- Tax forms (1040, W2, 1099, etc.)

If there are changes between EIV and what the family reports, follow the verification hierarchy to determine income.

22

Asset Limitation & Program Eligibility

Does not apply to:

- 202 PRAC
- 811
- 811 PRAC
- SPRAC

Includes 202/8

23

Asset Limitation & Program Eligibility

$109,797 or more in net family assets or real property suitable for occupancy

- Applicants are **ineligible**

Cap may be adjusted annually for inflation

Families will be evaluated for compliance at first AR or IR after Jan. 1, 2028

24

Asset Limitation – Non Enforcement

O/A may establish a written policy of **non-enforcement** (in TSP)

Still required to calculate net family assets (including real property) for asset income

Real Property does not need to be deemed suitable for Occupancy

25

Asset Limitation – Total Enforcement

At reexamination, Owners may choose to enforce the asset limitation and must initiate termination or eviction proceedings within six months of the income examination that determined the family was out of compliance.

26

Asset Limitation – Total Enforcement exceptions

Exception policies may be based on family type and may take into consideration such factors as:

- Age
- Disability
- income
- ability of the family to find suitable alternative housing and
- whether supportive services are being provided

All exception policies must comply with civil rights and fair housing statutes and requirements

27

Asset Limitation – Limited Enforcement : Option to Cure

*Owner may delay termination of assistance for **no more than 6 months** for families who exceed the asset limits or prohibited assets.*

*Owner may establish an exception policy to allow for families to cure their asset limit or real property ownership. **Can not exceed 6 months (unless reasonable accommodation).***

Limitation does not apply to VAWA victims.

28

Asset Limitation & Program Eligibility

Rules for Disposed assets for under fair market value still applies.

How a family could cure:

- ***Purchase something considered necessary personal property (car)***
- ***Transfer money into IRS recognized Retirement Account held by a member of the family living in the unit***
- ***Transfer money into an irrevocable trust for the benefit of someone in the assisted family***

29

Asset Limitation Exclusions

- Income from **ABLE** (Achieving Better Life Experience) accounts
  Tax-advantaged savings accounts for individuals with disabilities and their families
  Eligible individuals and their families will be allowed to establish ABLE savings accounts that will largely not affect their eligibility for SSI, Medicaid and means-tested programs such as FAFSA, HUD and SNAP/food stamp benefits.
- Insurance payments and settlements for personal or property loss (including payments through health insurance, motor vehicle insurance and workers compensation

30

Asset Limitation Exclusions

- Income & distributions from Coverdell education savings accounts (Section 530 or Section 529 accounts)
- Real Property that is up for sale

31

Asset Limitation Exclusions

- IRS recognized Retirement Accounts (distributions are still considered income)
- Value of any Baby Bonds accounts created, authorized or funded by Federal, State or local governments "Baby bonds" (money held in trust by the government for children until they are adults) are being authorized in various States and localities to combat the wealth gap and address systemic poverty.

32

Assets Case Study

Mrs. Smith is resident at a Section 8 property. She currently has $120,000 in net Family assets, including real property (a plot of land.)

She is told that under HOTMA and the O/A's *limited enforcement* policy, she is over the asset cap and is no longer eligible to receive assistance. However, based upon your policy, she has 6 months to "cure" the situation.

What are her options to keep her assistance?

A. **Sell the land for full market value and spend the money to under $109,797 or puts it into a Retirement account**
B. **Give the property to her grandson**
C. **Sell the land for full market value and make a large donation to her church**
D. **She has no options**

33

Assets Case Study

A. Sell the land for full market value and spend the money to under $109,797

B or C –This is disposing of the asset for under Fair Market Value
She can stay in her unit at market rent for 2 years or until her assets are under $109,797

34

Asset Limitation Exclusions

Necessary Personal Property –

- essential to the family for the maintenance, use, and occupancy of the premises as a home; or they are necessary for employment, education, or health and wellness
- items that assist a household member with a disability, including any items related to disability-related needs, or that may be required for a reasonable accommodation for a person with a disability
- personal effects (such as items that are ordinarily worn or utilized by the individual), items that are convenient or useful to a reasonable existence, and items that support and facilitate daily life within the family's home.

35

Trusts

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.
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
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.

36

Assets – Self Certification

Non-Necessary assets have a combined value of **under** $54,898 – family can self-certify to amounts and the amounts of actual income expected to receive from the assets.

Every 3 years, must verify assets.

- Baseline - 2027
- Self-Certification – 2028
- Self-Certification – 2029
- Verify - 2030

37

Assets – Self Certification

Family's self-certification must state the amount of income the family anticipates receiving from such assets. The actual income declared by the family must be included in the family's income

Owners are not required to obtain third-party verification of assets if they accept the family's self-certification of net family assets.

38

Necessary / Non-Necessary

Necessary Personal property is excluded from Net family assets

39

Table F1: Examples of Necessary and Non-Necessary Personal Property

Necessary Personal Property	Non-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)	• 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.

40

Necessary / Non-Necessary

Fishing Boat

IRA / 401K

2 carat diamond engagement ring

Brand new Truck used for work

Restored 1966 Mustang Convertible

Baseball card collection valued at $10,000

41

How to Treat

Fishing Boat	**Non-Necessary**
IRA / 401K	**Not counted**
2 carat diamond engagement ring	**Necessary**
Brand new Truck used for work	**Necessary**
Restored 1966 Mustang Convertible	**Non-Necessary**
Baseball card collection valued at $10,000	**Non-Necessary**

42

Cross Family's Personal Property

Item	Estimated Value	Type	Amount to be considered as non-necessary personal property
Checking account	$5,000	Non-necessary Personal Property	$5,000
Ring (engagement ring)	$3,000	Necessary Personal Property	$0
Recreational boat	$15,000	Non-necessary Personal Property	$15,000
		Total Non-necessary Personal Property:	$20,000

43

Assets - Net Family Assets under $54,898

When the family's net family assets do not exceed $54,898 (as adjusted for inflation), imputed income **is not calculated**.

44

Assets - Net Family Assets over $54,898

Use Actual Income when possible

If no actual income – use imputed asset income for each asset

Current Rules	HOTMA
Imputed asset income on all assets if total are over $5,000	Checking account – no actual income – use imputed
	Savings account – has actual income – use that

45

Example F10: Self-Certification of Net Family Assets

We know from Example F1 that the Cross family's net family assets are $0. In this case, the checking account earns 0.07 percent interest annually.

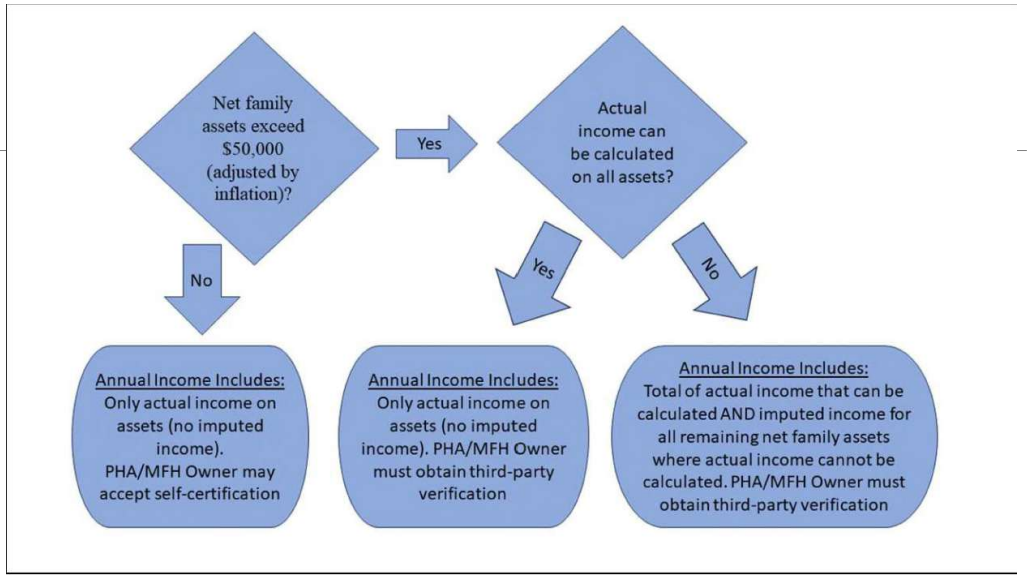
Cross Family's Personal Property

Item	Estimated Value	Type	Amount to be Considered as Non-Necessary Personal Property
Checking account	$5,000	Non-necessary personal property	$5,000
Ring (engagement ring)	$3,000	Necessary personal property	$0
Recreational boat	$15,000	Non-necessary personal property	$15,000
		Total Non-necessary personal property	$20,000

Calculation of Cross Family's Total Net Assets

Asset	Total to be considered in Net Family Assets	Anticipated Income
Non-necessary Personal Property (Checking Account)	$0	$3.50
Real Property	N/A	N/A
Total:	**$0**	**$3.50**

46



47

Real Property

The real property restriction does not apply to the following: 24 □

- Any property for which the family is receiving assistance under 24 CFR § 982.620 (i.e., a manufactured home owned by a family who receives assistance to lease the space or lot in which it is located).
- Any property jointly owned by a family member and another individual who does not live with the family but who resides at the jointly owned property
- Any property owned by a family that includes a person who is a victim of domestic violence, dating violence, sexual assault, or stalking,
  - When a family requests an exemption from the real property limitation on this basis, the PHA/MFH Owner must accept self-certification and follow the confidentiality and documentation-request requirements
- Any property that the family is offering for sale. Documentary evidence of the sales process could include, for example, a contract with a real estate agent or a current real estate listing.

48

Real Property

Suitable for Occupancy by the family as a residence

Exception:

- Does Not meet disability-related needs for all family members
- Need for additional bedrooms
- Proximity to accessible transportation

49

Real Property

May not be Suitable for Occupancy

- If a property is geographically located so that the distance or commuting time between the property and the family's place of work or a family member's educational institution would create a hardship for the family *(as determined by the Owner)*
- The property is considered unsafe to reside in when the property's physical condition poses a risk to the family's health and safety and the condition of the property cannot be easily remedied.
- This could include where environmental factors outside the control of the family are contributing to the unsafe condition or where the alterations necessary to make the physical condition of the property safe are cost prohibitive.

50

Real Property

May not be Suitable for Occupancy

- A property that a family may not reside in under State or local laws of the jurisdiction where the property is located, is not a property that is suitable for occupancy by the family as a residence. This can happen when an assisted family owns a **commercial property** that cannot legally be occupied as a residence by the family, such as a convenience store or a retail establishment.
- May be various circumstances where a property may not be suitable for occupancy for a household with a member with disabilities

51

Real Property

Asset Limitations do not apply to a member of a family that *jointly owns real property with another non-household member that does not reside with the family when that non-household member lives in the jointly owned property*. This can apply in instances where a family member owns a fractional interest of a property with other relatives that do not reside with the family.

HUD notes that the real property would be considered an asset for purposes of determining: net family assets, annual income from net family assets and for purposes of determining if the family owns net family assets in excess of $100,000

52

Student Aid & Financial Assistance

Any amount in or form , or any benefits, income or distribution from any
- Coverdell educational savings account;
- Any qualified tuition program under IRS Section 529 and 530;
- The Higher Education Tribal Grant;
- The Tribally Controlled College or Universities Grant Program;

Title IV HEA Assistance
- Federal Pell Grants;
- Teach Grants;
- Federal Work-Study Programs; and
- Federal Perkins Loans

53

Student Aid & Financial Assistance

Aid must be:
- Used for "actual covered costs" *(Includes books, room & board [not for HOH, Co Head or spouse];*
- Expressly to assist a student with the costs of Higher Education
- Expressly to assist a student who is not the Head of Household or spouse with the reasonable and actual costs oh housing while attending the Institution of Higher Education and not residing in an assisted unit;
- A grant or scholarship received from:
  - The Federal Government;
  - A state, Tribal or local government;
  - A Private foundation registered as a nonprofit;
  - A Business Entity; or
  - An Institution of Higher Education.

54

Student Aid & Financial Assistance

Student Financial Assistance does not include:

- Financial Support provided in the form of a fee for services performed (Work-Study or teaching fellowships)
- Gifts, including gifts from Family members
- Any amount of scholarship or grant that either by itself or in combination of other assistance, exceeds the actual costs of the student.

55

Student Aid & Financial Assistance

Example 1:

Step 1: A full-time student's actual cost to attend the college of their choice is $30,000.
They receive a Federal Pell Grant in the amount of $25,000.
A University Scholarship in the amount of $15,000.
A Chess Club Scholarship in the amount of $3,000.

HEA covered assistance = $25,000
Other Student Financial Assistance = $18,000

Step 2: Subtract the amount of HEA Assistance from the Actual Costs to attend.

Actual costs	$30,000
HEA Assistance	- $25,000
	$ 5,000

Step 3: Take the remaining amount from Step 1 and subtract that total from the Other Student Financial Assistance.

Other Assistance	$18,000
Costs Exceeding HEA	- $ 5,000
	$13,000

In this example $13,000 would be included in Income.

56

Student Aid & Financial Assistance

Example 2:

Step 1: A full-time student's actual cost to attend the college of their choice is $20,000.
They receive a Federal Pell Grant in the amount of $25,000.
A University Scholarship in the amount of $5,000.

HEA covered assistance = $25,000
Other Student Financial Assistance = $5,000

Step 2: Subtract the amount of HEA Assistance from the Actual Costs to attend.

Actual costs	$20,000
HEA Assistance	- $25,000
	($ 5,000)

Step 3: In this case HEA exceeds the actual costs for this student to attend college. Assistance from HEA is never counted as income so the ($5,000) is carried over to Step 3 as a '0'. If the student did not receive funding from an Other Student Financial Assistance source, no income would be recorded for this student.

Other Assistance	$ 5,000
Costs Exceeding HEA	- $ 0
	$ 5,000

57

Student Aid & Financial Assistance

Example 3:

Step 1: A full-time student's actual cost to attend the college of their choice is $15,000.
They receive a Federal Pell Grant in the amount of $10,000.
A University Scholarship in the amount of $1,000.

HEA covered assistance = $10,000
Other Student Financial Assistance = $1,000

Step 2: Subtract the amount of HEA Assistance from the Actual Costs to attend.

Actual costs	$15,000
HEA Assistance	- $10,000
	$ 5,000

Step 3: Take the remaining amount from Step 1 and subtract that total from the Other Student Financial Assistance.

Other Assistance	$ 1,000
Costs Exceeding HEA	- $ 5,000
	($ 4,000)

In this example no annual income is received as the student will have to pay out of pocket the remaining $4,000 of actual costs to attend the school.

58

Interim Recertifications

Only required *by HUD to conduct an Interim Recertification/Reexamination (IR) for an* ***income increase*** *when the increase is expected to affect the household by* ***10% or more****, annually.*

59

Interim Recertifications

Must conduct an IR within a reasonable period, generally not to exceed 30 days from the date the family reports income changes.

60

Interim Recertifications

Owners **may not consider** any increases in **earned income** when estimating or calculating whether the family's adjusted income has increased, **unless** the family has previously received an interim reduction during the same reexamination cycle.

Owners **must not** process interim reexaminations for income increases that result in **less than a 10% increase** in annual adjusted income.

Owner may decline to perform IR due to increases in income during the 3 months prior to family's AR (but if family purposefully waits to report – rent increase is retroactive based on policy)

61



62

Interim Recertifications – Earned Income Increases

IR since AR	Increase in Earned Income	Perform IR?
No	Yes increase is less than 10%	No
No	Yes increase is over 10%	Yes
Yes – increased rent	New increase	No
Yes – decreased rent	New increase over 10%	Yes with policy

63

Interim Recertifications – Income Increases

- Small increase could add up to 10% threshold at which point the O/A must do an IR

- ***Keep track of small increases***

64

Interim Recertifications – Unearned Income Increase

IR **only** if unearned income increases 10% or more of adjusted annual income

65

Interim Recertifications – Earned Income Decreases

- **May** decline to do IR if income will decrease by the amount which is less than 10% or the threshold determined by policy
  - 0% - all decreases trigger an IR
- **Must** conduct IR if income will decrease by the amount which is 10% or more of the threshold determined by policy
- **Must** apply a 0% threshold and process an IR when decrease is from the death or permanent move-out of a family member

66

Example 1

Brown Household's annual adjusted income is $40,870. This includes $26,000 from the Head of Household's annual salary and $14,870 from the Spouse's Social Security benefits.

•The Spouse reports she is now also receiving SSI benefits in the amount of $6,648 per year.

Calculate 10% of the household's current income.

$40,870 × 10% = $4,087

Compare the amount of the increase to the 10% threshold.

$6,648 > $4,087

This household must undergo an IR.

67

Interim Recertifications

Example

Smith Family – Annual Recertification – May

9/1 – Family reports increased earned income of 12% from new job; an IR is not triggered

68

Example 2

White Household had no income upon move-in. Two months later, the Head of Household reports that he got a job with a salary of $23,500 per year.

- Though this is an increase that amounts to more than a 10% difference in income, this increase is due to earned income.
- No IR is required.

69

Example 3

Rodriguez Household's annual adjusted income is $61,209. They own a business.

- The HOH reports that they are experiencing a decrease in their net income due to inflationary increases on their products. They expect their income to decrease by approximately $2,500.
- Calculate 10% of the household's income.
- $61,209 × 10% = $6,121

Determine how much the income is expected to decrease.

- $2,500
- $2,500 < $6,121

This household would not be granted an IR under the site's policies.

70

Interim Recertifications

Example

Smith Family – Annual Recertification - May

9/17 – Family reports increased income of 8% from new job; Family does not have to report increase

71

Interim Recertifications

Example

Smith Family – Annual Recertification - May

5/1/27 – Family has Annual Recertification

6/1/27 - Family reports a decrease of income and has an IR performed to lower rent

8/1/27 – Family reports 12% increased income from new job; IR is performed
(IR to decrease, then increase over 10%)

72

Interim Recertifications – Policy Updates

- Establish a 10% or lower threshold for decreases in income (cannot be a dollar amount)
- Will you perform an IR for any increase of earned income over 10% of the adjusted annual income, including earned income even if an IR was done to decrease income
- Count earned income for increases or not?
- Will not perform an IR within 3 months of AR effective date?

73

Interim Recertifications – EIV Reports

Not required to use EIV during interim reexaminations. O/A policy

O/A's who adopt policies to **not include *earned* income increases** in determining whether the ten percent threshold is met for increases in adjusted income when the family previously had an interim reexamination performed for a decrease in annual adjusted income (earned, unearned, or combined) since the last annual reexamination, are **not required to use the EIV New Hires report between annual reexaminations**.

O/A'swho have a policy to consider *earned* income increases in calculating whether the ten percent threshold has been met for an interim reexamination are **require**d to review the EIV New Hires report at least quarterly, for the remainder of the reexamination period **after** the interim reexamination to decrease rent occurs.

74

Interim Recertifications – EIV Reports

O/A's are not required to use the EIV Income Report or New Hires Report at annual reexamination if they use Safe Harbor verification to determine the family's income.

75

Interim Recertifications - EIV

- ***Use of EIV Income Reports is not required for IRs; it is at the Owners Discretion.***
- ***Owners that do not require families to undergo IRs for income increases after an IR decrease do not need to review the EIV New Hires report between the family's AR***

76

Interim Recertifications

REMEMBER

Continue current practices until new leases are issued.

77

Medical Expenses

Medical Expenses – now Health and Medical Expenses, to align with IRS definition

Increases **Elderly/Disabled Family Deduction** from $525 to $575

78

Medical Expenses – Phased in Relief

Existing Residents

If resident qualifies for deduction as of 1/1/27

Threshold to receive Health and Medical Expenses increases from 3% of annual income to 10% with a 24-month phase-in period.

- 1st AR after HOTMA Implementation – 5%
- 12 months after 5%– 7.5%
- 12 months after 7.5% – 10%

79

Medical Expenses – New admissions / ICs

Straight to 10%

80

Medical Expenses – General Relief

To receive general relief, a family must demonstrate that the family's unreimbursed health and medical care expenses increased, or the family's financial hardship is a result of a change in circumstances that would not otherwise trigger an interim reexamination.

If a PHA/MFH Owner determines that a family is eligible for general relief, the family will receive a deduction for the sum of the eligible expenses that exceed 5 percent of annual income.

81

General Relief

The MFH Owner determines that the family Is eligible for general relief and an interim reexamination would not have otherwise been triggered.

The MFH Owners processes a non-interim change that applies a health and medical expense deduction for the eligible expenses that exceed 5 percent of annual income for 90 days.

The MFH Owner may extend the relief for one or more additional 90-day periods while family's hardship condition continues and may extend the exemption beyond 90 days if a policy for extending hardship relief is included in the written policy for the MFH Owner.

82

Hardship Examples

Examples of circumstances constituting a financial hardship may include the following situations:

- The family is awaiting an eligibility determination for a federal, state, or local assistance program, such as a determination for unemployment compensation or disability benefits;
- The family's income decreased because of a loss of employment, death of a family member, or due to a natural or federal/state declared disaster; or
- Other circumstances as determined by the MFH Owner.

83

Medical Expenses

New Admissions – 10%

New Admission - lived at another Section 8 property and was at the 5 or 7.5% phase-in – Owner policy to continue or not.

New Admission - lived at another Section 8 property. Obtained a hardship exemption at other property, O/A may continue exemption at their discretion or take family to 10%.

O/A can have a policy to continue phase-in amount (show previous 59 with phase-in amount)

84

Mandatory Deductions - Hardships

Eligible families will receive a deduction of eligible expenses in excess of 5% of the family's income instead of 7.5% for a period up to 90 days (unless extended by Owner at their discretion).

At the end of the relief period, the family would be subject to the regular health and medical care expenses or reasonable attendant care and auxiliary apparatus expenses deduction threshold of 10%, regardless of whether they fully transitioned to the 10% threshold before receiving hardship relief under the second category.

A family granted hardship relief is no longer eligible for relief under the first category (phase-in)

85

Dependent Deduction

$525

If dependent deduction changes in future, Income exclusion of earned income of a minor will change to match.

86

Child Care Deductions - Hardships

A 90-day time frame for the hardship exemption to the childcare income deduction

O/A may extend the hardship for additional 90-day periods if the family demonstrates to the responsible entity's satisfaction that the family is unable to pay their rent because of loss of the childcare expense deduction, and the child care expense is still necessary even though the family member is no longer employed or furthering his or her education.

O/As may also terminate the hardship exemption if they determine that the family no longer needs the exemption

87

Child Care Deductions

Example

Family no longer qualifies for childcare deduction because the childcare is no longer necessary to enable a family member to work or go to school. (The family member is now the caretaker for an ill friend or family member.)

The length of the hardship exemption could continue based upon the timing of the next regular reexamination.

The exemption and resulting adjusted income calculation must remain in place for up to 90 days, regardless of the timing of the circumstance of the exemption and the next regular reexamination

Owner may extend the exemption for another 90-days based on circumstances

88

Other

Annually recalculated values (will be published to the HUDUser website):

- Cap on Net Family Assets
- Mandatory deduction for Elderly/Disabled families
- Deduction for Dependents
- Passbook rate – changing to 0.38% (1/1/27)

HUD-9887 forms only need to be signed once during tenancy

89

Verifications

Bank Accounts

Required to obtain a minimum of **1** statement that reflects current balance

- Checking accounts – no longer required to obtain 6-month average balance

Wages

- Owners may accept EIV & Self-certification to verify family's prior year income
- Owners are required to obtain a minimum of **2** current & consecutive pay stubs in determining annual income when they chose to not use EIV & Self-Certification.

90

2027 HUD Inflation Adjusted Values

Eligibility restriction on net family assets	**$109,797**
Threshold above which imputed returns must be calculated on net family assets	**$109,797**
Threshold above which the total value of non necessary personal property is included in net family assets	**$54,898**
The amount of net assets for which the MFH Owner may accept self certification by the family	**$54,898**

91

2027 HUD Inflation Adjusted Values

Income exclusion for earned income of dependent fulltime students	**$525**
Mandatory deduction for elderly and disabled families	**$575**
Mandatory deduction for a dependent	**$525**
Passbook Savings Rate	**0.38%**

92

Changes in Software

Per RealPage and Yardi, changes will be sent through a software update

93

www.e3housing .com

robin.fox@e3housing.com

E3 HOUSING SOLUTIONS
ENGAGING
EDUCATING
EMPOWERING

94