

NCHFA

Courtesy Training

Resources

NORTH CAROLINA

HOUSING

FINANCE

AGENCY



NCHFA Courtesy Training Resources Table of Contents

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Compliance 101

Figuring Out Income & Assets

Pop Quiz Answers and Calculations



Pop Quiz #1

What is the household's annual income? \$30,000
($\$25,000 + \$5,000 = \$30,000$)

Pop Quiz #2

What is the annual income? \$21,840
 $\$10.50 \times 40 \times 52 = \$21,840$
 $\$10.50 \times 1.5 \times 4 \times 52 = \$3,276$

Pop Quiz #3

What is the income for the applicant that would be listed on the Tenant Income Certification? \$18,962
($\$10,939.68 / 30 \times 52$)

Pop Quiz #4

What is the annual income for the applicant that would be listed on the Tenant Income Certification?
\$8,667 ($\$2,000 / 6 \times 26$) *use the gross pay, not net*

Pop Quiz #5

What is the amount of Social Security income that you will list on the Tenant Income Certification?
\$13,198 ($\$1,099.80 \times 12$)

Pop Quiz #6

Applicant has assets totaling \$4,998 listed on their application at move-in. What is the proper way to handle these assets at a straight tax credit property?
Accept the Under \$5,000 Form regarding asset value and income

Pop Quiz #6, Part B

How would you handle if the properly has HOME funds?
Verify all the assets and county only actual income

Pop Quiz #7

What is the household's total asset value? \$70,700
($\$50,000 + \$500 + \$200 + \$20,000$) = \$70,700

Pop Quiz #8

What is the total cash value of the household's assets? \$80,000

$(\$500 + \$4,500 + \$75,000)$

What is the actual income from the assets? \$35

$(\$500 \times .0025) \$1.25 + (\$4,500 \times 00.75) \33.75

What is the imputed income? \$48

$(\$80,000 \times .0006)$

Which would you list on the Tenant Income Certification? The actual or imputed income? \$86, the imputed income

Pop Quiz #9

What is the household's asset value? \$1,300

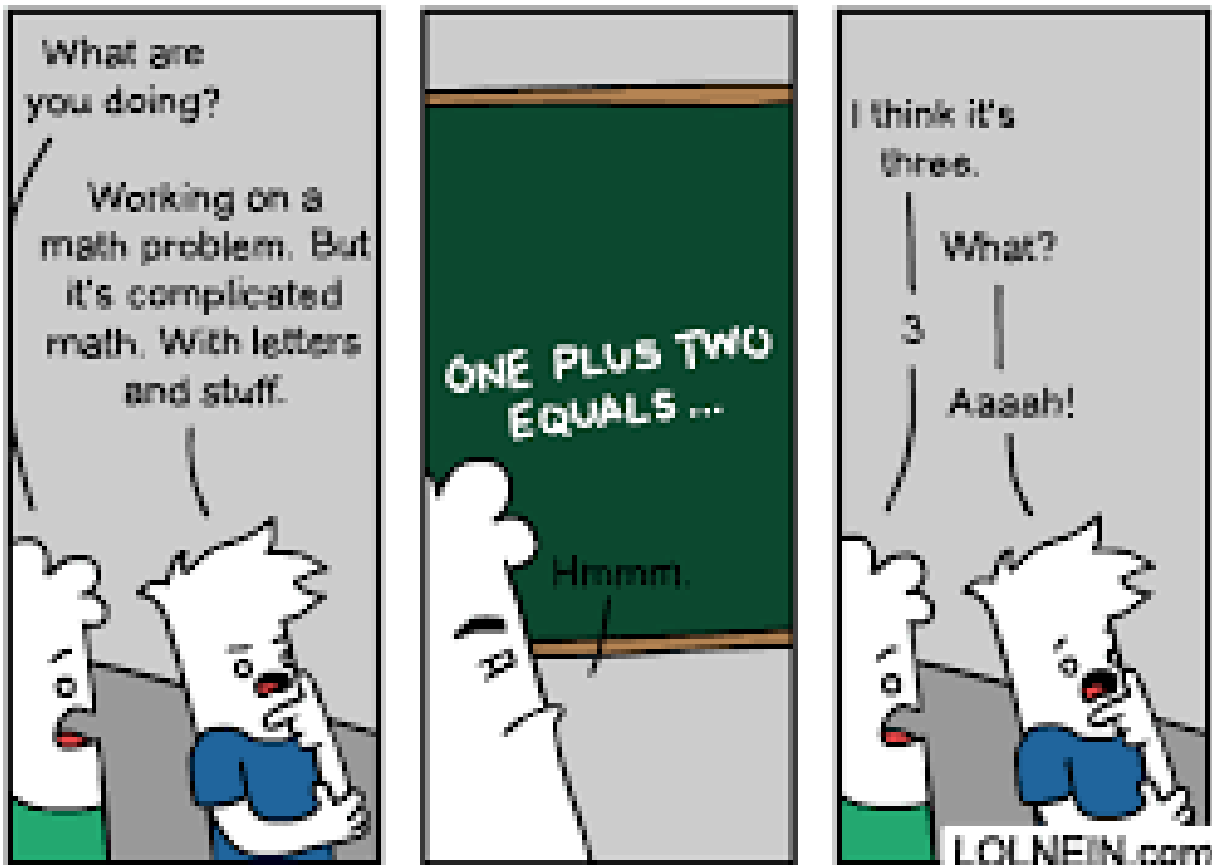
$(\$300 \text{ Checking} + \$1,000 \text{ Savings})$

What is the household's Income? \$40,232.25

$\$37,824 \text{ SSI Income } (\$788 \times 4)$

$\$8.25 \text{ Asset Income } (\$300 \times .25\% = \$0.75) + (\$1,000 \times .75\% = \$7.50)$

$\$2,400 \text{ 401K Income } (\$200 \times 12)$



The Life of the Vacancy and Referral System

Things to know before you begin

- Property must be assigned in RCRS by company RCRS administrator to view
- **Management** always works on the Vacancy Detail page **UNTIL** RHC provides a referral. From that point forward, all updates are entered on the Referral Detail page.
- **Regional Housing Coordinator (RHC)** always works on the Referral Detail page **UNTIL** management has updated the referral with the move-in date, etc. From that point forward, the RHC would then release the vacancy on the Vacancy Detail page. ****RHC should NEVER** release a vacancy when status is “Pending Move-In”. Move-in information must be entered **PRIOR** to release by RHC. If the household changes their mind, etc. management should “Withdraw Application” and RHC will proceed accordingly.

1. **Management** must enter a vacancy in RCRS to begin the process (All vacant units must be entered – even if property targeting requirement has been met)
 - a. Management completed the information requested in RCRS (bedroom size, smoking affordability, etc.
 - b. Management immediately has the option to request vacancy release if targeting requirement has been met. If targeting requirement has not been met, they will not have the drop-down option until 15 days after vacancy entered. RHC will review vacancy notification in the system within 5 business days of receipt.
 - c. NOTE: Regardless of when unit is available for occupancy, the thirty (30) day clock starts the day the vacancy is entered.
2. **Regional Housing Coordinator (RHC)** – Awaiting Vacancy Review
 - a. RHC acknowledges they have received the vacancy (Complete Vacancy Review or Release Vacancy)
****RHC should monitor this worklist throughout the day**
 - b. RHC now has the option to Add Referral
 - a. RHC enters information about the referral, assigns priority, etc. Management unable to see name of referring agency entered and is not told how priority level is determined.
 - b. Targeting Referral Letter is uploaded by RHC.
 - c. RHC has the option to enter multiple referrals for same vacancy.
 - d. RHC can withdraw referral at any time but this does not remove the requirement to hold unit for thirty (30) days.
 - c. RHC immediately has the option to Release Vacancy
 - a. If Vacancy is released, RHC provides reason for release. If Vacancy released is denied, no reason is required.
 - b. No vacancy should be released until targeting requirement is met unless DHHS determines no viable referrals available
3. **Management** receives Vacancy Notification in V&R system (red flag and email notification)
 - a. RHC anticipates referral will contact/visit/apply within five (5) days.
 - b. Management provides RHC an update on referral no later than five (5) days of referral receipt.
 1. If referral does not show up or contact property, Management Requests Follow Up from RHC via V&R system. This notifies RHC the referral has not made contact. RHC will reach out to referral agency for an update. ****Management does not receive a reminder to do this and must continue to check V&R to ensure timely reporting to RHC. Property is required to continue to hold the unit for the original thirty (30) day period.**
 2. If referral submits application, management indicates via V&R system and provides date. If reasonable accommodation is provided at time of application, this is also noted in V&R.
 3. Management has the option to Approve, Deny, or Withdraw Application in V&R once application has been submitted and is being processed.

Updated 05/07/2018

- a. Withdraw Application – Applicant/RHC has notified site they wish to withdraw application. Site enters this in V&R and RHC receives Awaiting Withdrawal Review and either “closes” or “revives” the application.
 - b. Deny Application – Management enters reason for denial and uploads a copy of the denial letter provided to applicant. **Management continues to hold unit if within original thirty (30) days from date of vacancy notification. If thirty (30) days has passed, management must provide minimum of eight (8) business days from date of denial letter for appeal, during which time the unit is held. Denial letter must be uploaded in RCRS on same day denial issued. RHC can notify management, via V&R system, of intent to appeal if applicable. RHC notification of intent to appeal is not sufficient notification for requesting a reasonable accommodation. If applicant requests a reasonable accommodation, management must update V&R system of reasonable accommodation request on the date received and must hold unit until decision is made on the reasonable accommodation request. Hold fees will not be paid during periods of appeal and/or request for reasonable accommodation.
 - c. **RHC** receives Awaiting Application Denial Review. RHC reaches out to referral agency and determines if appeal/reasonable accommodation request will be requested. If so, RHC sends “appeal notice” to site via RCRS. RHC notification of intent to appeal is not sufficient notification for requesting a reasonable accommodation request. Applicant should make request directly to management. If applicant decides not to appeal, RHC closes the referral and it is removed from the list.
4. When **management** receives Notice of Appeal or Reasonable Accommodation Request RHC, they wait to hear from applicant or their representative for actual basis of appeal. RHC notification of intent to appeal is not sufficient notification for requesting a reasonable accommodation. Applicant should make request directly to management. Management will “Revive” application in V&R. Process outlined in TSP is followed and appeal/RA decision is noted in V&R.
 5. **Management** will then “Approve” or “Deny” the application. If denied, applicant has no less than eight (8) business days to appeal. If the applicant appeals within the eight (8) day timeframe management must continue to hold the unit until management renders a decision for the appeal even if unit hold extends beyond the 30-day hold period. After the eight business (8) days, RHC must close out the referral.
 6. If **management** “Approves” the application (under the actual referral and not the vacancy), V&R is updated with date approved. Once approved, RHC has no action to take – only sees as “Pending Vacancy Reservation”.
 7. **Management** has Vacancy Reservation. Once they have notified applicant of approval and they are still interested, they enter the expected move-in date and choose unit based on discussion with applicant. RHC still has no action to take.
 8. Referral is at “Pending Move-In” status. **Management** will Confirm Move-In date or Undo the Vacancy Reservation. Action status in V&R continues to be “Pending Move-In Review” until move-in date has been entered.
 - a. Vacancy Reservation can be “Undone” if another unit needs to be chosen because they change their mind, etc.
 - b. Management still has the option to “Withdraw Application”.

Updated 05/07/2018

9. Once applicant has signed the documents and moves in the unit, **management** will enter move-in date. Management cannot enter future date.
10. **RHC** has Awaiting Vacancy Release and will “confirm move-in”. This takes referral and unit out of the list.

Management Company Instructions

Daily Processing:

1. **Log into RCRS and look for Announcements and Monitoring Activity on the Home Screen.** [www.nchfa.org/rcrs]
2. **Respond to any documentation or actions requested by NCHFA.** [If we are waiting for information from you, there will be an alert in a red circle at the top of your screen in the black bar. Click on the red number and the response type needed to be taken to a list of properties. Select the property to be taken to the screen to provide the necessary information.]
3. **Enter move-ins, move-outs, recertifications and updates.** [Click on Property List. Select the property from the list. Click on Property Menu and select Buildings to be taken to the screen to enter activity. See next page for more detailed instructions.]

Manage User Accounts:

1. **Add New Users.** [Click on Manage User Accounts. Click Add New User. Enter all requested data. Click Create. Find User in list of Active Users. Click on Create Login. Assign as User Administrator to give rights to all properties or select individual properties from list. Click Create Login at bottom of page. An email with a user ID and temporary password will be sent to new user.]
2. **Add Tags to users to indicate their roles within each property.** [Click on Property List. Select property to begin. Click on Property Menu, Management Company Contacts. Click Add Tags to indicate to NCHFA what the person's role is for that property. For example is this person the onsite manager, person to contact for file reviews or physical inspections, etc. You can select as many or as few tags as you would like for an individual.]
3. **Edit or Remove Users.** [Click on Manage User Accounts. Find User in list of Active Users. Click magnifying glass beside name. Correct phone numbers, address and/or email as appropriate. If removing a user, click to remove the check mark beside Active. Click Save at the bottom of the page.]
4. **Change property assignments or Reset Password.** [Click on Manage User Accounts. Find User in list of Active Users. Click on the user name under Login. Change property assignments by clicking to add or remove. Click Save Changes at the bottom of the page. Click Reset Password if user can't remember their password or they get locked out of the system.]

Entering Move-ins, Recertifications, Updates, Transfers and Move-outs:

1. **Enter move-ins and recerts as they occur.** [Click on Property List. Select property to begin. Click on Property Menu, Buildings. Click on the appropriate building on the left side of the screen and click on the unit number. Click Add Unit Event on the right hand side of the screen. Select Event Type, Event Date, and enter any other requested info. Click OK when ready to enter additional info. Incomplete event will appear in red.]
2. **Enter/Edit Household Members.** [Scroll down to the Household member section, if not visible on your screen. If this is a move-in, click Add Tenant to enter each household member. If it is a recert, click edit to verify household members, delete to remove someone or Add Tenant to add someone.]
3. **Enter/Edit Income Information.** [Scroll down to the Income section, if not visible on your screen. If this is a move-in, click Add Income to enter each household member's income. If it is a recert, click edit to provide the correct income for the year, delete to remove income source or Add Income to add income.]
4. **Enter/Edit Asset Information.** [Scroll down to the Asset section, if not visible on your screen. If this is a move-in, click Add Asset to enter each household member's assets. If it is a recert, click edit to provide the correct asset values and income for the year, delete to remove an asset or Add Asset to add assets.]
5. **Verify that information is complete.** [Click Edit Unit Event. Click to check the box beside Unit Event Complete. Click OK.]

Entering Move-ins, Recertifications, Updates, Transfers and Move-outs for households with Key Assistance:

1. **Follow steps 1- 4 above to put these events into RCRS.** [You will not be allowed to enter tenant rent or assistance amount. This amount will calculate after you enter the household members, income and assets.]
2. **Prior to marking the Unit Event as Complete, upload the documents necessary for NCHFA to approve the event for Key assistance: Targeting Referral Letter, rental application, verifications, Tenant Income Certification, Rent and Subsidy Calculation Worksheet, Lease, Key Lease Addendum etc.** *Note: You no longer have to redact (remove personal information such as Social Security numbers) from these forms.* [Click on Documents at the top of the Unit Event page. Select the Document Type. Each document must be uploaded individually. Search to find the document on your computer. Type in a description if you want one. Click Upload.]
3. **Verify that information is complete.** [Click Edit Unit Event. Click to check the box beside Unit Event Complete. Click OK.]

Key Assistance Initial Setup:

1. **Request Owner Agreement to Participate prior to property opening.** [Click on Property List. Select property to begin. Click on Property Menu, Documents. Click Request OAP.]
2. **Provide Key Onboarding Documents: executed OAP, Key Direct Deposit Authorization, IRS form W-9 and the Employer Identification Letter.** [Click on Property List. Select property to begin. Click on Property Menu, Documents. Click Upload to upload completed forms requested in box. Once an approval date displays, the property may begin leasing to Key-eligible referrals from DHHS.]

Request Key Assistance and Review Prior Requests:

IMPORTANT: On the initial request made for a property using the new system, you will need to verify that the Key amount being requested for each household is accurate. We have found that the income entered into RCRS is frequently different from the income documentation submitted to us for approval. Since the system calculates the amount of assistance based on the income entered into RCRS, you will not receive the correct payment unless you correct your data entry.

1. **Request Key Assistance once per month.** [Click on Rental Assistance. Click Create New Payment. All properties the user has access will display. All households with Key assistance will display and the system will indicate whether they have been approved or not. If not approved, the household will remain in the cue and assistance will not be paid. After approval is granted, the household will be added to the next payment request and all subsidy not previously paid will be paid at that point. You can Pause assistance for any household that is approved. Click Submit at the bottom of the page to submit requests for all properties you have access to.]
2. **Check the Status of Payments.** [Click on Rental Assistance. Payment requests can be deleted until we approve the request for payment. You can see the approval date and date paid. You can view the request detail by clicking View. Provide the Request Number if you have questions about a particular payment.]

Upload Data from Third Party Software:

1. **Upload data on a regular basis.** [Click on Property List. Select property to begin. Click on Property Menu, Property Upload. Click Browse to find XML file created by software. Enter your email address to get the upload report. Click Upload and Validate.]

Utility Allowance Updates:

1. **To get the correct utility allowance into RCRS, it must be submitted to NCHFA.** [Click on Property List. Select property to begin. Click on Property Menu, Documents. Click Upload beside Utility Allowance Documentation. Click Select to find file saved on your computer. Click OK. A received date will appear to confirm when you have uploaded the documentation. An approved date will appear once we have updated the property file. UA will not be approved until we have received payment, if payment is required. See our Utility Allowance Policy for details.]

Management Company Documents:

1. **For properties with a loan from NCHFA, certain management company documents must be submitted to NCHFA for approval prior to implementation. The include: Affirmative Fair Housing Marketing Plan, Lease, Tenant Selection Policy and the Management Plan. It may also include a Tenant Participation Plan.** [Click on Property List. Select property to begin. Click on Property Menu, Documents. Click Upload beside the document type. Click Select to find file saved on your computer. Click OK. A received date will appear to confirm when you have uploaded the documentation. An approved date will appear once we have approved the document submitted.]

Fair Housing



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Applicable Federal Laws



Civil Rights Act of 1968 and the Fair Housing Amendments Act of 1988

- Applies to all housing in the United States
- Americans With Disability Act (ADA)
- Applies to all housing in the United States
- Title III – Public Accommodations

- Applies to Common Areas

Section 504 Regulations and Limited English Proficiency Requirements

- Applies to housing utilizing Federal funds such as HOME, HUD, RHS

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Fair Housing

The Federal Fair Housing Act & the NC Fair Housing Act prohibit discrimination on the basis of:

- Race
- Color
- Religion
- Sex (Gender)
- National Origin
- Disability
- Familial Status (Having children or being pregnant)

Otherwise known as the Protected Classes

The NC Fair Housing Act also includes low income housing as a protected class to help combat NIMBYism



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EQUALITY

EQUITY



**Title VIII
Fair Housing Act**



**Title VI
Civil Rights Act**



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All multifamily rental properties, including Tax Credit properties, fall under Title VIII

- Title VIII is about EQUALITY – not treating people differently or in a way that discriminates against a person

Properties receiving federal funds (HUD, RHS, HOME) fall under Title VI

- Title VI, because of federal assistance, is about EQUITY – meeting people where they're at and providing the level of assistance appropriate so that a person can reasonably expect to have the same opportunity and outcome as anyone else



For persons with disabilities Fair Housing Law goes a step further, making it illegal to:

- Fail to make reasonable accommodation in rules, policies, and services to give a person with a disability equal opportunity to occupy and enjoy the full use of a housing unit, or
- Fail to allow reasonable modification to the premises if the modification is necessary to allow a person with a disability full use of the premises



Reasonable Accommodations and Reasonable Modifications



- Determining what is a reasonable accommodation or a reasonable modification requires a balancing act of interest and a case-by-case judgment as to what is “reasonable,” and required individualized assessment of the person’s situation and circumstances
- A blanket rule, either stated, or in a pattern of practice, that “we do not provide accommodations for a criminal history “ may be illegal

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Reasonable Accommodations and Reasonable Modifications

The person must request the accommodation and in doing so has revealed that they have a disability

- Property managers may request proof that the person has a disability and is covered under the law (consider income source)
- Property managers may also request additional information that the accommodation or modification is necessary and/or will address the issue.
- DHHS Targeting applicants/tenant can request
- Must follow your Tenant Selection Plan

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Reasonable Accommodations and Reasonable Modifications

REASONABLE ACCOMMODATION REQUEST



Applicant/Tenant Name: _____

Unit #: _____

Our apartment community operates under the guidelines of Section 504 of the Rehabilitation Act of 1973 and the Fair Housing Amendment Act of 1988. In part, these acts allow persons with disabilities to request reasonable accommodations and/or modifications to afford a disabled person equal opportunity to use and enjoy their apartment and the common areas. In order to evaluate your request, we ask that you complete Part One of this form. However, a request may be made in writing, orally, or by using another equally effective means of communication to request a reasonable accommodation or modification. Once we receive your request, we will schedule a meeting to discuss this. If applicable, you will need to provide the name of a Qualified Third Party Professional where the form can be sent for evaluation. A Qualified Third Party Professional includes, but is not limited to a Doctor, Psychiatrist, Social Worker, etc. We will contact you within 30-days with our decision. If additional information is needed, we will contact you immediately. Please contact the Site Manager if you have any questions.



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- Further inquiry into the nature and type of the disability, however, must be limited to matters directly related to the requested accommodation or modification
- Rental Assistance (Section 8, Key Program, etc.) must be taken into consideration when evaluating ability to pay rent and requests for reasonable accommodations to the standard credit history criteria



Reasonable Accommodations and Reasonable Modifications

- Timeliness in responding to reasonable accommodation or reasonable modification is important
- Undue delay in responding to request could be seen as a refusal to make an accommodation or allow a modification, and consequently, a violation of the law
- If a tenant submits a reasonable accommodation request in response to a lease termination or eviction notice; the termination process should not continue until a decision on the request has been made and communicated to the tenant



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Service & Companion Animals are an Example of a Reasonable Accommodation



- They are NOT pets; therefore, are not subject to prohibition or restriction under the pet policy
- Must have separate rules for pets and service & companion animals
- Cannot collect fees or pet deposit. Can charge for damages caused by service & companion animals
- Must require third party documentation that Head of Household member is disabled and needs a service & companion animal
- Once request is verified and documented, reasonable accommodation must be approved

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Service & Companion Animals



U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-2000

SPECIAL ATTENTION OF:
HUD Regional and Field Office Directors of
Public and Indian Housing (PIH); Housing;
Community Planning and Development
(CPD); Fair Housing and Equal Opportunity;
and Regional Counsel; CPD, PIH, and
Housing Program Providers

FHEO Notice: **FHEO-2020-01**
Issued: January 28, 2020
Expires: Effective until Amended,
Superseded, or Rescinded.

Subject: Assessing a Person's Request to Have an Animal as a Reasonable Accommodation Under the Fair Housing Act

- HUD on 1/28/2020 published guidance clarifying how housing providers can comply with the Fair Housing Act when assessing a person's request to have an animal in housing to provide assistance because of a disability
- Specifically addresses "internet verifications" where there is no known relationship between the patient and the verification provider other than providing the verification

<https://www.hud.gov/sites/dfiles/PA/documents/HUDAsstAnimalNC1-28-2020.pdf>

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Service & Companion Animals



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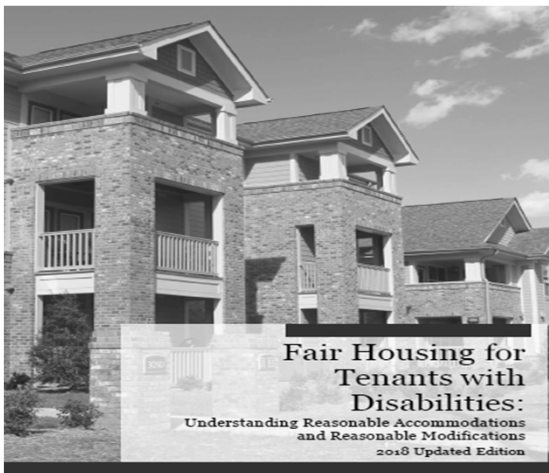
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The 1/28/2020 Notice defines & provides guidance related to:

- a service animal is a dog (with a narrow exception for miniature horses) that has been trained to perform specific tasks or services for a disabled person
- a support animals, which may be trained or untrained, and do work, perform tasks, provide assistance, and/or provide therapeutic emotional support for individuals with disabilities
- a person may have a disability related need for both animals, or two disabled people in the same household each need their own assistance animal



“Fair Housing for Tenants with Disabilities: Understanding Reasonable Accommodations and Reasonable Modifications”



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<http://www.nchfa.com/Rental/Mreasonableaccommod.aspx>

The guide provides basic information on these important protections and guidance for property managers and persons with disabilities including numerous examples which illustrate standards the courts use in determining what is “reasonable”



What can you do to ensure compliance with Fair Housing Laws?



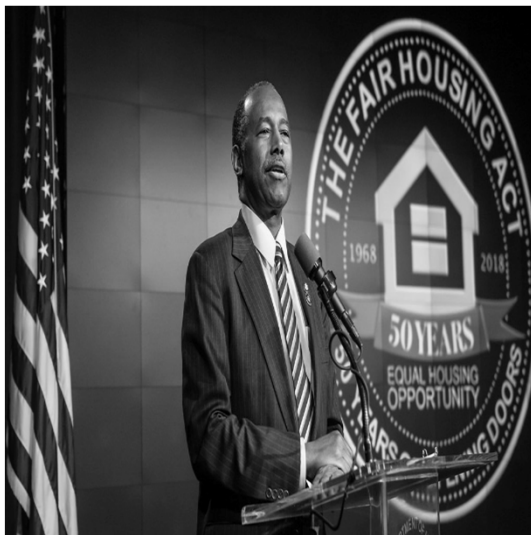
- Develop and implement clear policies and fair housing practices. Have policies reviewed by a fair housing expert
- Support diversity and cultural awareness in your business on a daily bases
- Be proactive in making fair housing an everyday part of your business
- Promote fair housing through continuous education

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What can you do to ensure compliance with Fair Housing Laws?



- Develop and implement a reasonable accommodation and reasonable modification policy
- Understand the Senior Housing Exemption if you are an elderly property
- If you receive federal assistance, learn about Section 504 of the Rehabilitation Act of 1973 and Limited English Proficiency Requirements

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Definition of Elderly

24 CFR 100.300-308

State & Federal Elderly Housing Programs (100.302)

- Must use program definition of elderly
- Typically 62 & older OR disabled

62 & older definition (100.303)

- Every person residing at the property must be at least 62 or older

55 & older definition (100.304)

- At least one person in 80% of the units must be at least 55 or older
- The owner needs to define who can reside in the remaining 20% of the units
- See also the Housing for Older Persons Act of 1995 (HOPA) for additional guidance on the 55 & older definition



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Language Access Plan

Language Access Plan (LAP)

- Recipients of federal funds must take steps to ensure meaningful access by persons with limited English proficiency (LEP persons)

NCHFA requires all recipients to complete a Four Factor Analysis

- Number or proportion of LEP persons to be served or likely to be encountered by the program or recipient
- The frequency with which LEP individuals come in contact with the program
- Nature and importance of the program, activity, or service provided
- The resources available to the recipient and costs
- A copy of the NCHFA Guidance for Developing a Four Factor Analysis and LAP and HUD's Language Services Resources Memo is provided in the "Resources" section of this training book.



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Limited English Proficiency (LEP)

Limited English Proficiency (LEP)

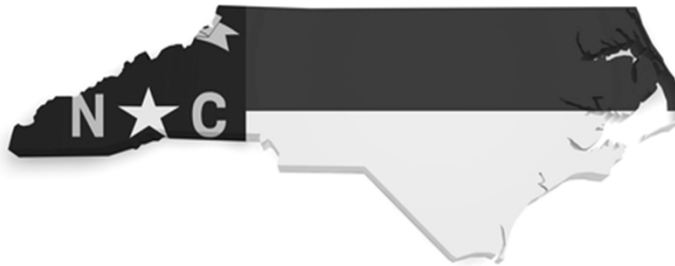
- After deciding what language assistance services are appropriate, develop a plan to address needs of the LEP population served

Elements to consider

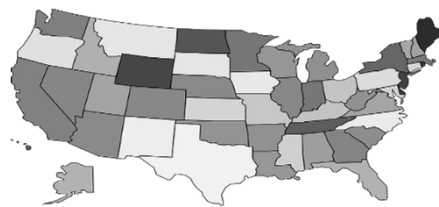
- Who needs assistance and what language assistance is needed
- Identify points of contact staff may have with LEP persons
- Identify ways language assistance will be provided
- Provide appropriate translated notices to LEP persons (ex. eviction notices, emergency plans)
- Provide interpreters for meetings



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- 7,000 languages spoken worldwide
- At least 380 languages spoken in the United States
- Approximately 4.7% of homes in North Carolina have limited English proficiency >440,000 households



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How much do Fair Housing violations cost?

HUD Settles Claim of Disability Discrimination by Condominium Association

A condominium association has agreed to pay \$30,000 pursuant to a Consent Order resolving allegations that they discriminated against a resident with disabilities by preventing her from having an assistance animal. HUD issued the Charge of Discrimination in 2018, which alleged that the Association violated the Fair Housing Act by requiring the resident, who is a person with a hearing and sight disability, to cage her dog in common areas and use the service entrance when entering and exiting the building with the animal.



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How much do Fair Housing violations cost?

A North Carolina Housing Authority violated residents rights under VAWA – October 2019

- Refused to allow resident's multiple transfer requests to a unit that they felt would provide safety after the resident was a victim of several criminal activities from a previous boyfriend
- Training for all staff, confirming that the HA is following VAWA policy in providing VAWA documents and posting required forms. Certification to HUD annually required
- Monetary terms of the settlement – confidential



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Professional Fair Housing Trainers



Kathi Williams , The Fair Housing Institute
(770) 826-6573 – www.fairhousinginstitute.com



Mark English, E&A Services, Inc.
(888) 504-7483 – www.eandateam.com



SAHMA
(800) 745-4088 – www.sahma.org



John Ritzu, Fair Housing FIRST
(312) 913-1717 – www.FairHousingFIRST.org

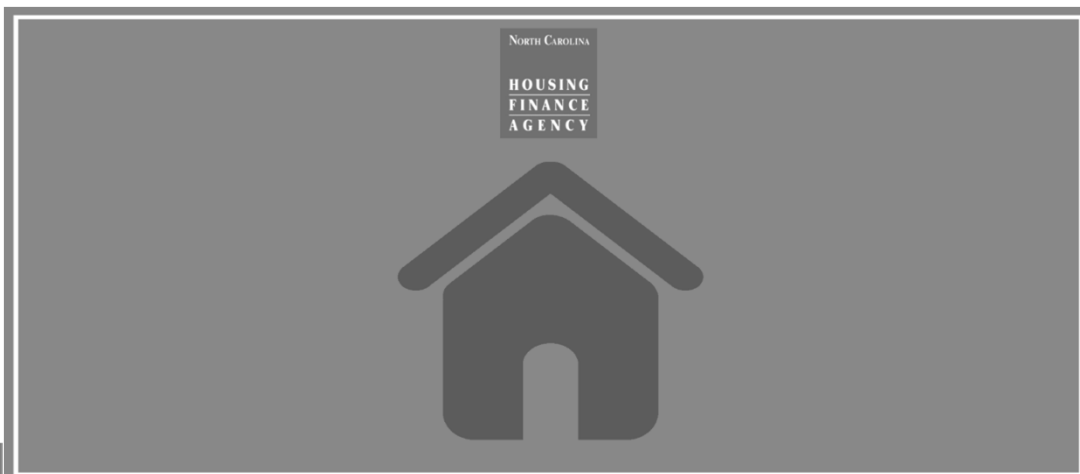
Don't forget about your local Apartment Association and NCHFA for Fair Housing Classes



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Overview of Resources Available from NCHFA



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For Home Buyers

NC Home Advantage Mortgage

- 30 year, fixed rate mortgage
- Competitive interest rates

Down payment assistance that is fully forgiven after 15 years

- Mortgage Credit Certificate
- Enables the first-time home buyers to save up to \$2,000 a year on federal taxes, even if you do not itemize deductions



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For Home Owners

- If NCHFA is servicing your loan, you can manage your loan using eStatus. (view loan balance, payments history, and payment due dates; request a payoff statement; update personal contact information)
- Mortgage payment assistance if you lose your job or income is reduced.
- Free housing counseling



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For Homeowners (via local governments and nonprofits)

- Interest free, deferred, forgiven loans to facilitate comprehensive rehab of homes owned by low income elderly or disabled
- Grants to elderly, disabled or other special needs populations to provide emergency repairs to your home
- Grants to provide accessibility modifications
- Interest free, forgiven loans to improve energy efficiency.



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For Renters

- Free tool to locate affordable rental housing: NCHousingSearch.com
- Renters rights and responsibilities
- Path to homeownership



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For Developers

Resources available to finance and rehab affordable multifamily housing in North Carolina:

- Low Income Housing Credit Program
- Workforce Housing Loan Program
- Rental Production Program loans to provide gap financing (HOME & Housing Trust Fund)
- Multifamily Tax Exempt Bonds
- Supportive Housing Development Program, specifically to provide special needs housing



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For Owners and Managers

- Compliance Managers training throughout the state (Compliance 101, Advanced Training, Supportive Housing Development Program Training, RCRS Training)
- Rental Compliance Reporting System (RCRS)
- On demand access to get answers to compliance questions by email or phone
- Rent increase and reserve approvals (if applicable)



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Terms You Need to Know

Low income Housing Credit Program (LIHC)

- Created by the Tax Reform Act of 1986 to increase the production of affordable housing
- Governed by Section 42 of Internal Revenue Code
- State Housing Credit Program (STC)

The State Housing Credit was created by the N.C. General Assembly in 1999 to be used in combination with the federal LIHC

- Rents are affordable to households at 30%, 40% or 50% of median income
- In 2002, the General Assembly converted the STC into a refundable credit providing funds that can be efficiently invested directly in LIHC properties
- Last year of funding for STC was 2004



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Terms You Need to Know

Workforce Housing Loan Program (WHLP)

- Replaces the State Tax Credit Program
 - 30 year deferred payment loan at 0% interest
 - Maximum loan amount set by county income designation
 - Property must receive an allocation of federal LIHC in order to be eligible
- Rental Production Program (RPP) – broad term used to describe the Agency's rental loan portfolio
- Loan funds used to produce affordable rental housing
 - Regular annual allocations
 - Special funding cycles to respond to natural disasters
 - Funds provided from HOME program and the state's Housing Trust Fun



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Terms You Need to Know

Preservation Loan Program (PLP)

- Provides loans of up to \$1 million for the rehabilitation and preservation of existing affordable housing developments that are not able to utilize other funding sources
- Funds are provided from the HOME program and the state's Housing Trust Fund
- Currently, no new funding is available for this program

HOME

- Authorized under Title II of the Cranston-Gonzalez National Affordable Housing Act, as amended
- Program regulations are at 24 CFR Part 92. The HOME program final rules is available electronically
- Used to fund a wide range of activities to build, buy, and/or rehabilitate affordable housing for rent or homeownership or provide direct rental assistance to low-income people



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Terms You Need to Know

Housing Trust Fund (HTF)

- The Housing Trust Fund, created by the General Assembly in 1987, is North Carolina's only state-funded and state-designed resource for affordable housing
- It provides home ownership opportunities for low-income families, apartment development for families, seniors, and people with disabilities; and finances home repairs and accessibility modifications for the elderly and disabled persons

LIHTC Exchange, Section 1602

- Exchange loans replace what would have been equity investment
- Projects will follow the same LIHTC rules
- The Agency will conduct asset management just as if there was a RPP loan: Annual financials, reserve monitoring, etc.
- Another difference is the consequences of noncompliance may be more severe than LIHTC recapture, including foreclosure



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Acronym Cheat Sheet

ACH	Automated Clearing House
ADA	Americans with Disabilities Act
AFHMP	Affirmative Fair Housing Marketing Plan
AMI	Area Median Income
AOC	Annual Owners Certification
ARRA	American Recovery and Reinvestment Act of 2009
BIN	Building Identification Number
CDBG	Community Development Block Grant
CFR	Code of Federal Regulations
CHDO	Community Housing Development Organization
CO	Certificate of Occupancy
CPD	Community Planning and Development
DHHS	Department of Health and Human Services
EUA	Extended Use Agreement
FHA	Fair Housing Act 1968 (1974/1988)
FMR	Fair Market Rent
HAP	Housing Assistance Payment
HCV	Housing Choice Voucher
HERA	Housing and Economic Recovery Act of 2008
HFA	Housing Finance Agency
HOME	HOME Investment Partnerships Program
HOPWA	Housing Opportunities for Persons with AIDS
HQS	Housing Quality Standards
HTF	Housing Trust Fund
HUD	U.S. Department of Housing and Urban Development
IRC	Internal Revenue Code
IRS	Internal Revenue Service
LEP	Limited English Proficiency
LIHC	Low Income Housing Credit

Acronym Cheat Sheet

LURA	Land Use Restriction Agreement
MSA	Metropolitan Statistical Area
MTSP	Multi-family Tax Subsidy Program
NCHFA	North Carolina Housing Finance Agency
PBRA	Project-based Rental Assistance
PHA	Public Housing Authority
PJ	Participating Jurisdictions
PLP	Preservation Loan Program
QAP	Qualified Allocation Plan
RA	Rental Assistance
RAD	Rental Assistance Demonstration
RD	Rural Development
REAC	Real Estate Assessment Center
RPP	Rental Production Program
SHDP	Supportive Housing Development Program
SRO	Single Room Occupancy
STC	State Tax Credits
TANF	Temporary Aid to Needy Families
TBRA	Tenant Based Rental Assistance
TSP	Tenant Selection Plan
TTP	Total Tenant Payment
UA	Utility Allowance
UPCS	Uniform Physical Conditions Standards
USDA	U.S. Department of Agriculture
VASH	Veterans Affairs Supportive Housing Program
VAWA	Violence Against Women Act
WHLP	Workforce Housing Loan Program
WIA	Workforce Investment Act

CHAPTER 5. DETERMINING INCOME AND CALCULATING RENT

5-1 Introduction

- A. Owners must determine the amount of a family's income before the family is allowed to move into assisted housing and at least annually thereafter. The amount of assistance paid on behalf of the family is calculated using the family's annual income less allowable deductions. HUD program regulations specify the types and amounts of income and deductions to be included in the calculation of annual and adjusted income.
- B. Although the definitions of annual and adjusted income used for the programs covered in this handbook have some similarities with rules used by the U.S. Internal Revenue Service (IRS), the tax rules are different from the HUD program rules.
- C. The most frequent errors encountered in reviews of annual and adjusted income determinations in tenant files fall in three categories:
1. Applicants and tenants failing to fully disclose income information;
 2. Errors in identifying required income exclusions; and
 3. Incorrect calculations of deductions, often the result of failure to obtain third-party verification.

Careful interviewing and thorough verification can minimize the occurrence of these errors.

- D. Chapter 5 is organized as follows:
- **Section 1: Determining Annual Income** discusses the requirements regarding annual income and the procedure for calculating a family's annual income when determining eligibility. This section also includes guidance on determining income from assets.
 - **Section 2: Determining Adjusted Income** describes the procedures and requirements for determining adjusted income based on allowable deductions.
 - **Section 3: Verification** presents the requirements for verifying information provided by applicants and tenants related to their eligibility.
 - **Section 4: Calculating Tenant Rent** discusses the methods for calculating the tenant's portion of rent under the different programs covered by this handbook.

5-2 Key Terms

- A. There are a number of technical terms used in this chapter that have very specific definitions established by federal statute or regulations, or by HUD. These terms are listed in Figure 5-1 and their definitions can be found in the Glossary to this handbook. It is important to be familiar with these definitions when reading this chapter.
- B. The terms “disability” and “persons with disabilities” are used in two contexts – for civil rights protections, and for program eligibility purposes. Each use has specific definitions.
1. When used in context of protection from discrimination or improving the accessibility of housing, the civil rights-related definitions apply.
 2. When used in the context of eligibility under multifamily subsidized housing programs, the program eligibility definitions apply.

NOTE: See the Glossary for specific definitions and paragraph 2-23 for an explanation of this difference.

Figure 5-1: Key Terms

<ul style="list-style-type: none"> • Adjusted income • Annual income • Assets • Assistance payment • Assisted rent • Assisted tenant • Basic rent • Co-head of household • Contract rent • Dependent • *Enterprise Income Verification (EIV)* • Extremely low-income family • Foster adult • Foster children • Full-time student • Gross rent • Hardship exemption • Head of household • Housing assistance payment (HAP) • Income limit 	<ul style="list-style-type: none"> • Live-in aide • Low-income family • Market rent • Minimum rent • Operating rent • Project Assistance Contract (PAC) • PRAC Operating Rent • Project Rental Assistance Contract (PRAC) • Project assistance payment • Project rental assistance payment • Tenant rent • Total tenant payment • Unearned income • Utility allowance • Utility reimbursement • Very low-income family • Welfare assistance • Welfare rent
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Section 1: Determining Annual Income

5-3 Key Regulations

This paragraph identifies the key regulatory citation pertaining to Section 1: Determining Annual Income. The citation and its title are listed below.

- *24 CFR 5.233 Mandated Use of HUD's Enterprise Income Verification (EIV) System*
- 24 CFR 5.609 Annual Income

5-4 Key Requirements

- A. Annual income is the amount of income that is used to determine a family's eligibility for assistance. Annual income is defined as follows:
1. All amounts, monetary or not, that go to or are received on behalf of the family head, spouse or co-head (even if the family member is temporarily absent), or any other family member; or
 2. All amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual recertification effective date.
- B. Annual income includes all amounts that are not specifically excluded by regulation. Exhibit 5-1, Income Inclusions and Exclusions, provides a list of income inclusions and exclusions published in the regulations and *Federal Register* notices.
- C. Annual income includes amounts derived (during the 12-month period) from assets to which any member of the family has access.

5-5 Methods for Projecting and Calculating Annual Income

- A. The requirements for determining whether a family is eligible for assistance, and the amount of rent the family will pay, require the owner to project or estimate the annual income that the family expects to receive. There are several ways to make this projection. The following are acceptable methods for calculating the annual income anticipated for the coming year:
1. Generally the owner must use current circumstances to anticipate income. The owner calculates projected annual income by annualizing *current* income. Income that may not last for a full 12 months (e.g., unemployment compensation) should be calculated assuming current circumstances will last a full 12 months. If changes occur later in the year, an interim recertification can be conducted to change the family's rent.

2. If information is available on changes expected to occur during the year, use that information to determine the total *anticipated* income from all known sources during the year.
3. *Using EIV:
 - (a) The owner must not use the quarterly wage income reported on the EIV Income Report for calculating the tenant's annual income from employment. The owner must confirm with the tenant that the information in EIV is correct. If the tenant agrees that the employment information reported in EIV is correct, the owner must:
 - (1) Use the Income Report as third party verification of the tenant's employment; and
 - (2) Use tenant provided documents for calculating the tenant's annual income, e.g. 4-6 current, consecutive check stubs.

Example 1: EIV shows that John is working at Jack's Restaurant and John agrees that he is working there. John has brought in his four most current, consecutive check stubs. The owner must use the EIV Income Report as third party verification that John is employed at Jack's Restaurant and use the gross pay shown on the check stubs provided by the tenant for determining John's annual income. John is paid weekly.

Check stubs – gross pay 1) \$120; 2) \$145; 3) \$125; 4) \$130 – total gross pay = \$520

$\$520 / 4 = \130 average gross pay per week

$\$130 \times 52 \text{ weeks} = \$6,760$ gross annual income

Example 2: EIV shows Sally works at Beauty World and Sally agrees that she is working there. Sally has brought in a payroll summary report prepared by her employer which shows that Sally works 30 hours per week and earns \$12.50 per hour. The owner must use the EIV Income Report as third party verification that Sally is employed at Beauty World and use the payroll summary report prepared by Beauty World for determining Sally's annual income.

$30 \text{ hours} \times 52 \text{ weeks} = 1,560 \text{ hours per year}$

$\$12.50 \text{ per hour} \times 1,560 \text{ hours} = \$19,500$ gross annual income

- b. The owner must not use the quarterly unemployment compensation benefits reported on the EIV Income Report for calculating the tenant's annual income from unemployment. The owner must confirm with the tenant that the unemployment information in EIV is correct. If the tenant agrees that he/she is receiving unemployment compensation benefits as reported in EIV, the owner must:
- (1) Use the Income Report as third party verification that the tenant is receiving unemployment; and
 - (2) Use tenant provided documents for calculating annual income, e.g. unemployment monetary benefit notice.

Example: Peter has brought in the unemployment benefit notice he received showing he is being paid weekly unemployment benefits of \$175. The owner will use the EIV Income Report as third party verification that Peter is receiving unemployment benefits and the unemployment benefit notice for determining Peter's annual income.

$\$175 \text{ per week} \times 52 \text{ weeks} = \$9,100.00 \text{ gross annual income}$

NOTE: If Peter's unemployment is terminated during the annual recertification period, Peter should report this to the owner along with documentation supporting the date of termination of the benefits. The owner will then prepare an interim recertification removing the unemployment income. If Peter is unable to provide documentation verifying termination of unemployment compensation benefits, the owner must verify the termination directly with the state workforce agency (SWA) source.

- c. If the tenant agrees with the social security benefit information on the EIV Income Report, the owner must use the EIV Income Report as third party verification, receiving social security benefits and also for calculating the tenant's annual income.

Example: The Income Report shows that Joe Smith is receiving gross social security benefits of \$980.40 per month. Joe agrees that this is the amount he is receiving. The owner will use the Income Report as third-party verification that Joe is receiving social security benefits and for calculating Joe's annual income.

$\$980.40 \times 12 \text{ months} = \$11,764.80 \text{ (rounded to } \$11,765) \text{ gross annual income.}$

- d. If the tenant disputes the employment and income information in EIV, the owner must obtain third party verification from the source.*
- B. Once all sources of income are known and verified, owners must convert reported income to an annual figure. Convert periodic wages to annual income by multiplying:
1. Hourly wages by the number of hours worked per year (2,080 hours for full-time employment with a 40-hour week and no overtime);
 2. Weekly wages by 52;
 3. Bi-weekly wages (paid every other week) by 26;
 4. Semi-monthly wages (paid twice each month) by 24; and
 5. Monthly wages by 12.

To annualize other than full-time income, multiply the wages by the actual number of hours or weeks the person is expected to work.

Example – Anticipated Increase in Hourly Rate

February 1	Certification effective date	
\$7.50/hour	Current hourly rate	
\$8.00/hour	New rate to be effective March 15	

(40 hours per week x 52 weeks = 2,080 hours per year)

February 1 through March 15 =	6 weeks
6 weeks x 40 hours =	240 hours
2,080 hours minus 240 hours =	1,840 hours

(check: 240 hours + 1,840 hours = 2,080 hours)

Annual Income is calculated as follows:

240 hours x \$7.50 =	\$1,800
\$1,840 hours x \$8.00 =	\$14,720
Annual Income	\$16,520

(See **Appendix 8** for an explanation of the correct approach to rounding numbers.)

- C. Some circumstances present more than the usual challenges to estimating anticipated income. Examples of challenging situations include a family that has sporadic work or seasonal income or a tenant who is self-employed. In all instances, owners are expected to make a reasonable judgment as to the most reliable approach to estimating what the tenant will receive during the year. In many of these challenging situations, midyear or interim recertifications may be

required to reflect changing circumstances. Some examples of approaches to more complex situations are provided below.

Examples – Irregular Employment Income

Seasonal work. Clyde Kunkel is a roofer. He works from April through September. He does not work in rain or windstorms. His employer is able to provide information showing the total number of regular and overtime hours Clyde worked during the past three years. To calculate Clyde's anticipated income, use the average number of regular hours over the past three years times his current regular pay rate, and the average overtime hours times his current overtime rate.

Sporadic work. Justine Cowan is not always well enough to work full-time. When she is well, she works as a typist with a temporary agency. Last year was a good year and she worked a total of nearly six months. This year, however, she has more medical problems and does not know when or how much she will be able to work. Because she is not working at the time of her recertification, it will be best to exclude her employment income and remind her that she must return for an interim recertification when she resumes work.

Examples – Irregular Employment Income

Sporadic work. Sam Daniels receives social security disability. He reports that he works as a handyman periodically. He cannot remember when or how often he worked last year: he says it was a couple of times. Sam's earnings appear to fit into the category of nonrecurring, sporadic income that is not included in annual income. Tell Sam that his earnings are not being included in annual income this year, but he must report to the owner any regular work or steady jobs he takes.

Self-employment income. Mary James sells beauty products door-to-door on consignment. She makes most of her money in the months prior to Christmas but has some income throughout the year. She has no formal records of her income other than a copy of the IRS Form 1040 she files each year. With no other information available, the owner will use the income reflected on Mary's copy of her form 1040 as her annual income.

5-6 Calculating Income—Elements of Annual Income

A. Income of Adults and Dependents

1. Figure 5-2 summarizes whose income is counted.

2. **Adults.** Count the annual income of the head, spouse or co-head, and other adult members of the family. In addition, persons under the age of 18 who have entered into a lease under state law are treated as adults, and their annual income must also be counted. These persons will be either the head, spouse, or co-head; they are sometimes referred to as emancipated minors.

NOTE: If an emancipated minor is residing with a family as a member other than the head, spouse, or co-head, the individual would be considered a dependent and his or her income handled in accordance with subparagraph 3 below.

3. **Dependents.** A dependent is a family member who is under 18 years of age, is disabled, or is a full-time student

The head of the family, spouse, co-head, foster child, or live-in aide are never dependents. Some income received on behalf of family dependents is counted and some is not.

- a. *Earned* income of minors (family members under 18) is not counted.
- b. Benefits or other *unearned* income of minors is counted.

Figure 5-2: Whose Income is Counted?

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

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

- c. When more than one family shares custody of a child, and both families live in assisted housing, only one family at a time can claim the dependent deduction. The family that counts the dependent deduction also counts the unearned income of the child. The other family claims neither the dependent deduction nor the unearned income of the child.
- d. For full-time students, who are 18 years of age or older *and* are dependents, a small amount of their earned income will be counted. Count only earned income up to a maximum of \$480 per year for full-time students, age 18 or older, who are not the head of the family; spouse or co-head.*If the earned income is less than \$480 annually, count all of the income. If the earned income exceeds \$480 annually,* count \$480 and exclude the amount that exceeds \$480.
- e. The income of full-time students 18 years of age or older who are members of the household but away at school is counted the same as the income for other full-time students. The income of minors who are members of the household but away at school is counted as the income for other minors.
- f. All income of a full-time student, 18 years of age or older, is counted if that person is the head of the family, spouse, or co-head.
- g. Payments received by the family for the care of foster children or foster adults are *not* counted. This rule applies only to payments made through the official foster care relationships with local welfare agencies.
- h. Adoption assistance payments in excess of \$480 are not counted.

B. Income of Temporarily Absent Family Members

- 1. Owners must count all income of family members approved to reside in the unit, even if some members are temporarily absent.
- 2. If the owner determines that an absent person is no longer a family member, the individual must be removed from the lease and the HUD-50059.
- 3. A temporarily absent individual on active military duty must be removed from the family, and his or her income must not be counted unless that person is the head of the family, spouse, or co-head.
 - a. However, if the spouse or a dependent of the person on active military duty resides in the unit, that person's income must be counted in full, even if the military member is not the head, or spouse of the head of the family.

- b. The income of the head, spouse, or co-head will be counted even if that person is temporarily absent for active military duty.

Examples – Income of Temporarily Absent Family Members

- John Chouse works as an accountant. However, he suffers from a disability that periodically requires lengthy stays at a rehabilitation center. When he is confined to the rehabilitation center, he receives disability payments equaling 80% of his usual income.

During the time he is not in the unit, he will continue to be considered a family member. The owner will conduct an interim recertification. Even though he is not currently in the unit, his total disability income will be counted as part of the family's annual income.
- Mirna Martinez accepts temporary employment in another location and needs a portion of her income to cover living expenses in the new location. The full amount of the income must be included in annual income.
- Charlotte Paul is on active military duty. Her permanent residence is her parents' assisted unit where her husband and children live. Charlotte is not currently exposed to hostile fire. Therefore, because her spouse and children are in the assisted unit, her military pay must be included in annual income. (If her dependents or spouse were not in the unit, she would not be considered a family member and her income would not be included in annual income.)

C. Deployment of Military Personnel to Active Duty

Owners are encouraged to be as lenient as responsibly possible to support affected households in situations where persons are called to active duty in the Armed Forces. Specific actions that owners should undertake to support military households include, but are not limited to:

1. Allow a guardian to move into the assisted unit on a temporary basis to provide care for any dependents the military person leaves in the unit. Income of the guardian temporarily living in the unit for this purpose is not counted as income.
2. Allow a tenant living in an assisted unit to provide care for any dependents of persons called to active duty in the Armed Forces on a temporary basis, as long as the head and/or co-head of household continues to serve in active duty. Income of the child (e.g., SSI benefits, military benefits) is not counted as income of the person providing the care.
3. Exclude from annual income special pay received by a household member serving in the Armed Services who is exposed to hostile fire (see Exhibit 5-1).
4. Give consideration for any case involving delayed payment of tenant rent. Determine whether it is appropriate to accept a late payment.
5. Allow the assistance payment and the lease to remain in effect for a reasonable period of time (depending on the length of deployment)

beyond that required by the Soldiers' and Sailors' Civil Relief Act of 1940, 50 U.S.C. §§ 501-591, even though the adult members of the military family are temporarily absent from the assisted unit.

D. Income of Permanently Confined Family Members

1. An individual permanently confined to a nursing home or hospital may not be named as family head, spouse, or co-head but may continue as a family member at the family's discretion. The family's decision on whether or not to include the permanently confined family member as a family member determines if that person's income will be counted.
 - a. *Include* the individual as a family member and the income and allowable deductions related to the medical care of the permanently confined individual are counted; or
 - b. *Exclude* the individual as a family member and the income and allowances based on the medical care of the permanently confined individual are not counted.

If the family elects to include the permanently confined member, the individual is listed on the HUD-50059 as an adult who is not the head, spouse, or co-head, even when the permanently confined family member is married to the person who is or will become the head of the family. The owner should consider extenuating circumstances that may prevent the confined member from being able to sign the HUD-50059. If the owner determines the confined member is unable to sign the HUD-50059, he owner must document the file why the signature was not obtained. If the family elects not to include the permanently confined member, the individual would not be listed on the HUD-50059.

E. Educational Scholarships or Grants

All forms of student financial assistance (grants, scholarships, educational entitlements, work study programs, and financial aid packages) are excluded from annual income except for students receiving Section 8 assistance. This is true whether the assistance is paid to the student or directly to the educational institution

For students receiving Section 8 assistance, all financial assistance a student receives (1) under the Higher Education Act of 1965, (2) from private sources, or (3) from an institution of higher education that is in excess of amounts received for tuition is included in annual income except if the student is over the age of 23 with dependent children or the student is living with his or her parents who are receiving Section 8 assistance. See Paragraph 3-13 for further information on eligibility of students to receive Section 8 assistance and the Glossary for the definition of Student Financial Assistance.

F. Alimony or Child Support

Owners must count alimony or child support amounts awarded by the court unless the applicant certifies that payments are not being made *and* that he or she has taken all reasonable legal actions to collect amounts due, including filing with the appropriate courts or agencies responsible for enforcing payment.

1. The owner may accept printouts from the court or agency responsible for enforcing support payments, or other evidence indicating the frequency and amount of support payments actually received.
2. Child support paid to the custodial parent through a State child support enforcement or welfare agency may be included in the family's monthly welfare check and may be designated in different ways. In some states these payments are not identified as separate from the welfare grant. In these states, it is important to determine which portion is child support and not to count it twice. In other states, the payment may be listed as child support or as "pass-through" payments. These amounts must be counted as annual income.
3. When no documentation of child support, divorce, or separation is available, either because there was no marriage or for another reason, the owner may require the family to sign a certification stating the amount of child support received.

G. Regular Cash Contributions and Gifts

1. Owners must count as income any regular contributions and gifts from persons not living in the unit. These sources may include rent and utility payments paid on behalf of the family, and other cash or noncash contributions provided on a regular basis.

Examples – Regular Cash Contributions

- The father of a young single parent pays her monthly utility bills. On average he provides \$100 each month. The \$100 per month must be included in the family's annual income.
- The daughter of an elderly tenant pays her mother's \$175 share of rent each month. The \$175 value must be included in the tenant's annual income.

2. Groceries and/or contributions paid directly to the childcare provider by persons not living in the unit are excluded from annual income.
3. Temporary, nonrecurring, or sporadic income (including gifts) is not counted.

H. Income from a Business

When calculating annual income, owners must include the net income from operation of a business or profession including self-employment income. Net income is gross income less business expenses, interest on loans, and depreciation computed on a straight-line basis.

1. In addition to net income, owners must count any salaries or other amounts distributed to family members from the business, and cash or assets withdrawn by family members, except when the withdrawal is a reimbursement of cash or assets invested in the business.
2. When calculating net income, owners must not deduct principal payments on loans, interest on loans for business expansion or capital improvements, other expenses for business expansion, or outlays for capital improvements.
3. If the net income from a business is negative, it must be counted as zero income. A negative amount must not be used to offset other family income.

I. Periodic Social Security Payments

Count the gross amount, before deductions for Medicare, etc., of periodic Social Security payments. Include payments received by adults on behalf of individuals under the age of 18 or by individuals under the age of 18 for their own support. *See Section J below regarding adjustments for overpayment of benefits and Section O for calculating the income for tenants in ICF/MR or ICF/DD projects and assisted living units in elderly projects.*

***Example:** Mary's gross social security benefit is \$700 per month. The owner calculates annual income by annualizing the gross monthly social security benefit amount.

$\$700 \text{ per month} \times 12 \text{ months} = \$8,400 \text{ gross annual income.}^*$

J. Adjustments for Prior Overpayment of Benefits

If an agency is reducing a family's benefits to adjust for a prior overpayment (e.g., social security, SSI, TANF, or unemployment benefits), count the amount that is actually provided after the adjustment.

Example – Adjustment for Prior Overpayment of Benefits

Lee Park's social security payment of \$250 per month is being reduced by \$25 per month for a period of six months to make up for a prior overpayment. Count his social security income as \$225 per month for the next six months and as \$250 per month for the remaining six months.

K. Public Assistance Income in As-Paid Localities

1. Special calculations of public assistance income are required for “as-paid” state, county, or local public assistance programs. An “as-paid” system is one:
 - a. In which the family receives an amount from a public agency specifically for shelter and utilities; and
 - b. In which the amount is adjusted based upon the actual amount the family pays for shelter and utilities.
2. The public assistance amount specifically designated for rent and utilities is called the “welfare rent.”
3. To determine annual income for public assistance recipients in “as-paid” localities, include the following:
 - a. The amount of the family's grant for other than shelter and utilities; and
 - b. The maximum amount the welfare department can pay for shelter and utilities for a family of that size (i.e., the welfare rent). This may be different from the amount the family is actually receiving.
4. Each as-paid locality works somewhat differently, and many are subject to court-ordered modifications to the basic policy. Owners should discuss how the rules are applied with the HUD Field Office.

Example – Welfare Income in “As Paid” Localities

At application, a family’s welfare grant is \$300, which includes \$125 for basic needs and \$175 for shelter and utilities (based upon where the family is now living). However, the maximum the welfare agency could allow for shelter and utilities for this size family is \$190.

Count the following as income:

\$125 Amount family receives for basic needs

\$190 Maximum for shelter and utilities

\$315 Monthly public assistance income

L. Periodic Payments from Long-Term Care Insurance, Pensions, Annuities, and Disability or Death Benefits

1. The full amount of periodic payments from annuities, insurance policies, retirement funds, pensions, and disability or death benefits is included in annual income. (See subparagraph O below for information on the withdrawal of cash or assets from an investment.) Payments such as Black Lung Sick Benefits, Veterans Disability, and Dependent Indemnity Compensation for the Widow of a Killed in Action Serviceman are examples of such periodic payments.
2. Withdrawals from retirement savings accounts such as Individual Retirement Accounts and 401K accounts that are not periodic payments do not fall in this category and are not counted in annual income (see paragraph 5.6.L.3).

Example – Withdrawals from IRAs or 401K Accounts

Isaac Freeman retired recently. He has an IRA account but is not receiving periodic payments from it because his pension is adequate for his routine expenses. However, he has withdrawn \$2,000 for a trip with his children. The withdrawal is not a periodic payment and is not counted as income.

3. If the tenant is receiving long-term care insurance payments, any payments in excess of \$180 per day must be counted toward the gross annual income. (**NOTE:** Payment of long-term care insurance premiums are an eligible medical expense – see paragraph 5-10 D.8.k.)
4. Federal Government/Uniformed Services pension funds paid to a former spouse.

Federal Government/Uniformed Services pension funds paid directly to an applicant's/tenant's former spouse pursuant to the terms of a court decree of divorce, annulment, or legal separation are not counted as annual income. The state court has, in the settlement of the parties' marital assets, determined the extent to which each party shares in the ownership of the pension. That portion of the pension that is ordered by the court (and authorized by the Office of Personnel Management (OPM), to be paid to the applicant's/tenant's former spouse is no longer an asset of the applicant/tenant and therefore is not counted as income. However, any pension funds authorized by OPM, pursuant to a court order to be paid to the former spouse of a Federal government employee, is counted as income for a tenant/applicant receiving such funds.

Example: Joan Carson is a retired Federal government employee receiving a retirement pension. She is also the recipient of Section 8 housing assistance and involved in a divorce proceeding. In settling the assets of the marriage between Mrs. Carson and her former husband, the court ordered that one half of her pension be paid directly to her former husband in the amount of \$20,000. The court provided OPM with clear, specific and express instructions acceptable for OPM to process the payment to Mrs. Carson's former husband. OPM authorized the payment of pension benefits to Mrs. Carson's former husband in the amount of \$20,000. The \$20,000 represents an asset disposed of as a result of a court decree. At the interim reexamination of her income, Mrs. Carson indicated a change in her income due to the court ordered payment of pension benefits to her former husband. The PHA requested that Mrs. Carson provide a copy of her statement from OPM evidencing the payment of pension benefits to her (her statement reflected the line item payment to her former husband due to the court order). That portion of the pension paid to her former husband no longer belongs to Mrs. Carson and is not counted as income.

The OPM is responsible for handling court orders (any judgments or property settlements issued by or approved by any court of any state, the District of Columbia, the Commonwealth of Puerto Rico, Guam, The Northern Mariana Islands, or the Virgin Islands in connection with the divorce, annulment of marriage, or legal separation of a Federal government employee or retiree) affecting current and retired Federal government employees. See 5 C.F.R. § 838.103. OPM must comply with court orders, decrees, or court-approved property settlement agreements in connection with divorces, annulments of marriage, or legal separations of employees that award a portion of the former Federal government employee's retirement benefits. Id. at § 838.101(a)(1). State courts ordering a judgment or property settlement in connection with divorce, annulment of marriage, or legal separation have the responsibility of issuing clear, specific, and express instructions to OPM with regards to providing benefits to former spouses. Id. at § 838.122. In response to instructions from state courts, OPM will authorize payments to the former spouses. Id. at § 838.121. Once the payments have been authorized by OPM, the reduced pension amount paid to the retired

Federal employee (the tenant/applicant) will be reflected in the tenant's/applicant's statement from OPM. Former spouses of Federal government employees receiving court ordered pension benefits are provided a Form-1099 reflecting pension benefits received from the retired Federal government employee. In verifying the income of tenants/applicants, owners should require that tenants/applicants provide any copies of statements from OPM verifying pension benefits (including any reductions pursuant to a court order, decree or court-approved property settlement agreement), and any evidence of survivor benefits, pensions or annuities received from retired Federal government employees including, but not limited to, a Form-1099. (See Paragraph 5-7.G.5 for more information on the treatment of income from Federal government pensions.)

5. Other State, local government, social security or private pensions paid to a former spouse.

Other state, local government, social security or private pension funds paid directly to an applicant's/tenant's former spouse pursuant to the terms of a court decree of divorce, annulment, or legal separation are also not counted as annual income and should be handled in the same manner as 4, above. The decree and copies of statements should be obtained in order to verify the net amount of the pension that should be applied in order to determine eligibility and calculate rent.

M. Income from Training Programs

1. Amounts received under HUD-funded training programs are excluded from annual income.
2. Incremental earnings and benefits received by any family member due to participation in qualifying state or local employment training programs are excluded. Income from training programs not affiliated with a local government, and income from the training of a family member resident to serve on the management staff, is also excluded.
 - a. Excluded income must be received under employment training programs with clearly defined goals and objectives and for a specific, limited time period. The initial enrollment must not exceed one year, although income earned during extensions for additional specific time periods may also be eligible for exclusion
 - b. Training income may be excluded only for the period during which the family member participates in the employment training program.
 - c. Exclusions include stipends, wages, transportation or child care payments, or reimbursements.
 - d. Income received as compensation for employment is excluded only if the employment is a component of a job training program.

Once training is completed, the employment income becomes income that is counted.

- e. Amounts received during the training period from sources that are unrelated to the job training program, such as welfare benefits, social security payments, or other employment, are not excluded.
2. Owners may ask to use project funds or funds from the Residual Receipts account to underwrite all or a portion of the cost of developing, maintaining, and managing a job training program for project residents if funds are available.
 - a. The Field Office will make the determination if the job training program may be approved, and if project funds are sufficient to fund the job training program and maintain the physical and financial integrity of the project. Job training programs may be either on-site at the project or off-site. For example, job training programs that have partnerships with local colleges, community based organizations, or local business, may have in-house job training programs designed for project residents.
 - b. Funds that an owner may choose to use to underwrite a job training program may include Section 8 funds, Community Development Block Grant funds, or housing authority funds. These funds may be used to cover the costs of various components of a job training program, including course materials, computer software, computer hardware, or personnel costs. Also, contractors and subcontractors, in connection with work performed under a Flexible Subsidy contract, may elect to hire project residents to perform certain skills required under the contract. If the employment of the project residents was pursuant to an apprenticeship program, this could constitute a training program using HUD funds, and income received by the tenants in the apprenticeship program will qualify as an exclusion from income.

N. Resident Services Stipends

Resident services stipends are generally modest amounts of money received by residents for performing services such as hall monitoring, fire patrol, lawn maintenance, and resident management.

1. If the resident stipend exceeds \$200 per month, owners must include the entire amount in annual income.
2. If the resident stipend is \$200 or less per month, owners must exclude the resident services stipend from annual income.

O. Income Received by a Resident of an Intermediate Care Facility for the Mentally Retarded or for the Developmentally Disabled (ICF/MR or ICF/DD) and Assisted Living Units in Elderly Projects

1. An intermediate care facility is a group home for mentally retarded or developmentally disabled individuals (ICF/MR or ICF/DD). The term “intermediate care facility” is one used by state mental health departments for group homes serving these residents.
2. Assisted living units are units in projects developed for elderly residents with project-based assistance that have been converted to assisted living units.
3. The local agency responsible for Medicaid provides funds directly to group home operators and assisted living providers for services.
4. Annual income at an ICF/MR, ICF/DD, or assisted living unit must include:
 - a. The SSI payment a tenant receives or the facility receives on behalf of the tenant; plus
 - b. All other income the tenant receives from sources other than SSI that are not excluded from income by HUD regulations (see Exhibit 5-1). Examples of other sources of income include wages, pensions, income from sheltered workshops, income from a trust, or other interest income.
 - c. The personal allowance of an individual residing in an ICF/MR or ICF/DD is not included in annual income. If the owner is unable to determine the actual amount of the personal allowance, use \$30.
5. Annual income does not include the enhanced benefit portion of the SSI that is provided to pay for services. In some instances, a resident’s SSI income may be reduced between annual recertifications if the resident’s earnings exceed a specified amount. If this happens, the resident may request an interim recertification.

P. Withdrawal of Cash or Assets from an Investment

The withdrawal of cash or assets from an investment received as periodic payments should be counted as income. Lump sum receipts from pension and retirement funds are counted as assets. If benefits are received through periodic payments, do not count any remaining amounts in the account as an asset. See Paragraph 5-7 for guidance on calculating income from an asset.

Q. Lump Sum Payments Counted as Income

1. Generally, lump sum amounts received by a family, such as inheritances, insurance settlements, or proceeds from sale of property are considered assets, not income.

2. When social security or SSI benefit income is paid in a lump sum as a result of deferred periodic payments, that amount is *excluded* from annual income.
3. *For Section 8 tenants only, any deferred Department of Veterans Affairs (VA) disability benefits that are received in a lump sum or in prospective monthly amounts are *excluded* from annual income.*
4. Settlement payments from claim disputes over welfare, unemployment, or similar benefits may be counted as assets, but lump sum payments caused by *delays in processing* periodic payments for unemployment or welfare assistance are included as income.

How lump sum payments for delayed start of benefits are counted depends upon the following:

- a. When the family reports the change;
- b. When an interim re-examination is conducted; and
- c. Whether the family's income increases or decreases as a result.

A lump sum payment resulting from delayed benefit income may be treated in either of the two ways illustrated in the example shown in Figure 5-3.

5. Lottery winnings paid in one payment are treated as assets. Lottery winnings *paid in periodic payments* must be counted as income.

Figure 5-3: Treatment of Delayed Benefit Payments Received in a Lump Sum

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

Option A: The owner processes one interim re-examination immediately effective 11/1 and a second interim after unemployment benefits are known.

	<u>10/1</u>	<u>11/1</u>	<u>12/1</u>	<u>1/1</u>	<u>2/1</u>
Monthly gross income	800	*0	*0	492**	492**
Monthly allowances (three minors x 480 / 12 months)	120	-	-	120	120
Monthly adjusted income	680	0	0	372	372
Total tenant payment (TTP)	204	25	25	25***	112***

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

** Family's actual income for 1/1 is \$100/week x 52 weeks = \$5,200 / 12 = \$433.
However, because the family's TTP was calculated at zero income for the months of November and December (the period eventually covered by the \$700 lump sum payment), the annual income to be used in calculating monthly gross income should be as follows:
\$100/week benefit x 52 weeks = \$5,200 + \$700 lump sum payment = \$5,900 annual gross income / 12 = \$492.

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

Option B: The owner processes one interim re-examination after unemployment benefits are known.

	<u>10/1</u>	<u>11/1</u>	<u>12/1</u>	<u>1/1</u>	<u>2/1</u>
Monthly gross income	800	0/800*	0/800*	433*	433*
Monthly allowances (three minors x 480 / 12 Months)	120	120	120	120	120
Monthly adjusted income	680	0/680	0/680	313	313
Total tenant payment	204	204*	204*	94	94
Recalculated TTP	-	94***	94*	94	94
Rent credit (204 – 94=)	-	110	110	-	-

* Family's actual income for 11/1 and 12/1 is zero, but because the owner does not process an interim re-examination, the family's TTP continues to be calculated using \$800 as monthly gross income. Beginning 1/1, monthly gross income is known to be \$100/week, or \$433/month.

** The lump sum payment is taken into account by making the recertification retroactive to 11/1. Annual income is calculated as \$5,200 / 12 = \$433 monthly gross income.

*** TTP for November and December recalculated as \$433 monthly gross income and \$313 monthly adjusted income x .30 = 94 with credit or refund to family of \$110/month for each of these two months for difference between TTP paid of \$204 and recalculated TTP of \$94.

R. Exclusions from Income

1. Regulations for the multifamily subsidized housing programs covered by this handbook specifically exclude certain types of income from annual income. However, many of the items listed as exclusions from annual income under HUD requirements are items that the IRS includes as taxable income. Therefore, it is important for owners to focus specifically on the HUD program requirements regarding annual income.
2. Among the items that are excluded from annual income is the value of food provided through:
 - a. The Meals on Wheels program, food stamps, or other programs that provide food for the needy;
 - b. Groceries provided by persons not living in the household; and
 - c. Amounts received under the School Lunch Act and the Child Nutrition Act of 1966, including reduced lunches and food under the Special Supplemental Food Program for Women, Infants and Children (WIC).

Examples – Income Exclusions

- The Value of Food Provided through the Meals on Wheels Program or Other Programs Providing Food for the Needy. Jack Love receives a hot lunch each day during the week in the community room and an evening meal in his apartment. One meal is provided through the Meals on Wheels program. A local church provides the other. The value of the meals he receives is not counted as income.
- Groceries provided by persons not living in the household. Carrie Sue Colby's mother purchases and delivers groceries each week for Carrie Sue and her two year old. The value of these groceries is not counted as income despite the fact that these are a regular contribution or gift.
- Amounts Received Under WIC or the School Lunch Act. Lydia Jeffries' two children receive a free breakfast and reduced priced lunches at school every day through the Special Supplemental Food Program for Women, Infants and Children (WIC). The value of this food is not counted as income.

3. Some additional examples of income that are excluded from the calculation of annual income follow.

Examples – Income Exclusions

- Resident service stipends. Rich Fuller receives \$50 a month for distributing flyers for management. This amount is excluded from annual income.
- Deferred periodic payments of social security benefits. Germain Johnson received \$32,000 in deferred social security benefits following a lengthy eligibility dispute. This delayed payment of social security benefits is treated as an asset, not as income.
- Income from training programs. Jennifer Jones is participating in a qualified state-supported employment training program every afternoon to learn improved computer skills. Each morning, she continues her regular job as a typist. The \$250 a week she receives as a part-time typist is included in annual income. The \$150 a week she receives for participation in the training program is excluded in annual income.
- Earned Income Tax Credit refund payments. Mary Frances Jackson is eligible for an earned income tax credit. She receives payments from her employer each quarter because of the tax credit. These payments are excluded in annual income.

5-7 Calculating Income from Assets

Annual income includes amounts derived from assets to which family members have access.

A. What is Considered an Asset?

1. Assets are items of value that may be turned into cash. A savings account is a cash asset. The bank pays interest on the asset. The interest is the *income* from that asset.
2. Some tenants have assets that are not earning interest. A quantity of money under a mattress is an asset: it is a thing of value that could be used to the benefit of the tenant, but under the mattress it is not producing income.
3. Some belongings of value are not considered assets. Necessary personal property is not counted as an asset. Exhibit 5-2 summarizes the items that are considered assets and those that are not.

B. Determining Income from Assets

Note: For families receiving only BMIR assistance, it is not necessary to determine whether family assets exceed \$5,000. The rule for imputing income from assets does not apply to the BMIR program.

1. The calculation to determine the amount of income from assets to include in annual income considers both of the following:
 - a. The total cash value of the family's assets; and
 - b. The amount of income those assets are earning or could earn.
2. The rule for calculating income from assets differs depending on whether the total cash value of family assets is \$5,000 or less, or is more than \$5,000.

C. Determining the Total Cash Value of Family Assets

1. To comply with the rule for determining the amount of income from assets, it is necessary to first determine whether the total "cash value" of family assets exceeds \$5,000.
 - a. The "cash value" of an asset is the market value less reasonable expenses that would be incurred in selling or converting the asset to cash, such as the following:
 - (1) Penalties for premature withdrawal;
 - (2) Broker and legal fees; and
 - (3) Settlement costs for real estate transactions.

The cash value is the amount the family could actually receive in cash, if the family converted an asset to cash.

Example – Calculating the Cash Value of an Asset

A family has a certificate of deposit (CD) in the amount of \$5,000 paying interest at 4%. The penalty for early withdrawal is three months of interest.

$$\$5,000 \times 0.04 = \$200 \text{ in annual income}$$

$$\$200 / 12 \text{ months} = \$16.67 \text{ interest per month}$$

$$\$16.67 \times 3 \text{ months} = \$50.01$$

$$\$5,000 - \$50 = \$4,950 \text{ cash value of CD}$$

- b. It is essential to note that a family is not required to convert an asset to cash. Determining the cash value of the asset is done simply as a calculation by the owner because it is a required step when determining income from assets under program requirements.

D. Assets Owned Jointly

1. If assets are owned by more than one person, prorate the assets according to the percentage of ownership. If no percentage is specified or provided by a state or local law, prorate the assets evenly among all owners.
2. If an asset is not effectively owned by an individual, do not count it as an asset. An asset is not effectively owned when the asset is held in an individual's name, but (a) the asset and any income it earns accrue to the benefit of someone else who is not a member of the family, and (b) that other person is responsible for income taxes incurred on income generated by the assets.
3. Determining which individuals have ownership of an asset requires collecting as much information as is available and making the best judgment possible based on that information.

Example – Determining the Cash Value of an Asset

The “cash value” of an asset is the amount a family would receive if the family turned a noncash asset into cash.

The cash value is the market value—or the amount another person would pay to acquire the asset—less the cost to turn the asset into cash.

If a family owns real estate, it may be necessary to consider the family’s equity in the property as well as the expense to sell the property.

To determine the family’s equity, subtract amounts owed on the property from its market value:

$$\begin{array}{r} \text{Market value} \\ - \text{Mortgage amount owed} \\ \hline \text{Equity in the property} \end{array}$$

Calculate the cash value by subtracting the expense of selling the property:

$$\begin{array}{r} \text{Equity} \\ - \text{Expense of selling} \\ \hline \text{Cash Value} \end{array}$$

Juanita Player owns a rental house. The market value is \$100,000. She owes \$60,000. The cost to dispose of this house would be \$8,000. The owner would determine the cash value as follows:

Market Value	\$100,000
Mortgage amount	- <u>\$60,000</u>
	40,000
Cost of disposing of the asset (real estate commission, and other costs of sale)	- <u>\$8,000</u>
Cash Value	\$32,000

- a. In some instances, but not all, knowing whose social security number is connected with the asset may help in identifying ownership. Owners should be aware that there are many situations in which a social security number connected with an asset does not indicate ownership and other situations where there is ownership without connection to a social security number.
- b. Determining who has contributed to an asset or who is paying taxes on the asset may assist in identifying ownership.

Examples – Jointly Owned Assets

- Helen Wright is an assisted-housing tenant. She and her daughter, Elsie Duncan, have a joint savings account. Mother and daughter both contribute to the account. They have used the account for trips together and to cover emergency needs for either of them. Assume in this example that state law does not specify ownership. Even though either Helen Wright or Elsie Duncan could withdraw the entire asset for her own use, count Helen's ownership as 50% of the account.
- Jean Boucher's name is on her mother's savings account to ensure that she can access the funds for her mother's care. The account is not effectively owned by Jean and should not be counted as her asset.

E. Calculating Income from Assets When Assets Total \$5,000 or Less

If the total cash value of all the family's assets is \$5,000 or less, the actual income the family receives from assets is the amount that is included in annual income as income from assets.

F. Calculating Income from Assets When Assets Exceed \$5,000

1. When net family assets are more than \$5,000, annual income includes the greater of the following:
 - a. Actual income from assets; or
 - b. A percentage of the value of family assets based upon the current passbook savings rate as established by HUD. This is called *imputed* income from assets. The passbook rate is currently set at 2%.
2. To begin this calculation, first add the cash value of all assets. Multiply the total cash value of all assets by .02. The product is the "imputed income" from assets. Then, add the actual income from all assets. The greater of the imputed income from assets or the actual income from assets is included in the calculation of annual income.

**Example – Use Actual Income from Assets When
Total Net Family Assets are \$5,000 or Less**

Type of Asset	Cash Value	Actual Yearly Income
<i>Certificate of Deposit</i> \$1,000 withdrawal fee \$50 interest @ 4%	\$950	\$40
<i>Savings Account</i> \$500 interest @ 2.5%	\$500	\$13
<i>Stock</i> \$300 Not paying dividends	\$300	\$0
Total	\$1,750	\$53

The total cash value of the family's assets is \$1,750. Therefore, the amount that is added to annual income as income from assets is the actual income earned or \$53.

Example – Imputed Income from Assets

“Imputed” means “attributed” or “assigned.” Imputing income from assets is “assigning” an amount of income solely for the sake of the annual income calculation. The imputed income is not real income.

For example, money under a mattress is not earning income. If the money were put in a savings account it would earn interest. Imputed income from such an asset is the interest the money would earn if it were put in a savings account.

A family with cash under a mattress is not required to put the cash in a savings account; but when the owner is calculating income for a family with more than \$5,000 in assets, the owner must assign an amount that cash would earn if it were in a savings account.

**Example – Determining Income from Assets
When Net Family Assets Exceed \$5,000**

Type of Asset	Cash Value	Actual Yearly Income
<i>Checking Account</i> (non-interest bearing)	\$455	\$0
<i>Savings Account</i> (interest at 2.5%)	\$6,000	\$150
<i>Stocks</i> (not paying dividends this year)	\$3,000	\$0
Total	\$9,455	\$150

Total cash value of assets is greater than \$5,000. Therefore, it is necessary to compare the actual income from assets to the imputed income from assets.

The total cash value of assets (\$9,455) is multiplied by 2% to determine the imputed income from assets.

$.02 \times \$9,455 = \189

\$189 is greater than the actual income from assets (\$150).

In this case, therefore, the owner will add \$189 to the annual income calculation as income from assets.

G. Calculating Income from Assets - Specific Types of Assets

1. Trusts.

a. Explanation of trusts.

- (1) A trust is a legal arrangement generally regulated by state law in which one party (the creator or grantor) transfers property to a second party (the trustee) who holds the property for the benefit of one or more third parties (the beneficiaries). A trust can contain cash or other liquid assets or real or personal property that could be turned into cash. Generally, the assets are invested for the benefit of the beneficiaries.
- (2) Trusts may be revocable or nonrevocable. A revocable trust is a trust that the creator of the trust may amend or end (revoke). When there is a revocable trust, the creator has access to the funds in the trust account. When the creator sets up a nonrevocable trust, the creator has no access to the funds in the account.
- (3) The beneficiary frequently will be unable to touch any of the trust funds until a specified date or event (e.g., the

beneficiary's 21st birthday or the grantor's death). In some instances, the beneficiary may receive the regular investment income from the trust but not be able to withdraw any of the principal.

- (4) The beneficiary and the grantor may be members of the same family. A parent or grandparent may have placed funds in trust to a child. If the trust is revocable, the funds may be accessible to the parent or grandparent but not to the child.

b. How to treat trusts.

- (1) The basis for determining how to treat trusts relies on information about who has access to either the principal in the account or the income from the account.
- (2) Revocable trusts. If any member of the tenant family has the right to withdraw the funds in the account, the trust is considered to be an asset and is treated as any other asset. The cash value of the trust (the amount the family member would receive if he or she withdrew all that could be withdrawn) is added to total net assets. The actual income received is added to actual income from assets.

Example – A Trust Accessible to Family Members

Assez Charaf lives alone. He has placed \$20,000 in trust to his grandson to be available to the grandson upon the death of Assez. The trust is revocable, that is, Assez has control of the principal and interest in the account and can amend the trust or remove the funds at any time. In calculating Assez's income, the owner will add the \$20,000 to Assez's net family assets and the actual income received on the trust to actual income from assets.

- (3) Nonrevocable trusts. If no family member has access to either the principal or income of the trust at the current time, the trust is not included in the calculation of income from assets or in annual income.

If only the income (and none of the principal) from the trust is currently available to a family member, the income is counted in annual income, but the trust is not included in the calculation of income from assets.

- (4) Nonrevocable trust as an asset disposed of for less than fair market value. If a tenant sets up a nonrevocable trust for the benefit of another person while residing in assisted

housing, the trust is considered an asset disposed of for less than fair market value (see subparagraph G.6 below).

- If the trust has been set up so income from the trust is regularly reinvested in the trust and is not paid back to the creator, the trust is calculated as any other asset disposed of for less than fair market value for two years and not taken into consideration thereafter.

Example – Nonrevocable Trust As an Asset Disposed of for Less Than Fair Market Value

Sarah Gordy placed \$100,000 in a nonrevocable trust for her grandson. Last year, the trust produced \$8,000, which was reinvested into the trust.

The trust is treated as an asset disposed of for less than fair market value for two years. (See paragraph 5.7 G.6.) No actual income from the trust is included in Sarah's annual income, but the value of the asset when it was given away, \$100,000, is included in net family assets for two years from the date the trust was established.

- Nonrevocable trust distributing income. When a tenant places an asset in a nonrevocable trust but continues to receive income from the trust, the income is added to annual income *and* the trust is counted as an asset disposed of for less than market value for two years. Following the two-year period, the owner will count only the actual income distributed from the trust to the tenant.

Example – Nonrevocable Trust Distributing Income to the Creator/Tenant

Reggie Bouchard has established a nonrevocable trust in the amount of \$35,000 that no one in the tenant family controls. Income from the trust is paid to Reggie. Last year, he received \$3,500.

The owner will count Reggie's actual anticipated income from the trust in next year's annual income.

Because the asset was disposed of for less than fair market value (see paragraph 5.7 G.6), the value of the asset given away, \$35,000, is counted as an asset disposed of for less than fair market value for two years.

- (5) Payment of principal from a trust. The beneficiary of a trust may receive funds from the trust in different ways. A beneficiary may receive the full value of a trust at one time. In that instance the funds would be considered a lump sum receipt and would be treated as an asset. A trust set up to provide support for a person with disabilities may pay only income from the trust on a periodic basis. Occasionally, however, a beneficiary may be given a portion of the trust principal on a periodic basis. When the principal is paid out on a periodic basis, those payments are considered regular income or gifts and are counted in annual income.

Example – Payment of Principal Amounts from a Trust

Jared Leland receives funds from a nonrevocable trust established by his parents for his support. Last year he received \$18,000 from the trust. The attorney managing the trust reported that \$3,500 of the funds distributed was interest income and \$14,500 was from principal. Jared receives a payment of \$1,500 each month (an amount that includes both principal and interest from the trust).

The owner will count the entire \$18,000 Jared received as annual income.

c. Special needs trusts.

A special needs trust is a trust that may be created under some state laws, often by family members for disabled persons who are not able to make financial decisions for themselves. Generally, the assets within the trust are not accessible to the beneficiary.

- (1) If the beneficiary does not have access to income from the trust, then it is not counted as part of income.
- (2) If income from the trust is paid to the beneficiary regularly, those payments are counted as income.

Example – Special Needs Trust

Daryl Rockland is a 55-year-old person with disabilities, living with his elderly parents. The parents have established a special-needs trust to provide income for their son after they are gone. The trust is not revocable; neither the parents nor the son currently have access to the principal or interest. In calculating the income of the Rocklands, the owner will disregard the trust.

2. Annuities.

a. Annuity facts and terms.

- (1) An annuity is a contract sold by an insurance company designed to provide payments, usually to a retired person, at specified intervals. Fixed annuities guarantee a certain payment amount, while variable annuities do not, but have the potential for greater returns.
 - A hybrid annuity (also called a combination annuity) combines the features of a fixed annuity and a variable annuity.
 - A deferred annuity is an annuity that delays income payments until the holder chooses to receive them. An immediate annuity is one that begins payments immediately upon purchase.
 - A life annuity continues to pay out as long as the owner is alive. A single-life annuity provides income benefits for only one person. A joint life annuity is issued on two individuals, and payments continue in whole or in part as long as either individual is alive.
- (2) Generally, a person who holds an annuity from which he or she is not yet receiving payments will also be earning income. In most instances, a fixed annuity will be earning interest at a specified fixed rate similar to interest earned by a CD. A variable annuity will earn (or lose) based on market fluctuations, as in a mutual fund.
- (3) Most annuities charge surrender or withdrawal fees. In addition, early withdrawal usually results in tax penalties.
- (4) Depending on the type of annuity and the current status of the annuity, the owner will need to ask different questions of the verification source, which will normally be the applicant or tenant's insurance broker.

b. Income after the holder begins receiving payments.

- (1) When verifying an annuity, owners should ask the verification source whether the holder of the annuity has the right to withdraw the balance of the annuity. For annuities without this right, the annuity is not treated as an asset.

- (2) Generally, when the holder has begun receiving annuity payments, the holder can no longer convert it to a lump sum of cash. In this situation, the holder will receive regular payments from the annuity that will be treated as regular income, and no calculations of income from assets will be made.

c. Calculations when an annuity is considered an asset.

- (1) When an applicant or tenant has the option of withdrawing the balance in an annuity, the annuity will be treated like any other asset. It will be necessary to determine the cash value of the annuity in addition to determining the actual income earned.
- (2) In most instances, an annuity from which payments have not yet been made is earning income on the balance in the annuity. A fixed annuity will earn income at a fixed rate in the same manner that a CD earns income. A variable annuity will earn (or lose) based on current market conditions, as with a mutual fund.
- (3) The owner will need to verify with the insurance agent or other appropriate source:
 - The right of the holder to withdraw the balance (even if penalties are involved).
 - The basis on which the annuity may be expected to grow during the coming year.
 - The surrender or early withdrawal penalty fee.
 - The tax rate and the tax penalty that would apply if the family withdrew the annuity.
- (4) The cash value will be the full value of the annuity, less the surrender (or withdrawal) penalty, and less any taxes and tax penalties that would be due.
- (5) The actual income is the balance in the annuity times the percentage (either fixed or variable) at which the annuity is expected to grow over the coming year. (This money will be reinvested into the annuity, but it is still considered actual income.)
- (6) The imputed income from the asset is calculated only after the cash value of all family assets has been determined.

Imputed income from assets is calculated on the total cash value of all family assets.

3. Lump sum receipts counted as assets.
 - a. Commonly, when a family receives a large amount of money, a lump sum payment, the family will put the money in a checking or savings account, or will purchase stocks or bonds or a CD. Owners must count lump sum payments received by a tenant as assets. Examples of lump sum payments include the following:
 - (1) Inheritances;
 - (2) Capital gains;
 - (3) Lottery winnings paid in one payment;
 - (4) Cash from the sale of assets;
 - (5) Insurance settlements (including health and accident insurance, workers compensation, and personal and property losses); and
 - (6) Any other amounts that are received in one-time lump sum payments.

Example – Calculating the Cash Value of an Annuity

Rodrigo Ramirez, site manager at Fernwood Forrest, has interviewed Barbara Barstow, an applicant who reports holding an annuity from which she will not receive payments for another 15 years when she turns 65. The applicant could not provide any more detail on the annuity but did report the name, address, and phone number of her insurance agent.

Rodrigo called the insurance agent and faxed a copy of the applicant's approval for release of information. As a result, Rodrigo learned that the annuity is a fixed annuity, with a current value of \$20,400 earning interest at an annual rate of 4.5%. The applicant could withdraw the current balance in the account but would pay a surrender penalty of \$3,000. If the annuity is withdrawn, then the applicant will owe \$1,200 in tax penalties.

In this example, the important information for calculating cash value is the current value, \$20,400; the surrender fee, \$3,000; and the tax penalties, \$1,200. If the applicant withdrew the cash from the annuity, after paying the surrender fee and tax penalty, then the amount of cash received would be \$16,200.

The cash value, \$16,200, is recorded as an asset.

Rodrigo will also calculate the actual anticipated income on this asset: $\$20,400 \times .045 = \918 .

- b. A lump sum payment is counted as an asset only as long as the family continues to possess it. If the family uses the money for something that is not an asset—a car or a vacation or education—the lump sum must not be counted.
- c. It is possible that a lump sum or an asset purchased with a lump sum payment may result in enough income to require the family to report the increased income before the next regularly scheduled annual recertification. But this requirement to report an increase in income before the next annual recertification would not apply if the income from the asset was not measurable by the tenant (e.g., gems, stamp collection).

Examples – Lump Sum Additions to Family Assets (One-Time Payment)

- JoAnne Wettig won \$500 in the lottery and received it in one payment. Do not count the \$500 as income. At JoAnne's next annual recertification, she will report all of her assets.
- Mia LaRue, a tenant in a Section 8 property, won \$75,000 in one payment in the lottery. She buys a car with some of the money, and puts the remaining amount of \$24,000 in the bank. Mia receives her first bank statement and notices that the income on this asset is \$205 per month. She must report this increase in income because the family has experienced a cumulative increase in income of more than \$200 per month. (See paragraph 7-10 A.4 on rules for reporting interim increases in income.) The owner must perform an interim recertification and count the greater of the actual or imputed income on this asset (since the net family assets are greater than \$5,000).

4. Balances held in retirement accounts.
 - a. Balances held in retirement accounts are counted as assets if the money is accessible to the family member. For individuals still employed, accessible amounts are counted even if withdrawal would result in a penalty. However, amounts that would be accessible only if the person retired are not counted.
 - b. IRA, Keogh, and similar retirement savings accounts are counted as assets, even though withdrawal would result in a penalty, *unless benefits are being received through periodic payments.*
 - c. Include contributions to company retirement/pension funds:
 - (1) While an individual is employed, count only amounts the family can withdraw without retiring or terminating employment.

- (2) After retiring or terminating employment, count as an asset any amount the employee elects to receive as a lump sum.
- d. Include in *annual income* any retirement benefits received through periodic payments. *Do not count any remaining amounts in the account as an asset.*

Examples – Balances Held in an IRA or 401K Retirement Account

- Jed Dozier’s 401K account balance is \$35,000. He is able to terminate his participation in the retirement plan without quitting his job, but if he did so he would lose a part of his employer’s contribution and would pay a penalty fee. The total cash he could withdraw, \$18,000, is the amount that is counted as an asset.

5. Federal Government/Uniformed Services Pensions

In instances where the applicant/tenant is a retired Federal Government/Uniformed Services employee receiving a pension that is determined by a state court in a divorce, annulment of marriage, or legal separation proceeding to be a marital asset and the court provides OPM with the appropriate instructions to authorize OPM to provide payment of a portion of the retiree’s pension to a former spouse, that portion to be paid directly to the former spouse is not counted as income for the applicant/tenant. However, where the tenant/applicant is the former spouse of a retired Federal Government/Uniformed Services employee, any amounts received pursuant to a court ordered settlement in connection with a divorce, annulment of marriage, or legal separation are reflected on a Form-1099 and is counted as income for the applicant/tenant. (See Paragraph 5-6.K.4 for more information on Federal Government/Uniformed Services pension funds paid to a former spouse.)

6. Other state, local government, social security or private pensions.

Other state, local government, social security or private pensions where pensions are reduced due to a court ordered settlement in connection with a divorce, annulment of marriage, or legal separation and paid directly to the former spouse are not counted as income for the applicant/tenant and should be handled in the same manner as 5, above.

7. Mortgage or deed of trust.

- a. Occasionally, when an individual sells a piece of real estate, the seller may loan money to the purchaser through a mortgage or deed of trust. This may be referred to as a “contract sale.”

- b. A mortgage or deed of trust held by a family member is included as an asset. Payments on this type of asset are often received as one combined payment that includes interest and principal. The value of the asset is the unpaid principal as of the effective date of the certification. Each year this balance will decline as more principal is paid off. The interest portion of the payment is counted as actual income from an asset.
8. Assets disposed of for less than fair market value. Applicants and tenants must declare whether an asset has been disposed of for less than fair market value at each certification and recertification. Owners must count assets disposed of for less than fair market value during the two years preceding certification or recertification. The amount counted as an asset is the difference between the cash value and the amount actually received. (This provision does not apply to families receiving only BMIR assistance.)
- a. Any asset that is disposed of for less than its full value is counted, including cash gifts as well as property. To determine the amount that has been given away, owners must compare the cash value of the asset to any amount received in compensation.
- b. However, the rule applies only when the fair market value of all assets given away during the past two years exceeds the gross amount received by more than \$1,000.

Examples – Assets of More or Less Than \$1,000 Disposed of for Less Than Fair Market Value

- During the past two years, Alexis Turner donated \$300 to the local food bank, \$150 to a camp program, and \$200 to her church. The total amount she disposed of for less than fair market value is \$650. Since the total is less than \$1,000, the donations are not treated as assets disposed of for less than fair market value.
- Jackson Jones gave each of his three children \$500. Because the total exceeds \$1,000, the gifts are treated as assets disposed of for less than fair market value.

- c. When the two-year period expires, the income assigned to the disposed asset also expires. If the two-year period ends in the middle of a recertification year, the tenant may request an interim recertification to remove the disposed asset(s). However, if the owner elects to only include the income for a partial remaining year as shown in the example below, an interim recertification should not be conducted.

**Example – Asset Disposed of
for Less Than Fair Market Value**

Margot Lundberg's recertification will be effective January 1. On that date, it will be 18 months since she sold her house to her daughter for \$60,000 less than its value. The owner will count income on the \$60,000 for only six months. (After six months, the two-year limit on assets disposed of for less than fair market value will have expired.)

- d. Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorces, or separation, are *not* counted.
- e. Assets placed in nonrevocable trusts are considered as assets disposed of for less than fair market value except when the assets placed in trust were received through settlements or judgments.
- f. Applicants and tenants must sign a self-verification form at their initial certification and each annual recertification identifying all assets that have been disposed of for less than fair market value or certifying that no assets have been disposed of for less than fair market value.
- g. Owners need to verify the tenant self certification only if the information does not appear to agree with other information reported by the tenant/applicant.

Examples – Asset Disposed of for Less Than Market Value

- (1) An applicant “sold” her home to her daughter for \$10,000. The home was valued at \$89,000 and had no loans secured against it. Broker fees and settlement costs are estimated at \$1,800.

\$89,000	Market value
<u>- 1,800</u>	Fees
\$87,200	Cash value
<u>- 10,000</u>	Sales price to daughter
\$77,200	Asset disposed of for less than fair market value

In this example, the asset disposed of for less than fair market value is \$77,200. That amount is counted as the resident’s asset for two years from the date the sale took place.

(The \$10,000 received from the daughter may currently be in a savings account or other asset or may have been spent. The \$10,000 will be counted as an asset if the applicant has not spent the money.)

- (2) A resident contributed \$10,000 to her grandson’s college tuition and gave her two granddaughters \$4,000 each to save for college.

\$10,000	College tuition gift
<u>+ 8,000</u>	Gift to granddaughters
\$18,000	Asset disposed of for less than fair market value

The \$18,000 disposed of for less than fair market value is counted as the tenant’s asset for two years from the date each asset was given away.

Section 2: Determining Adjusted Income

Section 2 does not apply to families applying for or occupying 221(d)(3) BMIR units without additional subsidy.

5-8 Key Regulations

This paragraph identifies the key regulatory citation pertaining to Section 2: Determining Adjusted Income. The citation and its topic are listed below.

- 24 CFR 5.611 Adjusted Income

Section 3: Verification

5-11 Key Regulations

This paragraph identifies key regulatory citations pertaining to Section 3: Verification. The citations and their titles (or topics) are listed below.

- A. 24 CFR part 5, subpart B – Disclosure and Verification of Social Security Numbers and Employer Identification Numbers; Procedures for Obtaining Income Information
- B. *24 CFR 5.233 Mandated Use of HUD’s Enterprise Income Verification (EIV) System*
- C. 24 CFR 5.659 Family Information and Verification
- D. 24 CFR 8.24, 8.32, 100.204 (Reasonable accommodation)

5-12 Verification Requirements

A. Key Requirements

- 1. Owners must verify all income, assets, expenses, deductions, family characteristics, and circumstances that affect family eligibility or level of assistance.
- 2. *Owners must use the EIV Income Report for third party verification of a tenant’s employment and income at the time of recertification (annual and interim) and to assist in reducing administrative and subsidy payment errors.*
- 3. Applicants and adult family members must sign consent forms to authorize the owner to collect information to verify eligibility, income, assets, expenses, and deductions. Applicants and tenants who do not sign required consent forms will not receive assistance.
- 4. *Household members must disclose and provide verification of their complete and accurate SSN except for those individuals who do not contend eligible immigration status, and tenants age 62 or older as of January 31, 2010, whose initial determination of eligibility was begun before January 31, 2010. See Paragraphs 3-9 and 3-31 for SSN disclosure and verification requirements.*
- 5. The owner must handle any information obtained to verify eligibility or income in accordance with the Privacy Act.

Figure 5-4: Privacy Act Notice

The Department of Housing and Urban Development (HUD) is authorized to collect this information by the U.S. Housing Act of 1937 (42 U.S.C. 1437 et. seq.), by Title VI of the Civil Rights Act of 1964 (42 U.S.C. 2000d), and by the Fair Housing Act (42 U.S.C. 3601-19). The Housing and Community Development Act of 1987 (42 U.S.C. 3543) requires applicants and participants to submit the social security number of each household member.

Purpose: Your income and other information are being collected by HUD to determine your eligibility, the appropriate bedroom size, and the amount your family will pay toward rent and utilities.

Other Uses: HUD uses your family income and other information to assist in managing and monitoring HUD-assisted housing programs, to protect the Government's financial interest, and to verify the accuracy of the information you provide. This information may be released to appropriate federal, state, and local agencies, when relevant, and to civil, criminal, or regulatory investigators and prosecutors. However, the information will not be otherwise disclosed or released outside of HUD, except as permitted or required by law.

Penalty: You must provide all of the information requested by the owner, including all social security numbers you, and all other household members, have and use. Giving the social security numbers of all household members is mandatory, and not providing the social security numbers will affect your eligibility. Failure to provide any of the requested information may result in a delay or rejection of your eligibility approval.

B. Timeframe for Conducting Verifications

Owners conduct verifications at the following three times.

1. Owners must verify income, assets, expenses, and deductions and all eligibility requirements prior to move-in.
2. Owners must verify each family's income, assets, expenses, and deductions as part of the annual recertification process. Refer to Chapter 7, Section 1 for information on annual recertifications.
3. Owners must verify changes in income, allowances, or family characteristics reported between annual recertifications. Refer to Chapter 7, Section 2 for information on interim recertifications.

5-13 Acceptable Verification Methods

A. Methods of Verification

Owners must use verification methods that are acceptable to HUD. The owner is responsible for determining if the verification documentation is adequate and credible. *Acceptable methods of verification, in order of acceptability: 1) upfront-income verification (UIV) with use of EIV being mandatory and use of non-EIV UIV being optional; 2) third-party verification from source (written), 3) third-party verification from source (oral), and 4) family certification.* If third-party verification is not available, owners must document the tenant file to explain why third-party verification was not available. **Appendix 3** provides a detailed list of acceptable forms of verification by type of information.

B. Third-Party Verification

1. *The following describes the types of third-party verification in order of acceptability

a. Upfront-income verification (UIV)

UIV is verification of income before or during a certification and/or recertification, through an independent source that systematically and uniformly maintains income information in a computerized form.

(1) Using HUD's EIV system for tenants (not available for applicants). **(Mandatory)**

It is mandatory that owners use the EIV system as the third-party source to verify employment and income information of tenants during recertification (annual and interim) of family composition and income.

(2) UIV using non-EIV system **(Optional)**

(a) Owners may use other non-HUD UIV tools such as The Work Number and other state government databases, if available, to verify income:

- (1) Of applicants;
- (2) When no employment or income is available in EIV; or
- (3) For other types of income received by the family.

b. Third-party verification from source (written)

- (1) An original or authentic document generated by a third party source that is dated within 120 days from the date of receipt by the owner. Such documentation may be in possession of the tenant (or applicant), and commonly referred to as tenant-provided documents. These documents are considered third-party verification because they originated from a third-party source.

Examples of tenant-provided documentation that may be used includes, but is not limited to: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

Owners must consider the following when using tenant-provided documentation:

- (a) Is the document current? Documentation of public assistance may be inaccurate if it is not recent and does not show any changes in the family's benefits or work and training activities.
- (b) Is the documentation complete? Owners may not accept pay stubs to document employment income unless the applicant or tenant provides the most recent four to six, consecutive pay stubs to illustrate variations in hours worked. Actual paychecks or copies of paychecks should never be used to document income because deductions are not shown on the paycheck.
- (c) Is the document an unaltered original? The greatest shortcoming of tenant-provided documents as a verification source is their susceptibility to undetectable change through the use of high-quality copying equipment. Documents with original signatures are the most reliable. Photocopied documents generally cannot be assumed to be reliable.
- (2) Written documentation sent directly by the third-party source by mail or electronically by fax, email or internet.

Note: See Paragraph 9-10 for situations when this method of verification must be used prior to verifying through (1) above.*

(For information about electronic documentation, see subparagraph B.2 below.)

c. *Third-party verification from source (oral).*

When verifying information over the telephone, it is important to be certain that the person on the telephone is the party he or she claims to be. Generally, it is best to telephone the verification source rather than to accept verification from a source calling the property management office. Oral verification must be documented in the file, as described in paragraph 5-18.C.

d. *Family Certification.

An owner may accept a tenant's notarized statement or signed affidavit regarding the veracity of information submitted only if the information cannot be verified by another acceptable verification method. In these instances, the owner must document the file why third-party verification was not available. (See Paragraph 5-18.E for documentation requirements when third-party verification is not available.). The owner may witness the tenant signature(s) in lieu of a notarized statement or affidavit.*

2. *The following describes use of electronic information when used as third-party verification.*

Electronic Verification. The owner may obtain accurate third-party written verification by facsimile, email, or Internet, if adequate effort is made to ensure that the sender is a valid third-party source.

a. Facsimile. Information sent by fax is most reliable if the owner and the verification source agree to use this method in advance during a telephone conversation. The fax should include the company name and fax number of the verification source.

b. Email. Similar to faxed information, information verified by email is more reliable when preceded by a telephone conversation and/or when the email address includes the name of an appropriate individual and firm.

c. Internet. Information verified on the Internet is considered third party verification if the owner is able to view web-based information from a reputable source on the computer screen. Use of a printout from the Internet may also be adequate verification in many instances. Refer to subparagraph C. Review of Documents below.

Example – Verification by Internet Printout

Jose Perez maintains a portfolio of stocks and bonds through an Internet-based stockbroker. The broker only provides electronic account statements and will not respond to a written verification request. The owner may accept a printout of Jose's most recent statement if it includes the relevant information required for third-party verification and an Internet address and header or footer that identifies the company issuing the statement. If the owner has reason to question the authenticity of a document, the owner may require Jose to access the electronic file via the Internet in the owner's office, without providing the owner with username or password information.

5-14 Identifying Appropriate Verification Sources

An owner must only collect information that is necessary to determine the applicant's or tenant's eligibility for assistance or level of assistance. **Appendix 3** provides a list of acceptable forms of third-party verification.

5-15 Required Verification and Consent Forms

A. Consent and Verification Forms

Adult members of assisted families must authorize owners to request independent verification of data required for program participation. To provide owners with this authorization, adult family members must sign two HUD-required consent forms plus the owner's specialized verification forms. Owners must create their own verification forms to request information from employers, child care providers, and others. Families sign these and the two HUD consent forms at the time of move-in certification and annual recertification. All adults in each assisted family must sign the required consent forms or the family must be denied assistance. Owners must give the family a copy of each form the family signed.

B. HUD-Required Consent and Release Forms

Applicants and tenants must sign two HUD-required consent forms.

1. Form HUD-9887, Notice and Consent to the Release of Information to HUD and to a PHA. Each adult member must sign the form regardless of whether he or she has income. Each family member who is at least 18 years of age and the head, spouse or co-head, regardless of age, must sign this form at move-in, initial and at each annual recertification. The form must also be signed when a new adult member joins the household. The form is valid for 15 months from the date of signature. The consent allows HUD or a public housing agency to verify information with the Internal Revenue Service *(IRS), the Social Security Administration (SSA), the Department of Health and Human Services (HHS') National Directory of New Hires (NDNH), and with state agencies that maintain wage and unemployment claim information (SWICAs).* Owners must

keep the original signed form in the tenant's file and provide a copy to the family. Exhibit 5-5 contains a copy of form HUD-9887.

2. Form HUD-9887-A, Applicant's/Tenant's Consent to the Release of Information – Verification by Owners of Information Supplied by Individuals Who Apply for Housing Assistance. Owners and the head of household, spouse, co-head, *regardless of age,* and each family member who is at least 18 years of age must sign a HUD-9887-A form at move-in and at each annual recertification. Each adult member must sign a form regardless of whether he or she has income. The consent allows owners to request and receive information from third-party sources about the applicant or tenant. Owners keep the original form in the tenant's file and provide a copy to the family. Exhibit 5-6 contains a copy of form HUD-9887-A.

C. Information to Tenants

Owners must provide applicants and tenants with the HUD Fact Sheet, a copy of the *Resident Rights and Responsibilities* brochure, *and a copy of the *EIV & You* brochure.*

1. HUD-9887 Fact Sheet. When applicants and tenants sign form HUD-9887 and form *HUD-9887-A*, owners must provide each family with a copy of the *HUD-9887/A* Fact Sheet. This Fact Sheet describes the verification requirements for applicants and tenants and the tenant protections that are part of the verification process. Exhibit 5-7 contains a copy of the *HUD-9887/A* Fact Sheet.
2. Resident Rights and Responsibilities Brochure. Owners must provide applicants and tenants with a copy of the *Resident Rights and Responsibilities* brochure at move-in and annually at recertification. *See Chapter 1, paragraph 1-7.B for information on obtaining copies of the brochure.*
3. *EIV & You Brochure. Owners must provide applicants and tenants with a copy of the *EIV & You* brochure at move-in and annually at recertification. See Chapter 1, paragraph 1-7.B for information on obtaining copies of the brochure.*

D. Owner-Created Verification Forms

1. Owners must create verification forms for specific *verification* needs and must include the language required by HUD as shown in Figure 5-5. **Appendix 6** contains instructions, a sample verification consent, and guidance about the types of information to request when verifying income and eligibility.
2. It is important that the applicant or tenant know whom owners will ask to provide information and to whom the completed form will be returned. Therefore, verification forms must clearly state in a prominent location that the applicant or tenant may not sign the consent if the form does not

clearly indicate who will provide the requested information and who will receive the information. When sending a request for verification to a third party, owners send the verification form with the applicant's or tenant's original signature to the third-party source. Owners must retain a copy of the verification form and provide a copy to the applicant or tenant upon request.

Figure 5-5: Language Required on all Consent Forms

The following statement must appear on all consent forms developed by owners:

"Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. HUD and any owner (or any employee of HUD or the owner) may be subject to penalties for unauthorized disclosures or improper use of information collected based on the consent form. Use of the information collected based on this verification form is restricted to the purposes cited above. Any person who knowingly or willingly requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than \$5,000. Any applicant or participant affected by negligent disclosure of information may bring civil action for damages, and seek other relief, as may be appropriate, against the officer or employee of HUD or the owner responsible for the unauthorized disclosure or improper use. Penalty provisions for misusing the social security number are contained in the Social Security Act at 208 (a) (6), (7) and (8). Violation of these provisions are cited as violations of 42 U.S.C. 408 (a) (6), (7) and (8)

5-16 Effective Term of Verifications

Verifications and consent forms must be used within a reasonable time. HUD has set specific limits on the duration of verification consents. In addition, verified information must be used in a timely manner since family circumstances are subject to change. HUD places several other limits on the information that may be requested and when and how it may be used.

A. Duration of Verification Authorization

Owner-created verification forms and the forms HUD-9887 and *HUD-9887-A* expire 15 months after they are signed. Owners must ensure that the forms HUD-9887 and *HUD-9887-A* have not expired when processing verifications. However, there are differences between the duration of form HUD-9887 and that of the individual verification forms.

1. The form HUD-9887-A and individual verification forms can be used during the 120 days before the certification period. During the certification period, however, these forms may be used only in cases

where the owner receives information indicating that the information the tenant has provided may be incorrect. Other uses are prohibited.

2. Owners may verify anticipated income using individual verification forms to gather prospective information when necessary (e.g., verifying seasonal employment). Historical information that owners may request using individual verification forms is restricted as follows:
 - a. Information requested by individual verification forms is restricted to data that is no more than 12 months old.
 - b. However, if the owner receives inconsistent information and has reason to believe that the information the applicant or tenant has supplied is incorrect, the owner may obtain information from any time in the last five years when the individual was receiving assistance, as provided by the form HUD-9887-A.
3. The form HUD-9887 may be used at any time during the entire 15 month period. The information covered by the form HUD-9887 is restricted as follows:
 - a. State Wage Information Collection Agency (SWICA) Information received from SWICA is limited to wages and unemployment compensation the applicant or tenant received during the last five years she/he received housing assistance.
 - b. *NDNH. Information received from HHS' NDNH is limited to wages and unemployment compensation received during period(s) within the last five years when the tenant has received assisted housing benefits.*
 - c. Internal Revenue Service and Social Security Administration. form HUD-9887 authorizes release by IRS and SSA of data from only the current income tax return and IRS W-2 form.

If the IRS, *NDNH* or SSA matches reveal that the tenant may have supplied inconsistent information, HUD may request that the tenant consent to the owner acquiring information on the last five years during the periods in which the tenant was receiving assistance.

B. Effective Term of Verifications

1. Verifications are valid for 120 days from the date of receipt by the owner, *not the effective date of the 50059.*
2. If verifications are more than 120 days old *from the date of receipt by the owner*, the owner must obtain new verifications.
3. Time limits do not apply to information that does not need to be reverified, such as:

- a. Age;
- b. Disability status;
- c. Family membership; or
- d. Citizenship status.

5-17 Inconsistent Information Obtained Through Verifications

An owner may not take any action to suspend, terminate, reduce or make a final denial of any benefits based on inconsistent information received during the verification process or when the tenant disputes information obtained until the owner has independently investigated the information. The owner *must* follow procedures for addressing errors and fraud and for terminating assistance in accordance with Chapter 8.

5-18 Documenting Verifications

A. Key Requirement

Owners must include verification documentation in the tenant file.

B. Documenting Third-Party Verification

All third-party verification documentation must be put in the tenant file, e.g., EIV Income Reports or verifications received from sources via mail, etc.

C. Documenting Telephone Verification

When verifying information by phone, the owner must record and include in the tenant's file the following information:

1. Third-party's name, position, and contact information;
2. Information reported by the third party;
3. Name of the person who conducted the telephone interview; and
4. Date and time of the telephone call.

D. Recording Inspection of Original Documents

Original documents should be photocopied, and the photocopy placed in the tenant file. *Originals of tenant-provided documents are to be returned to the tenant.* If the original document cannot be copied, a clear note to the file must describe the type of document, the information contained in the document, the name of the person who reviewed the document, and the date of that review.

E. Documenting Why Third-Party Verification Is Not Available

When third-party verification is not available, owners must document in the file efforts made to obtain the required verification and the reason the verification was not obtained. The owner must include the following documents in the applicant's or tenant's file:

1. A written note to the file explaining why third-party verification is not possible; or
2. A copy of the date-stamped original request that was sent to the third party;
3. Written notes or documentation indicating follow-up efforts to reach the third party to obtain verification; and
4. A written note to the file indicating that the request has been outstanding without a response from the third party.

F. Reasonable Accommodation

If an applicant or tenant cannot read or sign a consent form because of a disability, the owner must provide a reasonable accommodation. See Chapter 2, Section 3, Subsection 4 for a description of the requirements regarding reasonable accommodations.

Examples – Reasonable Accommodation

- Provide forms in large print.
- Provide readers for persons with visual disabilities.
- Allow the use of a designated signatory.
- Visit the person's home if the applicant or tenant cannot travel to the office to complete the forms.

5-19 Confidentiality of Applicant and Tenant Information

- A. Federal law limits the information owners can collect about an applicant or tenant to only information that is necessary to determine eligibility and level of assistance.
- B. Federal privacy requirements also establish the responsibility of owners and their employees to use information provided by applicants and tenants only for specified program purposes and to prevent the use or disclosure of this information for other purposes.
 1. To help ensure the privacy of applicant and tenant information, owners and their employees are subject to penalties for unauthorized disclosure

of applicant/tenant information. In addition, applicants and tenants may initiate civil action against an owner for unauthorized disclosure or improper use of the information they provided. Language on the HUD-required consent forms, the verification forms developed by owners, and the HUD-50059 clearly describes owners' responsibility regarding the privacy of this information and the possible penalties.

2. HUD encourages owners to develop their own procedures and internal controls to prevent the improper use or unauthorized disclosure of information about applicants and tenants. Adequate procedures and controls protect not only applicants and tenants, but also owners.
- C. Owners must also comply with state privacy laws concerning the information they receive from third-party sources about applicants and tenants. These laws generally require confidentiality and restrict the uses of this information.

5-20 *Security of EIV Data

The data in EIV contains personal information on individual tenants that is covered by the Privacy Act. The information in EIV may only be used for limited official purposes.

- A. Owners, in connection with the administration of their project, may only use the employment and income information in EIV at the time of recertification, or at other times as addressed in their policies and procedures.
- B. Owners cannot share the EIV income information with governmental entities not involved in the recertification process used for HUD's assisted housing programs, e.g., the LIHTC program and RHS Section 515 program.

See Chapter 9, Enterprise Income Verification (EIV), for additional information on official use of EIV information.*

5-21 Refusal to Sign Consent Forms

- A. If an applicant refuses to sign forms HUD-9887 or *HUD-9887-A* or the owner's verification forms, the owner must deny assistance.
- B. If a tenant *or any member of the tenant's family* refuses to sign the required verification and consent forms, the owner must terminate *the household's* assistance. If the owner intends to terminate assistance for this reason, the owner must follow procedures established in the lease that require the tenant to pay the HUD-approved market rent for the unit. In a Section 202 PRAC or Section 811 PRAC project, the tenant may be evicted if the tenant *or any member of the tenant's family* refuses to sign the required verification and consent forms.
- C. If a tenant is unable to sign the forms on time due to extenuating circumstances, the owner must document the reasons for the delay in the tenant file and indicate how and when the tenant will provide the proper signature.

**Examples – Tenant Failure to Sign Consent Forms
Due to Extenuating Circumstances**

- Jonas and Joycelyn Hardwick were to have forms HUD-9887 and *HUD-9887-A* signed by their adult son. However, he was in an automobile accident and has been in a coma.
- Lydia Bailey's husband has been temporarily assigned to overseas duty as part of a missionary hunger-relief program. She has signed consent forms, and the forms have been mailed to him but have not been returned. She reports that mail has recently been taking five or six weeks.

5-22 Interim Recertifications

When processing an interim recertification, the owner must ask the tenant to identify all changes in income, expenses, or family composition since the last recertification. Owners only need verify those items that have changed. For example, if the head of household was laid off from his or her job and asks the owner to prepare an interim recertification, the owner does not need to reverify the spouse's employment income unless that has also changed. When the tenant signs the certification she or he certifies that the information on the report is accurate and current. Additional information about the procedures for conducting interim recertifications is discussed in Chapter 7, Section 2.

5-23 Record-Keeping Procedures

- A. Owners must keep the following documents in the tenant's file at the project site:
1. All original, signed forms HUD-9887 and HUD-9887-A;
 2. A copy of signed individual consent forms;
 3. *A copy of the EIV Income Report, regardless of whether or not any income is reported for the household, along with the HUD-50059 and any other documentation obtained supporting income and rent determinations; and
 4. Third-party verifications received from third-party sources.*
- B. Owners must maintain documentation of all verification efforts throughout the term of each tenancy and for at least three years after the tenant moves out
- C. The tenant's file should be available for review by the tenant upon request or by a third party who provides signed authorization for access from the tenant.

***NOTE:** The Federal Privacy Act (5 USC 552a, as amended) prohibits the disclosure of an individual's information to another person without the written

consent of such individual. As such, the EIV data of an adult household member may not be shared (or a copy provided or displayed) with another adult household member, unless the individual has provided written consent to disclose such information. See Chapter 9, paragraph 9-18 for more information on disclosing EIV data to another individual or entity.*

- D. Owners must maintain applicant and tenant information in a way to ensure confidentiality. Any applicant or tenant affected by negligent disclosure or improper use of information may bring civil action for damages and seek other relief, as appropriate, against the employee. Forms HUD-9887 and *HUD-9887-A* describe the penalties for the improper use of consent forms.
- E. Owners must dispose of tenant files and records in a manner that will prevent any unauthorized access to personal information, e.g., burn, pulverize, shred, etc.

Section 4: Calculating Tenant Rent

5-24 Key Regulations

This paragraph identifies key regulatory citations pertaining to Section 4: Calculating Tenant Rent. The citations and their titles or (topics) are listed below.

- A. 24 CFR 5.628 Total Tenant Payment
- B. 24 CFR 5.630 Minimum Rent
- C. 24 CFR 236.735 Rental Assistance Payments and Rental Charges
- D. 24 CFR 891.105, 891.410, 891.520, 891.640, 891.655, 891.705 (Project rental assistance payment, project assistance payment, tenant rent, total tenant payment, and rent for unassisted units)
- E. 24 CFR 5.661 Section 8 project-based assistance programs: Approval for police or other security personnel to live in project

5-25 Calculating the Tenant Contribution for Section 8, PAC, PRAC, RAP, and Rent Supplement Properties

A. Total Tenant Payment (TTP)

The Total Tenant Payment (TTP) is the amount a tenant is expected to contribute for rent and utilities. TTP for Section 8, PAC, PRAC, RAP, and Rent Supplement properties is based on the family's income. The formulas for calculating TTP are shown in Figure 5-6. Exhibit 5-8 also shows the formulas for calculating tenant contributions for all assisted-housing programs.

Chapter 5 Exhibits

- 5-1. Income Inclusions and Exclusions
http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_35699.pdf
- 5-2. Assets
http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_35701.pdf
- 5-3. Examples of Medical Expenses That Are Deductible and Nondeductible
<http://portal.hud.gov/hudportal/documents/huddoc?id=43503e5-3HSGH.pdf>
- 5-4. Sample Certification for Qualified Long-Term Care Insurance Expenses
<http://portal.hud.gov/hudportal/documents/huddoc?id=90101.pdf>
- 5-5. Form HUD-9887, *Notice and Consent for the Release of Information to HUD and to a PHA*
<http://portal.hud.gov/hudportal/documents/huddoc?id=9887.pdf>
- 5-6. Form HUD-9887-A, *Applicant's/Tenant's Consent to the Release of Information – Verification by Owners of Information Supplied by Individuals Who Apply for Housing Assistance*

See 5-5 above.
- 5-7. HUD Fact Sheet – Verification of Information Provided by Applicants and Tenants of Assisted Housing

See 5-5 above.
- 5-8. Tenant Rent Formulas

http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_35705.pdf

Exhibit 5-1: Income Inclusions and Exclusions**24 CFR 5.609(b) and (c)**

Examples included in parentheses have been added to the regulatory language for clarification.

INCOME INCLUSIONS

- (1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;
- (2) The net income from operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;
- (3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (2) above. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;
- (4) The full amount of periodic amounts received from social security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a **periodic amount (e.g., Black Lung Sick benefits, Veterans Disability, Dependent Indemnity Compensation, payments to the widow of a serviceman killed in action). See paragraph (13) under Income Exclusions for an exception to this paragraph;**
- (5) Payments in lieu of earnings, such as unemployment, disability compensation, worker's compensation, and severance pay, except as provided in paragraph (3) under Income Exclusions;
- (6) Welfare Assistance.
 - (a) Welfare assistance received by the family.
 - (b) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as

income shall consist of:

- (c) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus
- (d) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.
- (7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling; and
- (8) All regular pay, special pay, and allowances of a member of the Armed Forces, except as provided in paragraph (7) under Income Exclusions.
- (9) For Section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph "financial assistance" does not include loan proceeds for the purpose of determining income.
(Note: This paragraph also does not apply to a student who is living with his/her parents who are applying for or receiving Section 8 assistance.)

INCOME EXCLUSIONS:

- (1) Income from employment of children (including foster children) under the age of 18 years;
- (2) Payments received for the care of foster children or foster adults (usually persons with disabilities unrelated to the tenant family, who are unable to live alone);
- (3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses, except as provided in paragraph (5) under Income Inclusions;
- (4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;
- (5) Income of a live-in aide, as defined in 24 CFR 5.403;
- (6) The full amount of student financial assistance paid directly to the student or to the educational institution (see Income Inclusions (9), above, for students receiving Section 8 assistance);
- (7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire (e.g., in the past, special pay included Operation Desert Storm);
- (8) (a) Amounts received under training programs funded by HUD (e.g., training received under Section 3);

- (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of supplemental security income eligibility and benefits because they are set-aside for use under a Plan to Attain Self-Sufficiency (PASS);
 - (c) Amounts received by a participant in other publicly assisted programs that are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;
 - (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed \$200 per month) received by a resident for performing a service for the owner, on a part-time basis, that enhances the quality of life in the project. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, and resident-initiative coordination. No resident may receive more than one such stipend during the same period of time; or
 - (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as a resident management staff person. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.
- (9) Temporary, nonrecurring, or sporadic income (including gifts);
 - (10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era. (Examples include payments by the German and Japanese governments for atrocities committed during the Nazi era);
 - (11) Earnings in excess of \$480 for each full-time student 18 years or older (excluding the head of household and spouse);
 - (12) Adoption assistance payments in excess of \$480 per adopted child;
 - (13) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts;
 - (14) Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit;
 - (15) Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or
 - (16) Amounts specifically excluded by any other federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the *Federal Register* and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.

The following is a list of income sources that qualify for that exclusion:

- (a) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017 [b]);
- (b) Payments to Volunteers under the Domestic Volunteer Services Act of 1973 (42 U.S.C. 5044(g), 5058) (employment through AmeriCorps, Volunteers in Service to America [VISTA], Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- (c) Payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626[c]);
- (d) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 459e);
- (e) Payments or allowances made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program (42 U.S.C. 8624[f]);
- (f) Payments received under programs funded in whole or in part under the Job Training Partnership Act (29 U.S.C. 1552[b]); (effective July 1, 2000, references to Job Training Partnership Act shall be deemed to refer to the corresponding provision of the Workforce Investment Act of 1998 [29 U.S.C. 2931], e.g., employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs, career intern programs, Americorps);
- (g) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L. 94-540, 90 Stat. 2503-04);
- (h) The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U. S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands (25 U.S.C. 1407-1408);
- (i) Amounts of scholarships funded under title IV of the Higher Education Act of 1965, including awards under federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu);
- (j) Payments received from programs funded under Title V of the Older Americans Act of 1985 (42 U.S.C. 3056[f]), e.g., Green Thumb, Senior Aides, Older American Community Service Employment Program;
- (k) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in *In Re Agent-product liability litigation*, M.D.L. No. 381 (E.D.N.Y.);
- (l) Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- (m) The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990 (42 U.S.C. 9858q);
- (n) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, including advanced earned income credit payments (26 U.S.C. 32[j]);
- (o) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433);
- (p) Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637[d]);

- (q) Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran (38 U.S.C. 1805);
- (r) Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act (42 U.S.C. 10602); and
- (s) Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).

Appendix 3

Acceptable Forms of Verification

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Age. <p>*(See Chapter 3, Paragraph 3-28.C)*</p>	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> Birth Certificate Baptismal Certificate Military Discharge papers Valid passport Census document showing age Naturalization certificate Social Security Administration Benefits printout 		

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Alimony or child support. <p>*(See Chapter 5, Paragraphs 5-6.F and 5-10.F)*</p>	<ul style="list-style-type: none"> Copy of separation or divorce agreement provided by ex-spouse or court indicating type of support, amount, and payment schedule. Written statement provided by ex-spouse or income source indicating all of above. If applicable, written statement from court/attorney that payments are not being received and anticipated date of resumption of payments. 	<ul style="list-style-type: none"> Recent original letters from the court. 	<ul style="list-style-type: none"> Telephone or in-person contact with ex-spouse or income source documented in file by the owner. 	<ul style="list-style-type: none"> Copy of most recent check, recording date, amount, and check number. 	<ul style="list-style-type: none"> Notarized statement or affidavit signed by applicant indicating amount received. If applicable, notarized statement or affidavit from applicant indicating that payments are not being received and describing efforts to collect amounts due. 	<ul style="list-style-type: none"> Amounts awarded but not received can be excluded from annual income only when applicants have made reasonable efforts to collect amounts due, including filing with courts or agencies responsible for enforcing payments.

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Assets disposed of for less than fair market value. <p>*(See Chapter 5, Paragraph 5-7.G.8)*</p>	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> Certification signed by applicant *and/or tenant* that no *family* member has disposed of assets for less than fair market value during *the* preceding two years. If applicable, certification signed by the owner of the asset disposed of that shows: <ul style="list-style-type: none"> Type of assets disposed of; Date disposed of; Amount received; and Market value of asset at the time of disposition. 	<ul style="list-style-type: none"> Only count assets disposed of within a two-year period prior to *certification or recertification.*

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Auxiliary apparatus. <p>*(See Chapter 5, Paragraph 5-10.C)*</p>	<ul style="list-style-type: none"> Written verification from source of costs and purpose of apparatus. Written certification from doctor or rehabilitation agency that use of apparatus is necessary to employment of any family member. In a case where the disabled person is employed, statement from employer that apparatus is necessary for employment. 	<ul style="list-style-type: none"> Copies of receipts. 	<ul style="list-style-type: none"> Telephone or in-person contact with these sources documented in file by the owner. 	<ul style="list-style-type: none"> Evidence of periodic payments for apparatus. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> The owner must determine if the expense is to be considered a medical or disability assistance.

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips	
	Third Party ^a			*Provided by Applicant		
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Care attendant for disabled family members. *(Paragraph 5-10.C)*	<ul style="list-style-type: none"> Written verification from attendant stating amount received, frequency of payments, hours of care. Written certification from doctor or rehabilitation agency that care is necessary to employment of family member. 	<ul style="list-style-type: none"> Copies of receipts. 	<ul style="list-style-type: none"> Telephone or in-person contact with source documented in file by the owner. 	<ul style="list-style-type: none"> Cancelled checks indicating payment amount and frequency. 	<ul style="list-style-type: none"> Notarized statement or signed affidavit attesting to amounts paid. 	<ul style="list-style-type: none"> The owner must determine if this expense is to be considered a medical or disability assistance.

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Child care expenses (including verification that a family member who has been relieved of child care is working, attending school, or looking for employment). <p>*(Paragraph 5-10.B)*</p>	<ul style="list-style-type: none"> Written verification from person who provides care indicating amount of payment, hours of care, names of children, frequency of payment, and whether or not care is necessary to employment or education. Verification of employment as required under Employment Income. Verification of student status (full or part-time) as required under Full-Time Student Status. 	<ul style="list-style-type: none"> Copies of receipts 	<ul style="list-style-type: none"> Telephone or in-person contact with these sources (child care provider, employer, school) documented in file by the owner. 	<ul style="list-style-type: none"> Cancelled checks indicating payments. For school attendance, school records, such as paid fee statements that show that the time and duration of school attendance reasonably corresponds to the period of child care. 	<ul style="list-style-type: none"> For verification of "looking for work," details of job search effort as required by owner's written policy. 	<ul style="list-style-type: none"> Allowance provided only for care of children 12 and younger. When same care provider takes care of children and disabled person, the owner must prorate expenses accordingly. Owners should keep in mind that costs may be higher in summer months and during holiday periods. The owner must determine which family member has been enabled to work. Care for employment and education must be prorated to compare to earnings. Costs must be "reasonable."

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Citizenship <p>*(See Chapter 3, Paragraph 3-12)*</p>					<ul style="list-style-type: none"> Citizens must sign declaration certifying U.S. Citizenship. 	<ul style="list-style-type: none"> Owners may require applicants/residents to provide verification of citizenship.
<ul style="list-style-type: none"> Current net family assets. <p>*(See Chapter 5, Paragraph 5-7.C)*</p>	<ul style="list-style-type: none"> Verification forms, letters or documents received from financial institutions, stock brokers, real estate agents, employers indicating the current value of the assets and penalties or reasonable costs to be incurred in order to convert nonliquid assets into cash. 	<ul style="list-style-type: none"> Passbooks, checking, or savings account statements, certificates of deposit, property appraisals, stock or bond documents, or other financial statements completed by financial institution. Copies of real estate tax statements, if tax authority uses approximate market value. Copies of real estate closing documents that indicate distribution of sales proceeds and settlement costs. 	<ul style="list-style-type: none"> Telephone or in-person contact with appropriate source, documented in file by the owner. 	<ul style="list-style-type: none"> Quotes from attorneys, stockbrokers, bankers, and real estate agents that verify penalties and reasonable costs incurred to convert asset to cash. 	<ul style="list-style-type: none"> Notarized statement or signed affidavit stating cash value of assets or verifying cash held at applicant's home or in safe deposit box. 	<ul style="list-style-type: none"> Use current balance in savings accounts and average monthly balance in checking accounts for last 6 months. Use cash value of all assets (the net amount the applicant would receive if the asset were converted to cash). NOTE: This information can usually be obtained simultaneously when verifying income from assets and employment (e.g., value of pension).

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

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Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Disability status. *(Paragraph 3-28.B)*	<ul style="list-style-type: none"> Verification from *appropriate source of information* stating that individual qualifies under the definition of disability. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> Telephone or in-person contact with medical professional verifying qualification under the federal disability definition and documentation in the file of the conversation. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> Not appropriate. 	<ul style="list-style-type: none"> If a person receives Social Security Disability solely due to a drug or alcohol problem, the person is not considered disabled under housing law. A person that does not receive Social Security Disability may still qualify under the definition of a person with disabilities. Owners must not seek to verify information about a person's specific disability other than obtaining a professional's opinion of qualification under the definition of a person with disabilities.

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

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Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips
	Third Party ^a			*Provided by Applicant	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c		
<ul style="list-style-type: none"> Dividend income and savings account interest income. <p>*(See Chapter 5, Paragraph 5-7)*</p>	<ul style="list-style-type: none"> Verification form completed by bank. 	<ul style="list-style-type: none"> Copies of current statements, bank passbooks, certificates of deposit, if they show required information (i.e., current rate of interest). Copies of Form 1099 from the financial institution, and verification of projected income for the next 12 months. Broker's quarterly statements showing value of stocks/bonds and earnings credited to the applicant. 	<ul style="list-style-type: none"> Telephone or in-person contact with appropriate party, documented in file by the owner. 	<ul style="list-style-type: none"> *Provided by Applicant 	<ul style="list-style-type: none"> Notarized statement or signed affidavit stating dividend income and savings account interest income. The owner must obtain enough information to accurately project income over next 12 months. Verify interest rate as well as asset value.

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

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^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				*Provided by Applicant	Self-Declaration	Verification Tips
	Third Party ^a			Oral ^c			
	Written ^{b and d}	*Provided by Applicant ^e					
<ul style="list-style-type: none"> • Employment Income including tips, gratuities, overtime. <p>*(See Chapter 5, Paragraph 5-5.A and C and Paragraph 5-6.)*</p>	<ul style="list-style-type: none"> • *EIV Income Report (mandatory)* • Verification form completed by employer. See Paragraph 9-10 for situations when this method of verification must be used prior to verifying through an original or authentic document generated by a third-party source. 	<ul style="list-style-type: none"> • W-2 Forms, if applicant has had same employer for at least two years and increases can be accurately projected. • Paycheck stubs or earning statements. 	<ul style="list-style-type: none"> • Telephone or in-person contact with employer, specifying amount to be paid per pay period and length of pay period. Document in file by the owner. 		<ul style="list-style-type: none"> • Notarized statements or affidavits signed by applicant that describe amount and source of income. 	<ul style="list-style-type: none"> • *It is mandatory that the EIV Income Report be used as third-party verification of employment and income (24 CFR 5.233).* • Always verify: frequency of gross pay (i.e., hourly, biweekly, monthly, bimonthly); anticipated increases in pay and effective dates; overtime. • Require most recent *4-6* consecutive pay stubs; do not use check without stub. • For a fee, additional information can be obtained from The Work Number 800-996-7556; First American Registry 800-999-0350; and Verifax 800-969-5100. Fees are valid project expenses. Information does not replace third-party verification. 	

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.
^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.
^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.
^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*
^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Self-Declaration	Verification Tips
	Third Party ^a			*Provided by Applicant		
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Family composition. <p>*(See Chapter 3, Paragraph 3-27)*</p>	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> Birth certificates Divorce actions Drivers' licenses Employer records Income tax returns Marriage certificates School records Social Security Administration records Social service agency records Support payment records Utility bills Veterans Administration (VA) records 		<ul style="list-style-type: none"> An owner may seek verification only if the owner has clear written policy.

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Family type. <p>(Information verified only to determine eligibility for project, preferences, and allowances.)</p> <p>*(See Chapter 3, Paragraph 3-28)*</p>	<ul style="list-style-type: none"> Disability Status: statement from physician or other reliable source, if benefits documenting status are not received. See paragraph 3.25 B.1 for restrictions on this form of verification. Displacement Status: Written statement or certificate of displacement by the appropriate governmental authority. 		<ul style="list-style-type: none"> Telephone or in-person contact with source documented in file by the owner. 	<ul style="list-style-type: none"> Elderly Status (when there is reasonable doubt that applicant is at least 62): birth certificate, baptismal certificate, social security records, driver's license, census record, official record of birth or other authoritative document or receipt of SSI old age benefits or SS benefits. Disabled, blind: evidence of receipt of SSI or Disability benefits. 	<ul style="list-style-type: none"> Elderly Status: Applicant's signature on application is generally sufficient. 	<ul style="list-style-type: none"> *When* the applicant receives income or benefits for which elderly or disabled status is a requirement, such status must be verified. Status of disabled family members must be verified for entitlement to \$480 dependent deduction and disability assistance allowance. Owner may not ask the nature/extent of disability.
<ul style="list-style-type: none"> Full-time student status (of family member 18 or older, excluding head, spouse, or foster children). <p>*(See Chapter 5, Paragraph 5-6.A.3)*</p>	<ul style="list-style-type: none"> Verification from the Admissions or Registrar's Office or dean, counselor, advisor, etc., or from VA Office. 		<ul style="list-style-type: none"> Telephone or in-person contact with these sources documented in file by the owner. 	<ul style="list-style-type: none"> School records, such as paid fee statements that show a sufficient number of credits to be considered a full-time student by the educational institution attended. 	<ul style="list-style-type: none"> Not appropriate. 	

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

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Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips	
	Third Party ^a			*Provided by Applicant		
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Immigration Status. <p>*(See Chapter 3, Paragraph 3-12)*</p>	<ul style="list-style-type: none"> Verification of eligible immigration status must be received from DHS through the DHS SAVE system or through secondary verification using DHS Form G-845. 		<ul style="list-style-type: none"> None. 	<ul style="list-style-type: none"> Applicant/resident must provide appropriate immigration documents to initiate verification. 	<ul style="list-style-type: none"> Noncitizens must sign declaration certifying the following: Eligible immigration status; or Decision not to claim eligible status. 	<ul style="list-style-type: none"> Owners must require noncitizens requesting assistance to provide verification of eligible immigration status.
<ul style="list-style-type: none"> *Immigration Status (SSN) Individuals who do not contend eligible immigration status under the Section 221(d)(3) BMIR, Section 202 PAC, Section 202 PRAC, Section 811 PRAC programs <p>(See Chapter 3, Paragraph 3-9.A)*</p>					<ul style="list-style-type: none"> *Self-certification that they do not contend eligible immigration status.* 	<ul style="list-style-type: none"> *This verification is for exemption of the requirement to disclose and provide verification of a SSN when an individual does not contend eligible immigration status only for the programs listed in the Factor to be Verified column.*

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^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

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Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Income maintenance payments, benefits, income other than wages (i.e., welfare, Social Security [SS], Supplemental Security Income [SSI], Disability Income, Pensions). <p>*(See Chapter 5, Paragraph 5-6)*</p>	<ul style="list-style-type: none"> * EIV Income Report for Social Security benefits (mandatory) * Award or benefit notification letters prepared and signed by authorizing agency. 	<ul style="list-style-type: none"> Current or recent check stubs with date, amount, and check number recorded by the owner. Award *or benefit* letters or computer printout from court or public agency. Most recent quarterly pension account statement. 	<ul style="list-style-type: none"> Telephone or in-person contact with income source, documented in file by the owner. NOTE: For all oral verification, file documentation must include facts, time and date of contact, and name and title of third party. 	<ul style="list-style-type: none"> Copies of validated bank deposit slips or bank statements, with identification by bank. 	<ul style="list-style-type: none"> Notarized statement of income received other than wages. 	<ul style="list-style-type: none"> *It is mandatory that the EIV Income Report be used as third-party verification of the Social Security benefit income received (24 CFR 5.233).* Checks or automatic bank deposit slips may not provide gross amounts of benefits if applicant has deductions made for Medicare Insurance. Pay stubs for the most recent four to six weeks should be obtained. Copying of U.S. Treasury checks is not permitted. Award letters/printouts from court or public agency may be out of date; telephone verification of letter/printout is recommended.

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^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

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Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				*Provided by Applicant	Self-Declaration	Verification Tips
	Third Party ^a			Oral ^c			
	Written ^{b and d}	*Provided by Applicant ^e					
<ul style="list-style-type: none"> Interest from sale of real property (e.g., contract for deed, installment sales contract, etc.) <p>*(See chapter 5, Paragraph 5-7.G.7)*</p>	<ul style="list-style-type: none"> Verification form completed by an accountant, attorney, real estate broker, the buyer, or a financial institution which has copies of the amortization schedule from which interest income for the next 12 months can be obtained. 	<ul style="list-style-type: none"> Copy of the contract. 	<ul style="list-style-type: none"> Telephone or in-person contact with appropriate party, documented in file by the owner. 	<ul style="list-style-type: none"> Copy of the amortization schedule, with sufficient information for the owner to determine the amount of interest to be earned during the next 12 months. NOTE: Copy of a check paid by the buyer to the applicant is not acceptable. 	<ul style="list-style-type: none"> Notarized statement of interest from sale of real property. 	<ul style="list-style-type: none"> Only the interest income is counted; the balance of the payment applied to the principal is merely a liquidation of the asset. The owner must get enough information to compute the actual interest income for the next 12 months. 	

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Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Medical expenses. <p>*(See Chapter 5, Paragraph 5-10.D)*</p>	<ul style="list-style-type: none"> Verification by a doctor, hospital or clinic, dentist, pharmacist, etc., of estimated medical costs to be incurred or regular payments expected to be made on outstanding bills which are not covered by insurance. 	<ul style="list-style-type: none"> Copies of income tax forms (Schedule A, IRS Form 1040) that itemize medical expenses, when the expenses are not expected to change over the next 12 months. Receipts, or pay stubs, which indicate health insurance premium costs, or payments to a resident attendant. Receipts or ticket stubs that verify transportation expenses directly related to medical expenses. 	<ul style="list-style-type: none"> Telephone or in-person contact with these sources, documented in file by the owner. 	<ul style="list-style-type: none"> Copies of cancelled checks that verify payments on outstanding medical bills that will continue for all or part of the next 12 months. Cancelled checks which indicate health insurance premium costs, or payments to a resident attendant. 	<ul style="list-style-type: none"> Notarized statement or signed affidavit of transportation expenses directly related to medical treatment, if there is no other source of verification. 	<ul style="list-style-type: none"> Medical expenses are not allowable as deduction unless applicant is an elderly or disabled family. Status must be verified.
<ul style="list-style-type: none"> Need for an assistive animal. <p>*(See Chapter 3, Paragraph 3-29)*</p>	<ul style="list-style-type: none"> Letter from *appropriate third party unless the need is readily apparent or already known*. 					<ul style="list-style-type: none"> If the owner's policy is to verify this need, owner must implement policy consistently.

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Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Net Income for a business <p>*(See Chapter 5, Paragraph 5-6.H).*</p>	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Form 1040 with Schedule C, E, or F. Financial Statement(s) of the business (audited or unaudited) including an accountant's calculation of straight-line depreciation expense if accelerated depreciation was used on the tax return or financial statement. For rental property, copies of recent rent checks, lease and receipts for expenses, or IRS Schedule E. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Any loan application listing income derived from business during the preceding 12 months. 	<ul style="list-style-type: none"> Notarized statement showing net income for a business. 	
<ul style="list-style-type: none"> Recurring contributions and gifts. <p>*(See Chapter 5, Paragraph 5-6.G)*</p>	<ul style="list-style-type: none"> Notarized statement or affidavit signed by the person providing the assistance giving the purpose, dates, and value of gifts. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Telephone or in-person contact with source documented in file by the owner. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Notarized statement or affidavit signed by applicant stating purpose, dates, and value of gifts. 	<ul style="list-style-type: none"> Sporadic contributions and gifts are not counted as income.

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Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips	
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	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Self-employment, tips, gratuities, etc. <p>*(See Paragraph 5-5.C and Paragraph 5-6.H)*</p>	<ul style="list-style-type: none"> None available. 	<ul style="list-style-type: none"> Form 1040/1040A showing amount earned and employment period. 	<ul style="list-style-type: none"> None available. 	<ul style="list-style-type: none"> *Provided by Applicant 	<ul style="list-style-type: none"> Self-Declaration 	<ul style="list-style-type: none"> Notarized statement or affidavit signed by applicant showing amount earned and pay period.

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

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	Third Party ^a			*Provided by Applicant		
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Social security number. <p>*(See Chapter 3, Paragraph 3-31)*</p>	<ul style="list-style-type: none"> None required. 		<ul style="list-style-type: none"> None Required 	<ul style="list-style-type: none"> Original Social Security card *Original document issued by a federal or state government agency which contains the name, SSN, and other identifying information of the individual* Driver's license with SSN Identification card issued by a medical insurance provider, or by an employer or trade union. Earnings statements on payroll stubs Bank statement Form 1099 Benefit award letter Retirement benefit letter Life insurance policy Court records 	<ul style="list-style-type: none"> N/A 	<ul style="list-style-type: none"> Individuals who have applied for legalization under the Immigration Reform and Control Act of 1986 will be able to disclose their social security numbers but unable to supply cards for documentation. Social security numbers are assigned to these persons when they apply for amnesty. The cards go to DHS until the persons are granted temporary lawful resident status. Until that time, their acceptable documentation is a letter from the DHS indicating that social security numbers have been assigned.

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> *Student Status (Section 8 only) <p>(See Chapter 3, Paragraphs 3-13.A and 3-33.A)*</p>	<ul style="list-style-type: none"> *Enrolled full-time and/or part-time at an institution of higher education Verification of independence from parents Financial assistance received* 				<ul style="list-style-type: none"> *Signed declaration and certification of income from parents Certification of income provided by parent or from persons not living in the unit with the student* 	<ul style="list-style-type: none"> *May also need to verify age; dependent children; marital status; tuition; veteran status and /or disability status.*
<ul style="list-style-type: none"> *Student status (Section 221(d)(3) BMIR, Section 202 PAC, Section 202 PRAC and Section 811 PRAC) <p>See Chapter 3, Paragraph 3-13.B and 3-33.B)*</p>	<ul style="list-style-type: none"> *Enrolled full-time and/or part-time at an institution of higher education Verification of independence from parents Financial assistance received* 				<ul style="list-style-type: none"> *Certification of income provided by parent or from persons not living in the unit with the student* 	
<ul style="list-style-type: none"> Unborn children. 	<ul style="list-style-type: none"> None required. 		<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> None required. 	<ul style="list-style-type: none"> Applicant/tenant self-certifies to pregnancy. 	<ul style="list-style-type: none"> Owner may not verify further than self-certification.

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^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES				Verification Tips	
	Third Party ^a			*Provided by Applicant		
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Unemployment compensation. <p>*(See Chapter 5, Paragraphs 5-5.A, 5-6.J and Q)*</p>	<ul style="list-style-type: none"> *EIV Income Report (mandatory) * Verification form completed by source. 	<ul style="list-style-type: none"> Copies of checks or records from agency provided by applicant stating payment amounts and dates. Benefit notification letter signed by authorizing agency. 	<ul style="list-style-type: none"> Telephone or in-person contact with agency documented in a file by an owner. 	<ul style="list-style-type: none"> *Provided by Applicant 	<ul style="list-style-type: none"> Self-Declaration Notarized statement of unemployment compensation received. 	<ul style="list-style-type: none"> *It is mandatory that the EIV Income Report be used as third-party verification of employment and income (24 CFR 5.233).* Frequency of payments and expected length of benefit term must be verified. Income not expected to last full 12 months must be calculated based on 12 months and interim recertification completed when benefits stop.

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

Appendix 3: Acceptable Forms of Verification

Factor to be Verified	ACCEPTABLE SOURCES					Verification Tips
	Third Party ^a			*Provided by Applicant	Self-Declaration	
	Written ^{b and d}	*Provided by Applicant ^e	Oral ^c			
<ul style="list-style-type: none"> Welfare payments (as-paid states only). <p>*(See Chapter 5, Paragraph 5-6.K)*</p>	<ul style="list-style-type: none"> Verification form completed by welfare department indicating maximum amount family may receive. Maximum shelter schedule by household size with ratable reduction schedule. 		<ul style="list-style-type: none"> Telephone or in-person contact with income source, documented in file by the owner. 	<ul style="list-style-type: none"> Maximum shelter allowance schedule with ratable reduction schedule provided by applicant. 	<ul style="list-style-type: none"> Notarized statement of welfare payments received. 	<ul style="list-style-type: none"> Actual welfare benefit amount not sufficient as proof of income in "as-paid" states or localities since income is defined as maximum shelter amount.
<ul style="list-style-type: none"> Zero Income. <p>*(See Chapter 9, Paragraph 9-11.D)*</p>	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Not applicable. 	<ul style="list-style-type: none"> Applicant/Tenant self-certifies to zero income. 	<ul style="list-style-type: none"> Owners may require applicant/tenant to sign verification release of information forms for state, local, and federal benefits programs, as well as the HUD 9887 and HUD 9887-A. Owners may require the tenant to reverify zero income status at least every 90 days.

^a**NOTE:** Requests for verification from *a third party source* must be accompanied by a Consent to Release form *HUD-9887-A*.

^b**NOTE:** If the original document is witnessed but is a document that should not be copied, the owner should record the type of document, any control or serial numbers, and the issuer. The owner should also initial and date this notation in the file.

^c**NOTE:** For all oral verification, file documentation must include facts, time and date of contact, and name and title of the third party.

^d**NOTE:** For use of EIV Income Reports as third party verification of employment and income a current Consent for Release form HUD-9887 must be on file.*

^e**NOTE:** See examples and requirements found in Paragraph 5-13.B.1

