HOTMA Update

Day 2

AAHRA

April 2024

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HOTMA Update
Day 2

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Nan McKay
AND ASSOCIATES, INC.

Experience — Leadership — Collaboration

Adjusted Income

- Adjusted income is annual income minus deductions for:
  - Dependents
  - Elderly or disabled families
  - Childcare expenses
  - Health and medical care expenses
  - Disability assistance expenses
  - Permissive deductions

Elderly/Disabled Deduction

Elderly/Disabled Deduction

- Changing from $400 per family to $525
  - Effective when the PHA implements HOTMA
- Amount will be adjusted annually for inflation
  - No later than September 1 annually
  - Software will need to be updated

Dependent Deduction

Dependent Deduction

- Remains $480 per dependent for 2024
- However, will be adjusted annually for inflation
  - No later than September 1 annually
  - Software will need to be updated

Dependent Deduction

- Also impacts:
  - Earned income included for a dependent FT student
    - Exclude earned income in excess of the dependent deduction
  - Income included for adoption assistance payments
    - Exclude adoption assistance payments in excess of the dependent deduction

Childcare Expenses

Childcare Expenses

- Includes reasonable, unreimbursed costs
  - PHA determines what is reasonable
- Care provided for children 12 and under
  - Including foster children

Childcare Expense

- **Did HOTMA change the childcare expense deduction? No.**
- **Old regulation at 24 CFR 5.611(a)(4)**

(4) Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education.

- **New regulation at 24 CFR 5.611(a)(4)**

(4) Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education.

Childcare Expense

- **Old regulation at 24 CFR 5.603(b) states:**

Child care expenses. Amounts anticipated to be paid by the family for the care of children under 13 years of age during the period for which annual income is computed, but only where such care is necessary to enable a family member to ~~actively seek employment, be gainfully employed, or to further his or her education and~~ only to the extent such amounts are not reimbursed. The amount deducted shall reflect reasonable charges for child care. In the case of child care necessary to permit employment, the amount deducted shall not exceed the amount of employment income that is included in annual income.

- **HUD did not revise this regulation as part of the final rule**

Health and Medical Care Expenses

Threshold

- The sum of the following that exceeds 10% of annual income:
  - Unreimbursed health and medical care expenses
  - Unreimbursed disability assistance expenses
- Increased from 3% of annual income
  - Because of the increase, hardship exemptions will apply – more later

Medical Expenses

- The term “medical expenses” has changed to “health and medical care expenses”

Anticipating Expenses

- When calculating health and medical care expenses, the PHA includes only those expenses that are paid or anticipated during the period for which annual income is computed

New Definition

Health and medical care expenses. Health and medical care expenses are any costs incurred in the diagnosis, cure, mitigation, treatment, or prevention of disease or payments for treatments affecting any structure or function of the body. Health and medical care expenses include medical insurance premiums and long-term care premiums that are paid or anticipated during the period for which annual income is computed.

New Definition

- **HUD is not permitting PHAs to specifically align their policies with IRS Publication 502**
- **Notice PIH 2023-27 states PHAs have no discretion to make policies in this area and states: "PHAs must review each expense to determine whether it is eligible in accordance with HUD's definition of health and medical care expenses."**

New Definition

- While PHA policies may not specifically align with Publication 502, HUD recommends PHAs use it as a standard for determining allowable expenses
- PHA may list examples of allowable expenses in policy provided they comply with HUD's definition
- The PHA may not define health and medical care expenses more narrowly than the regulation

Example

- Doug (age 65) and Sheryl (age 55) have out-of-pocket health and medical care expenses totaling $5,000 per year
- Their annual income is $43,000 per year

Example

- $43,000 x 10% = $4,300

  $5,000 health and medical care expenses
  <u>– $4,300</u>
  $700 health and medical care expense deduction

Hardship Exemptions

Section 12

Hardship Exemptions

- HOTMA established new hardship exemption categories for:
  - Health and medical care and disability assistance expenses
    - 24 CFR 5.611(c)
  - childcare expenses
    - 24 CFR 5.611(d)

Hardship for Health and Medical Care and Disability Assistance Expenses

Medical/Disability Assistance Hardship

- Two different categories of hardship exemptions:
  - Phased-In Relief: Families already receiving the deduction
  - General Relief: Families who can demonstrate a financial hardship

Phased-In Relief

Phased-In Relief

- Who are these families?
  - All families who received a deduction for unreimbursed health and medical care and/or reasonable attendant care or auxiliary apparatus expenses based on their most recent income review prior to January 1, 2024

Phased-In Relief

- Eligible families begin receiving phased-in relief at their next annual or interim, whichever occurs first, after the date on which the PHA implements phased-in relief
- The 10% amount is phased-in over a 24-month period

24-Month Phase-In

Frist 12 months
- Sum of expenses that exceeds 5% of annual income

Next 12 months
- Sum of expenses that exceed 7.5% of annual income

Conclusion of 24 months
- Hardship exemption expires and 10% is used

Example

- **John and Heidi are an elderly family who are program participants**
- **Their annual income is $40,000**
- **The PHA verifies their out-of-pocket medical expenses are $5,000**

Example

Deduction prior to HOTMA was 3%

- $40,000 x 3% = $1,200 → $5,000 - $1,200 = $3,800

Year 1: Deduction totals 5% for the first 12 months

- $40,000 x 5% = $2,000 → $5,000 - $2,000 = $3,000

Year 2: Deduction totals 7.5% second 12 months

- $40,000 x 7.5% = $3,000 → $5,000 - $3,000 = $2,000

Year 3: At the end of 24 months, 10% is used

- $40,000 x 10% = $4,000 → $5,000 - $4,000 = $1,000

Phased-In Relief

- Prior to the end of 24-months, the family may request a hardship exemption under the general relief category
  - If the family is eligible, the first category hardship exemption ends
  - Family's hardship is administered with the requirements of the second category

Tracking

- PHAs must track the 24-month phase-period for each eligible family
  - Even if a family's expenses go below the appropriate phase-in percentage during the first or second 12-month phase-in period

Tracking

- The phase-in must continue:
  - For families who move with continued assistance or port in HCV
  - For families who transfer to another PH unit at the same PHA
- PHAs may establish a policy to continue the phase-in for eligible families who are treated as new admissions under a different program
  - For example, move from PH to HCV

Ending the Hardship

- The PHA may not conduct an interim to remove a hardship exemption
  - Unless another change triggers an interim
- Instead, the PHA will submit a non-interim reexamination transaction

General Relief

General Relief

- Families that can demonstrate:
  - Their health and medical and/or disability assistance expenses increased (other than the transition to the higher threshold); or
  - The family's financial hardship is a result of a change in circumstances that would not otherwise trigger an interim reexam

General Relief

- The family may request a hardship exemption under the second category:
  - Regardless of whether the family previously received the health and medical and/or disability assistance deductions
  - Or are currently or were previously receiving relief under the first category

What is a financial hardship?

- The family is awaiting an eligibility determination for a federal, state, or local assistance program
- The family's income decreased because of a loss of employment, death of a family member, or due to a natural or federal/state declared disaster
- Other circumstances as determined by the PHA

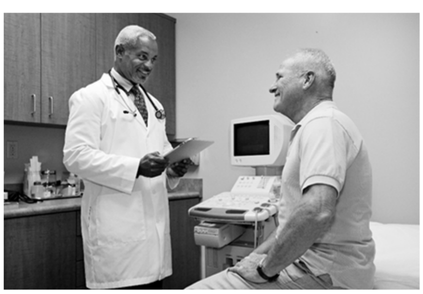
Phase-In

- If the family qualifies, the deduction is for the sum of eligible expenses that exceed 5% of annual income

End of Exemption

- Hardship relief ends the earlier of:
  - When the circumstances that made the family eligible for the relief are no longer applicable
  - 90 days

Extending Exemption



- The PHA may, at its discretion, extend the relief for one or more additional 90-day periods while the family's hardship condition continues

Example

- Tara and Maurice are a disabled family
- They recently had an increase in their medical expenses and requested a hardship exemption under the second category, which the PHA grants
- Their annual income is $30,000
- Their medical expenses are $8,000

Example

When exemption is in place, deduction totals 5%

- $30,000 x 5% = $1,500 → $8,000 - $1,500 = $6,500

Hardship continues until the earlier of 90 days or when the circumstances are no longer applicable.

When the exemption ends, 10% is used

- $30,000 x 10% = $3,000 → $8,000 - $3,000 = $5,000

Exemption to Continue the Childcare Deduction

Childcare Expenses

- Who qualifies?
  - A family whose eligibility for the childcare expense deduction is ending may request a financial hardship exemption to continue receiving the deduction

Childcare Expenses

- If the family demonstrates to the PHA's satisfaction:
  - The family is unable to pay their rent because of the loss of the childcare expense deduction
  - The childcare expense is still necessary even though the family member is no longer employed or furthering their education

Childcare Expenses

- If the family qualifies, the PHA must continue the childcare deduction
- The exemption must remain in place for a period of up to 90 days
- The PHA may, at its discretion, extend the hardship exemptions for additional 90-day periods based on family circumstances

Example

- Ms. Branch had been paying $250 per week out-of-pocket for her child Violet to attend childcare while she worked at a coffee shop
- She became unemployed when the coffee shop closed
- She reports she plans to enroll in college in 2 months

Example

- Although Ms. Branch has the availability to watch Violet, the child-care center has a long waiting list, and if Ms. Branch pulls Violet out temporarily, she would likely be without reliable childcare when she starts college
- Continuing to pay child-care expenses while not receiving earned income has made the family unable to pay their rent portion

Example

- The PHA determined that Ms. Branch met the hardship exemption criteria and is unable to pay rent
- The PHA will allow Ms. Branch to continue to receive the child-care expense deduction for 60 days

Requirements for Childcare and General Relief Hardships

PHA Policies

- PHAs must establish policies:
  - Regarding the types of circumstances that will allow a family to qualify
  - When the deductions may be eligible for 90-day extensions
  - Requiring families to report if the circumstances that made the family eligible for the hardship exemption are no longer applicable

Adding, Removing, or Extending

- The PHA may not conduct an interim to add, remove, or to extend a hardship exemption
  - Unless another change triggers an interim
- Instead, the PHA will submit a non-interim reexamination transaction

Family Notification: Approval

- PHAs must promptly notify families in writing of the:
  - Change in the determination of adjusted income
  - Family's rent resulting from the hardship exemption

Family Notification: Approval

- The written notice must inform the family of the:
  - Dates that the hardship exemption will begin and expire
  - Requirement for the family to report to the PHA if the circumstances that made the family eligible for relief are no longer applicable

Family Notification: Approval

- The notice must also state that the family's adjusted income and tenant rent will be recalculated upon expiration of the hardship exemption
  - PHAs must provide families 30 days' notice of any increase in rent

Family Notification: Termination

- PHAs must notify the family if the hardship exemption is no longer necessary and will be terminated because the circumstances that made the family eligible for the exemption are no longer applicable
- The notice must state the termination date and provide 30 days' notice of rent increase, if applicable

Consent Form Requirements

Old Form HUD-9886

- All adults were required to sign Form HUD-9886 at new admission and annually thereafter
- Form was valid or 15 months

Form HUD-9886-A

- New Form HUD-9886-A released 11/17/23
  - *Authorization for Release of Information/ Privacy Act Notice to HUD and the HA*
  - Consent form that all adult family members must sign (including the head and spouse/cohead, regardless of age)
  - Must be signed at admission only

When do participants sign the new Form HUD-9886-A signed?

- On or after January 1, 2024 (regardless of the PHA's compliance date), all current program participants must sign and submit a new Form HUD-9886-A at their next interim or annual reexamination
- Form is only signed once

New Form HUD-9886-A

- Another Form HUD-9886-A will not be submitted to the PHA except under the following circumstances:
  - When any person 18 years or older becomes a member of the family
  - When a current member of the family turns 18
  - As required by HUD or the PHA in administrative instructions

New Form HUD-9886-A

- Instead of only applying for 15 months, the executed consent now remains effective until:
  - The family is denied assistance, or
  - Assistance is terminated, or
  - The family provides written notification to the PHA to revoke consent

OMB Control Number: 2577-029

Use this form for reexaminations effective on or after January 1, 2024. Use form HUD-9886 for reexaminations effective prior to January 1, 202

Authorization for the Release of Information/Privacy Act Notice to the U.S. Department of Housing and Urban Development and the Housing Agency/Authority (HA)

U.S. Department of Housing and Urban Development, Office of Public and Indian Housing

PHA or IHA requesting release of information (full address, name of contact person, and date):

Authority: Section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, as amended by Section 903 of the Housing and Community Development Act of 1992 and Section 3003 of the Omnibus Budget Reconciliation Act of 1993. This law is found at 42 U.S.C. 3544. This law requires you to sign a consent form authorizing: (1) HUD, and the Housing Agency/Authority (HA) to request verification of salary and wages from current or previous employers; (2) HUD and the HA to request wage and unemployment compensation claim information from the state agency responsible for keeping that information; and (3) HUD to request certain tax return information from the U.S. Social Security Administration and the U.S. Internal Revenue Service.

Section 104 of the Housing Opportunity and Modernization Act of 2016. The relevant provisions are found at 42 U.S.C. 1437n . This law requires you to sign a consent form authorizing the HA to request verification of any financial record from any financial institutions as defined in the Right to Financial Privacy Act (12 U.S.C. 3401)), whenever the HA determines the record is needed to determine an applicant's or participant's eligibility for assistance or level of benefits.

Purpose: In signing this consent form, you are authorizing HUD and the above-named HA to request income information from the sources listed on the form. HUD and the HA need this information to verify your household's income, in order to ensure that you are eligible for assisted housing benefits and that these benefits are set at the correct level. HUD and the HA may participate in computer matching programs with these sources in order to verify your eligibility and level of benefits.

Uses of Information to be Obtained: HUD is required to protect the income information it obtains in accordance with the Privacy Act of 1974, 5 U.S.C. 552a. HUD may disclose information (other than tax return information) for certain routine uses, such as to other government agencies for law enforcement purposes, to Federal agencies for employment suitability purposes and to HAs for the purpose of determining housing assistance. The HA is also required to protect the income information it obtains in accordance with any applicable State privacy law. HUD and HA employees may be subject to penalties for unauthorized disclosures or improper uses of the income information that is obtained based on the consent form. **Private owners may not request or receive information authorized by this form.**

Who Must Sign the Consent Form: Each member of your family who is 18 years of age or older must sign the consent form. Additional signatures must be obtained from new adult members joining the family or whenever members of the family become 18 years of age.

Persons who apply for or receive assistance under the following programs are required to sign this consent form:

Public Housing
Housing Choice Voucher
Section 8 Moderate Rehabilitation

Failure to Sign Consent Form: Your failure to sign the consent form may result in the denial of eligibility or termination of assisted housing benefits, or both. Denial of eligibility or termination of benefits is subject to the HA's grievance procedures and Section 8 informal hearing procedures.

Revocation of consent: If you revoke consent, the PHA will be unable to verify your information, although the data matches between HUD and other agencies will continue to automatically occur in the Enterprise Income Verification (EIV) System if the family is not terminated from the program.

Sources of Information to be Obtained

State Wage Information Collection Agencies. (This consent is limited to wages and unemployment compensation I have received when I have received assisted housing benefits.)

U.S. Social Security Administration (HUD only) (This consent is limited to the wage and self-employment information and payments of retirement income as referenced at Section 6103(l)(7)(A) of the Internal Revenue Code.)

U.S. Internal Revenue Service (HUD only) (This consent is limited to unearned income [i.e., interest and dividends].)

Information may also be obtained directly from: (a) current and former employers concerning salary and wages; and (b) financial institutions as defined in the Right to Financial Privacy Act (12 U.S.C. 3401), whenever the HA determines the record is needed to determine an applicant's or participant's eligibility for assistance or level of benefits. I understand that income information obtained from these sources will be used to verify information that I provide in determining eligibility for assisted housing programs and the level of benefits. Therefore, this consent form only authorizes release directly from employers and financial institutions of information.

Original is retained by the requesting organization. ref. Handbooks 7420.7, 7420.8, & 7465.1 form **HUD-9886-A (10/23)** **exp. 10/31/26**

Consent: I consent to allow HUD or the HA to request and obtain income information from the sources listed on this form for the purpose of verifying my eligibility and level of benefits under HUD's assisted housing programs. I understand that HAs that receive income information under this consent form cannot use it to deny, reduce or terminate assistance without first independently verifying what the amount was, whether I actually had access to the funds and when the funds were received. In addition, I must be given an opportunity to contest those determinations.

This consent form remains effective until the earliest of (i) the rendering of a final adverse decision for an assistance applicant; (ii) the cessation of a participant's eligibility for assistance from HUD and the PHA; or (iii) The express revocation by the assistance applicant or recipient (or applicable family member) of the authorization, in a written notification to HUD or the PHA.

Signatures:

Head of Household	Date		
Social Security Number (if any) of Head of Household		Other Family Member over age 18	Date
Spouse	Date	Other Family Member over age 18	Date
Other Family Member over age 18	Date	Other Family Member over age 18	Date
Other Family Member over age 18	Date	Other Family Member over age 18	Date

Privacy Advisory. Authority: 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.), 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). Purpose: This form authorizes HUD and the above-named HA to request income information to verify your household's income in order to ensure that you are eligible for assisted housing benefits and that these benefits are set at the correct level. Failure to provide any of the requested information may result in a delay or rejection of your eligibility approval.

Penalties for Misusing this Consent: HUD and the HA (or any employee of HUD or the HA) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form. Use of the information collected based on the form HUD 9886 is restricted to the purposes cited on the form HUD 9886. Any person who knowingly or willfully 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 HA for the unauthorized disclosure or improper use.

OMB Burden Statement. The public reporting burden for this information collection is estimated to be 0.16 hours for new admissions and .08 hours for household members turning 19, including the time for reviewing, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Collection of information income and assets is required for program eligibility determination purposes. The submission of the consent form is necessary (form-HUD 9886) so that PHAs can carry out the requirements of Section 904 of the Stewart B. McKinney Homeless Assistance Amendments Act of 1988, as amended by Section 903 of the Housing and Community Development Act of 1992 and Section 3003 of the Omnibus Budget Reconciliation Act of 1993 (42 U.S.C. 3544) and Section 104 of HOTMA to ensure that HUD and PHAs can verify eligibility and income information for applicants and participants. This information collection is protected from disclosure by the Privacy Act. Send comments regarding this burden estimate or any other aspect of this collection of information, including suggestions to reduce this burden, to the Office of Public and Indian Housing, US. Department of Housing and Urban Development, Washington, DC 20410. When providing comments, please refer to OMB Approval No. 2577-0295. HUD may not conduct and sponsor, and a person is not required to respond to, a collection of information unless the collection displays a valid control number.

Original is retained by the requesting organization. ref. Handbooks 7420.7, 7420.8, & 7465.1 form **HUD-9886-A (10/23)**
exp. 10/31/26

Minors Turning 18

- **The PHA has the discretion to establish policies about when family members must sign consent forms when they turn 18**
  - **PHAs must establish policies stating when family members will be required to sign consent forms at intervals other than at reexamination**

Failure to Sign Consent Forms

- The regulations for both HCV and public housing called for a mandatory denial/termination if family members fail to sign and submit consent forms

Failure to Sign Consent Forms

- Under HOTMA, this does not apply if family members revoke their consent for the PHA to access financial records
  - Unless the PHA establishes a policy that revocation of consent will result in a denial or termination

Failure to Sign Consent Forms

- PHAs must notify their local HUD office when an applicant or participant family member revokes their consent
- PHAs must explain to families the consequences, if any, of revoking their consent

Failure to Sign Consent Forms

- When PHAs do not establish a policy to terminate participant families who revoke consent
  - The family is required to sign a new consent form at their next annual or interim, whichever occurs first
  - The PHA may not process an interim or annual, (including when a family's income decreases and the family requests an interim) without the family's executed consent form

Example

- Karen Andrews had her annual on 2/1
- One 6/1, she informed the PHA in writing that she revoked consent
- PHA policy does not call for immediate termination of assistance
- The PHA reports to HUD that Karen revoked her consent

Example

- On 11/1, Karen requests the PHA conduct an interim for a decrease in her income
- The PHA informs Karen she must sign a consent form or the PHA cannot process the interim
- Karen does not sign the consent form so the PHA does not process her interim
- At her next annual on 2/1, the PHA again requests that Karen sign the consent form. She refuses.
- The PHA is required to terminate her assistance.

Use of Other Programs' Income Determinations

Use of Other Programs' Income Determination

- PHAs may, but are not required to, determine a family's annual income (including income from assets) prior to the application of any deductions, based on income determinations made within the previous 12-month period, using income determinations from means-tested federal public assistance programs
  - This is known as a "Safe Harbor" income determination

What programs qualify?

- Temporary Assistance for Needy Families (TANF)
- Medicaid
- Supplemental Nutrition Assistance Program (SNAP) Earned Income Tax Credit (EITC)
- Low-Income Housing Credit (LIHTC) program
- Special Supplemental Nutrition Program for Woman, Infants, and Children (WIC)
- Supplemental Security Income (SSI)
- Other programs administered by HUD
- Other means-tested programs with which HUD has an MOU
- Other federal benefit determinations made in other forms of means-tested federal public assistance that the Secretary determines to have comparable reliability and announces through the Federal Register

PHA Policies

- PHA policy needs to address:
  - If the PHA will accept Safe Harbor determinations
  - When they will accept Safe Harbor determinations
    - New admission, annual, and/or interim reexam
  - From which programs they will accept determinations

Use of Other Programs' Income Determination

- If the PHA uses a Safe Harbor determination, the PHA may obtain directly from the other program or the family
- The verification must:
  - State the family size
  - Be for the entire family
  - State the amount of the family's annual income
    - Income does not need to be broken down by family member or income type

Acceptable Documentation

- Safe Harbor documentation is acceptable if any of the following dates fall into the 12-month period prior to the receipt of the documentation by the PHA:
  - Income determination effective date;
  - Program administrator's signature date;
  - Family's signature date;
  - Report effective date; or
  - Other report-specific dates that verify the income determination date

Use of Other Programs' Income Determination

- The other program may provide additional information about the family's income
- These determinations and any other information must not be considered by the PHA
- The only information PHAs are permitted to use to determine income is the total income determination made by the other program

Use of Other Programs' Income Determination

- When using Safe Harbor to verify a family's income, PHAs may not make additional inquiries about a family's net family assets or about the income earned from those assets beyond what is stated on the Safe harbor determination
- However, the PHA must still ask the family if they owns assets that exceed the asset limitation
  - PHA may accept self-certification

Use of Other Programs' Income Determination

- If a family presents multiple verifications from the same or different acceptable programs, PHA policy must state the course of action
- PHAs may not mix and match Safe Harbor income determinations and other income verifications

Use of EIV

- The PHA is not required to use the EIV Income or New Hires reports at annual reexam if a Safe Harbor income determination is used

Use of Other Programs' Income Determination

- The PHA must calculate the family's annual income using traditional methods if:
  - The PHA is unable to obtain Safe Harbor documentation
  - The family disputes the other program's income determination

Changes in Income

- If the PHA uses a Safe Harbor determination to determine the family's income, the family is obligated to report changes in income that meet the PHA's reporting requirements and occur after the effective date of the transaction

Example: The Carr Family

- The PHA completed an annual reexam for the Carr family effective 3/1/2024 using a Safe Harbor income determination
- The Carrs began receiving a new source of income on 2/15/2024
- The family does not need to report the change to the PHA
- If the family has a change in adjusted income after 3/1/2024, then the family must report the change in accordance with PHA policy

Deductions

- When a family claims the disability assistance and/or child care expense deductions, the PHA must cap the deduction(s) by the earnings of the family member who is enabled to work
- If the family claims either deduction, the PHA must obtain third-party verification of the applicable employment income and cap the respective expense accordingly

Example: The Smith Family

- A PHA implements the Safe Harbor provision for annuals only
- PHA policy says they will accept determinations from SNAP
- At the Smith family's annual, the family provides the PHA with an original print out from the agency that administers SNAP

Example

- The printout from SNAP:
  - Shows the correct family size of 4
  - Shows the current household composition
  - Shows the family's annual income
  - Is dated 30 days prior to the PHA's request
  - Shows the income was determined 6 months ago

Example

SNAP Budget Calculation (from State Department of Social Services)

Report Date: 05/17/2024

Head of Household: Smith, Hunter

Home Address: 123 Main Street, USA

Household members:

Last Name	First Name	Date of Birth	Relationship
Smith	Hunter	01/01/1974	Head of Household
Smith	Annabelle	06/18/1976	Spouse
Smith	Lola	05/17/2019	Daughter
Smith	Eric	05/17/2019	Son

Budget Calculation

Monthly Earned Income: $1,625

Total Unearned Income: $0

Standard Deduction: $112.50

Monthly childcare/dependent care: $50

Allowable medical deductions: $0

Example

- The PHA lists $19,500 as the family's annual income
  - $1,625 earned income + $0 unearned income x 12 months
- The PHA does not need to take any additional steps to verify or calculate annual income
  - Including comparing the income to EIV data
  - Or verifying the amount of the family's assets
- The PHA must verify any applicable deductions to calculate the family's adjusted income

Verification Hierarchy

Verification Hierarchy

- Notice PIH 2023-27 describes the verification hierarchy which lists documentation requirements from most to least acceptable
- The PHA must demonstrate efforts to obtain third-party verification prior to accepting self-certification
  - Except in instances when self-certification is explicitly allowed

Levels of Verification

6. Highest: Up-front Income Verification (UIV) using EIV
5. Highest: UIV using non-EIV systems
4. High: Written, third-party from the source or EIV + self-certification
3. Medium: Written, third-party verification form
2. Medium: Third-party oral verification
1. Low: Self-certification

6 Up-front Income Verification (UIV) using EIV

Using EIV

- EIV Income Report is:
  - Mandatory for annual reexams
    - Except when the PHA uses Safe Harbor verifications
  - Optional for interim reexams
  - Not available for applicant families or new members added to currently assisted households

Timeframe for Pulling EIV

- The PHA must pull the EIV Income report within 120 days of the effective date of the annual reexam

Income Validation Tool (IVT)

- HUD is going to update the discrepancy logic for the IVT to conform with HOTMA
- PHAs are not required to investigate discrepancies until HUD updates the IVT
- HUD will notify PHAs when the new report is ready

5 UIV using non-EIV systems

UIV Using Other Sources

- While EIV is mandatory, UIV using other sources is optional
- Used to validate tenant-reported income

UIV Using Other Sources

- The Work Number
- State government databases/SWICA
- State TANF systems
- Credit Bureau Association (CBA) credit reports
- Internal Revenue Service (IRS) – tax transcript
  - Request with IRS form 4506-T

4

Written, third-party from the source

or

EIV + self-certification

EIV + Self-Certification

- EIV may be used as written third-party verification and may be used to calculate income if:
  - The family agrees with the information in EIV
    - and
  - Self-certifies that the amount is accurate and representative of current income

EIV + Self-Certification

- PHA may use its discretion to determine which method of calculation is reasonable
  - The last four quarters combined
  - An average of any number of quarters
- This means that if only one quarter is listed in EIV, the PHA must use other verification

EIV + Self-Certification

- The family must be provided with the information from EIV
- Written, third-party verification must be used when the family disputes the EIV-reported information

Written Third-Party from the Source

- Original or authentic document generated by a third-party source
  - Called “tenant-provided verification”
  - Includes documents provided by family

Age of Verifications

- Generally, dated within 120 days of receipt by the PHA, except:
  - For fixed-income sources, a statement dated within the appropriate benefit year is acceptable
  - The PHA may use verification obtained during an interim for an annual if there have been no other changes to income since the interim

Written Third-Party from the Source

- The PHA may reject tenant-provided third-party documents only if they are:
  - Not original
  - Forged
  - Altered, mutilated, or not legible
- PHA explains to family and request additional documentation

3

Written, third-party verification form

Third-Party Verification Form

- The PHA may use this method when:
  - Higher forms are unavailable
  - Higher forms are rejected by the PHA
  - The family is unable to provide acceptable verification

Third-Party Verification Form

- The PHA may skip this level of verification and may instead substitute oral third-party verification before moving to self-certification

2 Third-party oral verification

Oral Third-Party Verification

- PHAs contact the independent sources by telephone or in person
- Third-party oral verification may be used when requests for written verification have not been returned within a reasonable time
  - E.g., 10 business days

Oral Third-Party Verification

- The PHA may skip this level of verification if they attempted written third-party verification via a form and the source did not respond and move directly to self-certification

1 Self-Certification

Self-Certification

- Non-third-party verification consists of a signed statement of reported income and/or expenses
- Used as a last resort when the PHA has not been successful in obtaining information via all other required verification techniques

Self-Certification

- When the PHA was required to obtain third-party verification but instead relies on self-certification, the family's file must be documented to explain why third-party verification was not available

Self-Certification

- HUD does not require that a self-certification be notarized
- HUD recommends including language on any self-certification to ensure the certifier understands the consequences of knowingly providing false information
  - See Notice PIH 2023-27 for sample language

Verifying Excluded Income

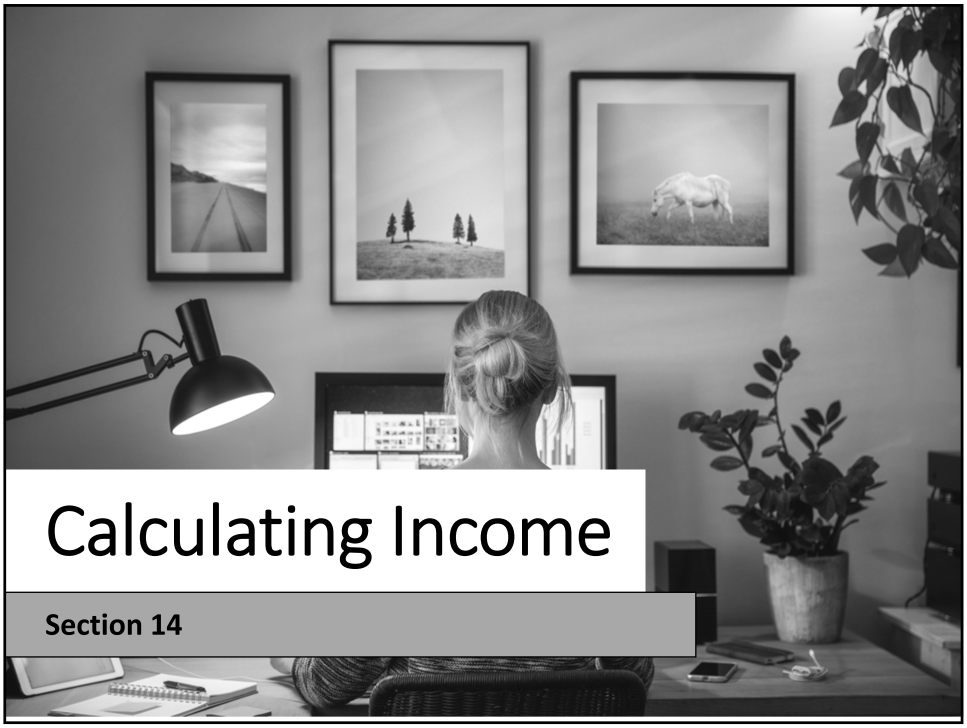
- For fully excluded income, the PHA is not required to:
  - Verify/document according to verification hierarchy
  - Report income on the 50058
- The PHA may accept self-certification of fully excluded income
  - Application/reexam forms are acceptable

Verifying Excluded Income

- For partially excluded income, the PHA must:
  - Follow verification hierarchy
  - Report on 50058 form
- Examples of partially excluded income:
  - Earnings of FT student 18 or over
  - Training program income

Self-Certification

- Self-certification is acceptable when:
  - A source of income is fully excluded;
  - Net family assets total $50,000 or less and the PHA has adopted a policy to accept self-certification;
  - A family declares that they do not have any present ownership in any real property;
  - A family states that they have non-recurring income that will not be repeated in the coming year; and/or
  - PHA policy allows for streamlined annual reexams for fixed sources of income
  - A family reports zero income



Calculating Income

- The PHA must determine income for the previous 12-month period at annual reexam
  - Not applicable if the PHA uses a streamlined income determination or Safe Harbor verification

Calculating Income

- When determining income for the previous 12 months, the PHA must take into consideration any changes in income since the family's last annual reexam
  - Including those that did not trigger an interim
  - Changes may be a loss of income or a new source of income

Applying the SS COLA

- However, the SS COLA is anticipated at annual and interim reexams
- COLA announced annually in October
- Effective the day after SSA announces the COLA, the PHA must factor it in for all annuals and interims that have not yet been completed and are effective January 1 or later of the following year

Calculating Income

- Using past income only applies to income
- Income from assets is always anticipated, regardless of the examination type

Calculating Income

- Notice PIH 2023-27 lists steps for calculating income at an annual reexam
  - Not applicable if the PHA uses a streamlined income determination or Safe Harbor verifications
  - Income from assets is always anticipated regardless of the reexam type

Step 1

- Determine annual income for the previous 12-month period by reviewing:
  1. EIV Income Report pulled within 120 days of the effective date of the annual;
  2. Income reported on the most recent HUD–50058; and
  3. Amount of prior-year income reported by the family on the annual reexam paperwork

Step 2

- Take into consideration any interim completed since the last annual
  - If there was an interim, use the annual income from the interim to determine the family's total annual income, provided there are no additional changes
    - PHA may use verification obtained from the interim reexam for this step
  - If there was no interim or there have been changes since the last reexam, move to Step 3

Step 3

- If there were changes not processed by the PHA since the last reexam:
  - The PHA must use current income
  - The PHA must follow the verification hierarchy

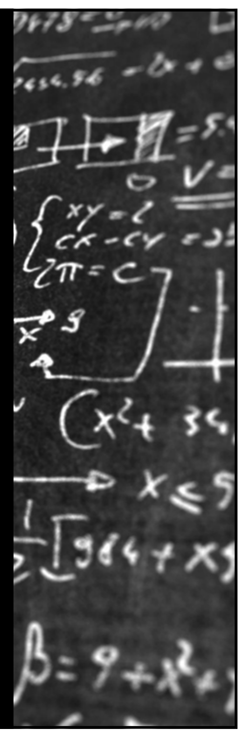
Step 3

- If there are no changes, the PHA may use documentation of prior-year income to calculate annual income, including:
  - EIV + self-certification (when the family agrees)
    - Wages, SSI, SS, and unemployment
  - Current written third-party verification from the source verifying prior-year income that is dated within 120 days of receipt by the PHA

Step 3

- The family must self-certify they agree with amounts in EIV
  - For wages, unemployment, SS, and SSI
- If the PHA notes discrepancies between EIV and what the family reports, the PHA must follow the verification hierarchy

Example calculation



Example: Paul Hewson

Example: Paul Hewson

- The PHA is processing a 5/1/24 annual for Paul
- Since his 5/1/23 annual:
  - Paul reported a decrease in income of more than 10% when he transferred from a full-time job at Sasha's Sweets to a part-time job at Viking Bakery
  - The PHA performed an interim effective 7/1/23 and reduced his income from $28,000 to $7,500
  - After the 7/1/23 interim, Paul worked briefly at two other jobs but now says he is no longer working or planning to work

Example: Paul Hewson

- The PHA pulled the EIV report within 120 days of 5/1/24

Wages Total: $18,271
Quarter 3 of 2023: $2,500 (Viking Bakery)
Quarter 3 of 2023: $796 (Sweet Tooth Candy Bar)
Quarter 2 of 2023: $1,300 (Sasha's Sweets)
Quarter 2 of 2023: $584 (Larry's Concessions)
Quarter 2 of 2023: $2,401 (Viking Bakery)
Quarter 1 of 2023: $6,500 (Sasha's Sweets)
Quarter 4 of 2022: $600 (Sasha's Sweets)
SS/SSI: No history of benefits.

Example: Paul Hewson

- On his annual reexam paperwork, Paul reported the following information:
  - Wages: $0
  - SS disability benefit: $14,400 (1,200 monthly)

Example: Paul Hewson

- Paul certified he does not agree with wages in EIV
- He reported he is currently unemployed
- He provided a copy of an award letter from the SSA to document that he will begin receiving a monthly disability benefit of $1,200 effective 3/1/2024

Example: Paul Hewson

- Step 1: Determine prior year income
  - EIV wages reflected: $18,271
- Step 2: Take into consideration any interims
  - Interim performed 7/1/23 to reduce wages to $7,500

Example: Paul Hewson

- **Step 3: The PHA obtains documentation to verify current income and confirm Paul is no longer employed at Viking Bakery or The Sweet Tooth Candy Bar (the employers reported in the most recent quarter of EIV)**
- **Provided verification states he is no longer working, PHA lists $14,400 from SS disability on Paul's 2024 Form 50058**

7. Income

7a. Family Member Name	No.	7b. Income Code	7c. Calculation (PHA use)	7d. Dollars per year	7e. Income exclusions	7f. Income after exclusions (7d minus 7e)
Paul	1	SS		$ 14,400	$	$14,400
				$	$	$
				$	$	$
				$	$	$
				$	$	$
				$	$	$
				$	$	$
				$	$	$
				$	$	$
				$	$	$
				$	$	$
				$	$	$
7g. Column total						$ 14,400 7g.
7h. Reserved						
7i. Total annual income: 6k + 7g						7i.

Over-Income Status (Public Housing Only)	
7j. What is the applicable over-income limit for families of this size?	$ 7j.
7k. Is the family's annual income greater than the over-income limit? [ ] Y [ ] N	7k.
7l. If the family is over-income, note the start date of the 24 consecutive month grace period	7l.

Conducting Interim Reexams

Section 15

Non-Interim Transactions

Non-Interim Transaction

- Under HOTMA, the reasons a PHA performs an interim are typically dictated by PHA policy
- Because of this, families may experience changes within the household that do not trigger an interim reexam under HOTMA but still need to be reported by the PHA to HUD

Non-Interim Transaction

- New action code on the 50058: Non-interim reexamination transactions
- HUD will issue additional guidance when the *50058 Instruction Booklet* is finalized
- Notice PIH 2023-27 has a list of transactions that will trigger non-interim reexams

Non-Interim Transactions

- Adding/removing hardship exemption for child-care
- Updating/removing phase-in for health and medical care
- Adding/removing general hardship relief for health and medical care
- Adding/removing minimum rent hardship

Non-Interim Transactions

- Adding/removing a household member
  - Live-in aide, foster child/adult
- Ending EID or starting EID phase-in
- Adding/removing family member that does not trigger an interim
- Adding/updating SS numbers
- Updating citizenship status
- Rent Increase (HCV/PBV only)

Conducting Interims

Projecting Income at Interim

- Remember, for an interim, the PHA must estimate the income of the family for the upcoming 12-month period
  - Income is projected at interim

Conducting Interims

- We're going to talk about interims for:
  - Changes in household composition
  - Interim increases in income
  - Interim decreases in income
- And then we'll talk about family reporting and effective dates

Changes in Household Composition

Changes in Household Composition

- PHAs must require families to report household composition changes
- PHAs determine the timeframe in which reporting happens
  - For example, within 10 business days of the change

Removal of Household Members

- Family must promptly notify the PHA if any household member no longer lives in the unit
  - This is not new
- PHA is required to process an interim for all decreases in adjusted income when a family member permanently moves out of the unit
  - Required under HOTMA

Removal of Household Member

- If the effect of the changes in adjusted income due to a decrease in family size results in either:
  - No change; or
  - An increase in the family's adjusted income
- The PHA must process the removal of the household member(s) as a non-interim transaction without making changes to the family's adjusted income

Example: Decrease

- A family member moved out of the assisted unit
- The family's adjusted income prior to the change in household composition was $20,000, but that decreased to $18,000 when the family member moved out
- Since HUD requires PHAs to process any decreases in adjusted income due to decreases in family size, the PHA must process an interim

Example: No Change

- A live-in aide moved out of the assisted unit
- The family's adjusted income did not change
- The PHA must process the removal of the household member as a non-interim transaction without making changes to the family's adjusted income

Interim Decreases

Family-Requested Interims

- A family may request an interim at any time for any change in income or family composition since the last reexam

Family-Requested Interims

- The PHA must conduct an interim within a reasonable time after the family request or when the PHA becomes aware of the change
  - Reasonable time may vary based on the amount of time it takes to verify information
  - Generally, should not be longer than 30 days after changes in income are reported

Interim Decreases

- Even though the family may request an interim at any time, the PHA may decline to conduct an interim if the PHA estimates the family's adjusted income will decrease by an amount that is less than 10% of the family's adjusted income

Interim Decreases

- PHAs have some discretion here
  - The PHA may set a specific threshold lower than 10% (i.e., 5%)
  - The PHA may perform interims for decreases of any amount

10% Threshold

- PHAs may not:
  - Set a higher amount than 10%
  - Establish a dollar figure threshold amount instead of a percentage threshold

Example

- Martha Allen's annual income is $12,000
- Her deductions are:
  - $3,000 for health and medical expenses
  - $525 elderly/disabled deduction
- Her adjusted income is $8,475

Example

- She just incurred a medical expense of $500.
- She is requesting the PHA conduct an interim decrease to account for the new expense.
- The threshold to trigger an interim decrease for Martha is $847.50.
  - Adjusted income of $8,475 x 10%
- Since the expense does not meet the 10% threshold, the PHA may, but is not required to, decline to conduct the interim.

Interim Decreases

- However, the PHA must perform an interim for a decrease in adjusted income of <u>any amount</u> in two circumstances:
  - When there is a decrease in family size attributed to the death of a family member;
  - When a family member permanently moves out of the assisted unit during the period since the family's last reexamination

Interim Decreases

- If there is no change/decrease in adjusted income as a result of the decrease in family size, then a non-interim transaction is processed instead of an interim reexam

In other words…

- When a household member dies or permanently moves out:
  - Decreases in adjusted income
    - Interim reexam
  - Increases in adjusted income
    - Non-interim transaction
  - Adjusted income stays the same
    - Non-interim transaction

Example

- A family consists of a head of household who works full time and an other adult who is zero income
- The other adult passes away
- There is no change in the family's adjusted income
- The PHA processes a non-interim transaction

Interim Increases

Increases of Less than 10%

- PHAs must not process an interim reexam for income increases that result in less than a 10% increase in adjusted income

Example: Increase of Less than 10%

- Mandy Alexander's total annual income was $25,000 at her last annual
- She has one dependent
- Adjusted income was: $24,520
- Her TANF benefits just increased
- Her adjusted income is now $26,520
  - $2,000 increase
- $24,520 x 10% = $2,452
- $2,452 or more is the threshold for conducting an interim
- Since the increase is less than 10%, the PHA may not perform an interim

Increases of 10% or More

- PHAs must conduct an interim when the PHA becomes aware that the family's adjusted income has changed by an amount that the PHA estimates will result in an increase of 10% or more in adjusted income
- There are two exceptions

Exception #1

- PHAs may choose not to conduct an interim during the last three months of a certification period if a family reports an increase in income within 3 months of the next annual reexam effective date
  - Optional: Up to PHA policy
  - Only applicable for increases, not decreases

Example

- Maya Mays annual last year was effective 11/1
- The PHA begins processing Maya's annual for this year in September with an 11/1 effective date
- On 10/1 Maya reports that her TANF benefits have increased by $30 per month and this amount meets the 10% threshold for increases

Example

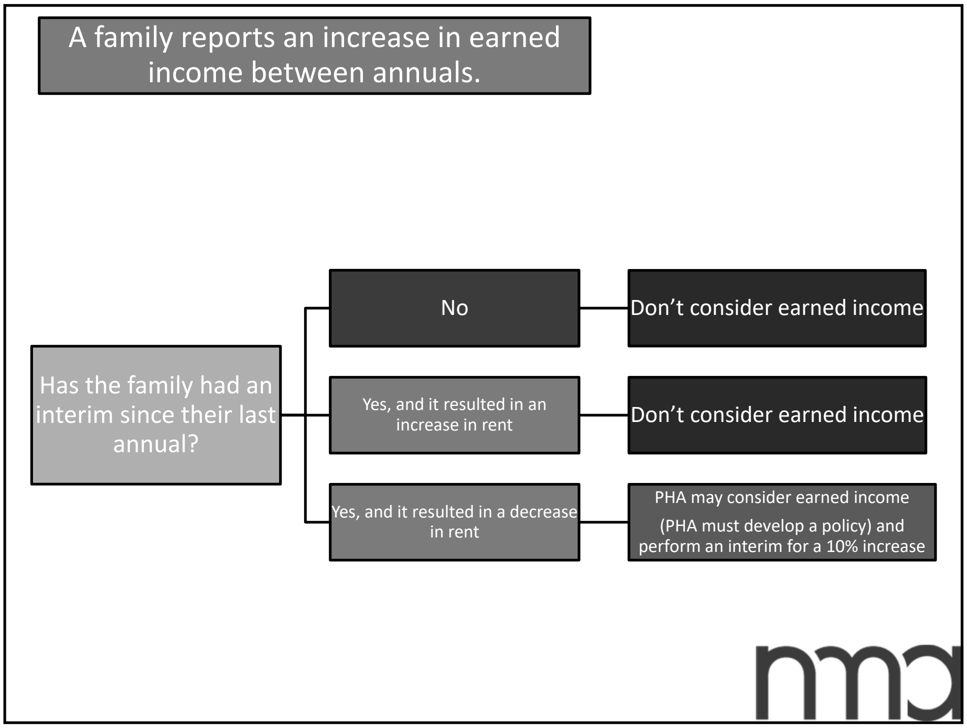
- While the change meets the 10% interim increase threshold, the PHA may decline to perform the interim since her next annual will be effective in one month

Exception #2

- PHAs may not consider any increases in earned income when estimating or calculating whether the family's adjusted income has increased
- Unless the family has previously received an interim reduction during the same reexam cycle

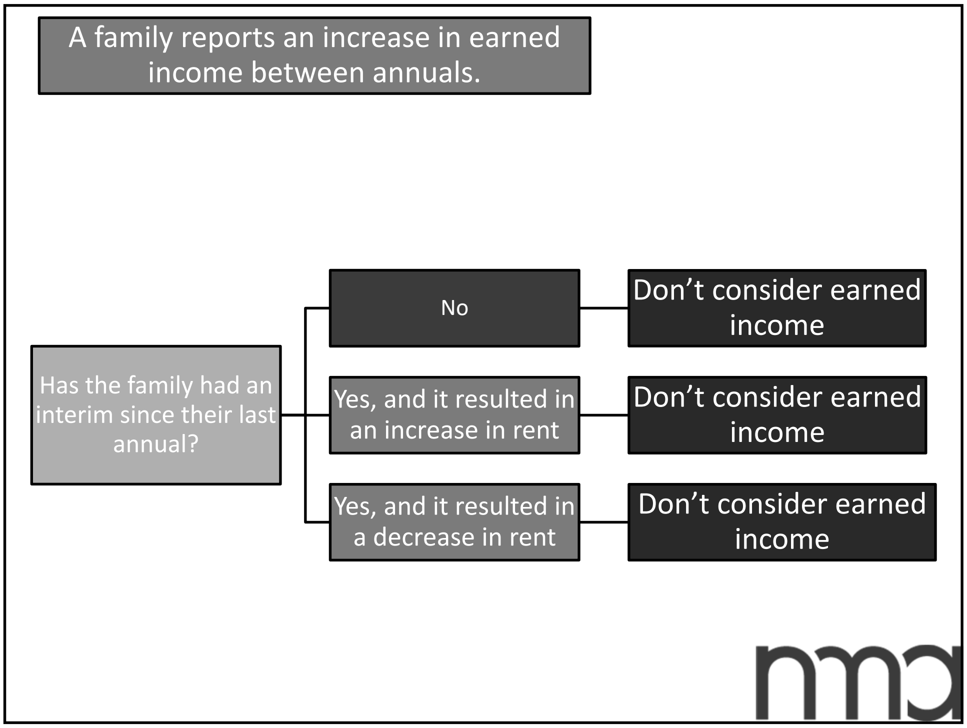
In other words…

- For changes in EARNED income:
  - If the family had an interim decrease since their last annual, the PHA has discretion whether or not to consider increases in earned income
  - If the family did NOT have an interim decrease since their last annual, the PHA has no discretion and MUST NOT consider increases in earned income



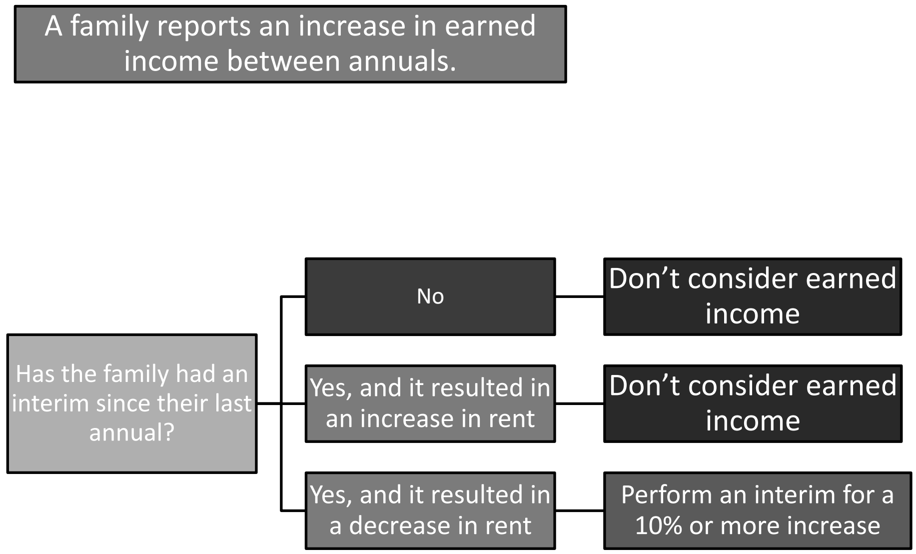
Changes in Earned Income

- **If PHA policy states that the PHA will not conduct an interim for increases in earned income when there was a previous interim decrease:**
  - **The PHA will not perform interims for any increases in earned income, regardless of the amount**



Changes in Earned Income

- If PHA policy states that the PHA will conduct an interim for increases in earned income when there was a previous interim decrease:
  - The PHA will perform interims for increases in earned income when the 10% threshold is met



Changes in Income

- Remember, at annual, PHAs are looking backwards
  - The PHA must make adjustments to reflect current income if there was a change in the previous 12-months that wasn't accounted for during an interim
- So when a family has an increase between annuals and the PHA does not conduct an interim, that income will be considered at the family's next annual

Example: Earned Income

- Greg Garland lives alone.
- At his annual reexam in May, he had a job earning $32,200 a year. This was his only source of income.
- Greg did not qualify for deductions and his adjusted income is $32,200 at the time.
- 3 months later, he gets a promotion and a raise to $40,000 a year.

A family reports an increase in earned income between annuals.

Has the family had an interim since their last annual? → No → Don’t consider earned income

- Since Greg has not had an interim since his last annual, the PHA may not consider the increase in his earned income and will not perform an interim.

Example: Earned Income

- Since the PHA may not consider the increase in earned income, the 10% threshold is not applicable
- The PHA will consider his raise when conducting his next annual reexam

Example: Earned Income

- Tameka Barnes lives alone.
- At her annual, she had a job earning $25,000 a year. This was her only source of income.
- Tameka did not qualify for deductions, and her adjusted income was $25,000.
- 3 months later, she lost her job.
- The PHA conducted an interim decrease and made Tameka zero income.

Example: Earned Income

- 2 months later, Tameka got a new job earning $30,000 and reported this to the PHA
- Does the PHA perform an interim?

A family reports an increase in income between annuals.

Has the family had an interim since their last annual? — Yes, and it resulted in a decrease in rent — PHA may consider earned income (PHA must develop a policy)

- Since Tameka previously had an interim decreases when she lost her job, the PHA may consider her increase in earned income depending on PHA policy.

Example: Earned Income

- If PHA policy calls for performing an interim in this situation:
  - The PHA must determine if her increase meets the 10% threshold
  - For Tameka the answer is yes because she was zero income
  - The PHA will process an interim

Example: Earned Income

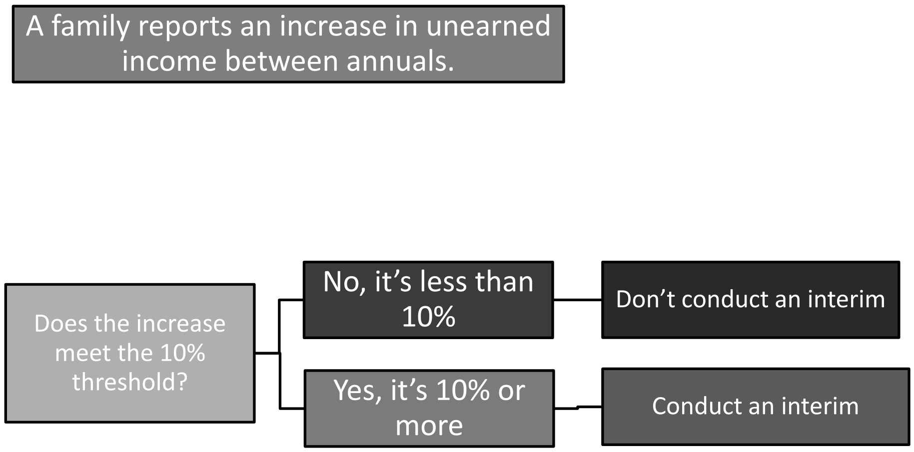
- If PHA policy does not call for performing an interim in this situation:
  - The PHA will not perform an interim
  - The 10% threshold does not apply
  - The PHA will consider the new income from her job at her next annual reexam

Changes in Unearned Income

- For changes in unearned income, the PHA does not consider whether or not an interim was previously performed
- The PHA only considers whether the 10% threshold has been met

In other words…

- For changes in earned income, the PHA first considers whether or not the family has had an interim since their last annual
- For changes in unearned income, the PHA does not consider whether an interim was previously performed



Example: Unearned Income

- **Maria Media was receiving $90 per month in child support at her last annual in March. This was her only source of income. Her annual income was $1,080**
- **Maria has two children, and her adjusted income was $120 at the time**
- **In July, she reports to the PHA that her child support has increased to $200 per month**

Example: Unearned Income

- The PHA must determine if the increase meets the 10% threshold
  - $120 (adjusted income) x 10% = $12
  - Maria's increase meets the threshold since it's more than $12
  - The PHA conducts an interim

What happens if earned and unearned income both increase?

- When the family reports an increase in both earned and unearned income at the same time, the PHA must look at the earned and unearned income changes independently of each other to determine if an interim is performed

What happens if earned and unearned income both increase?

- The PHA will only conduct an interim when the increases independently meet the 10% threshold and all other requirements for performing interims are met

Example

- A family reported increases in both earned and unearned income that overall resulted in a 12% increase in their adjusted income
  - Change in earned income represents a 7% increase
  - Change in unearned income represented a 5% increase
- The PHA may not perform an interim for either change since neither change meets the 10% threshold independently

Example

- If the change in unearned income met the 10% threshold in this case, the PHA would be required to perform an interim
- If the change in earned income met the 10% threshold in this case, the PHA would refer to PHA policy to determine whether an interim was required

Cumulative Increases

- A series of smaller reported increases in adjusted income may cumulatively meet or exceed the 10% increase threshold, at which point the PHA must conduct an interim reexam in accordance with PHA policy

Example

- At their last annual effective June 1, 2024, the Mosberg family's adjusted income was $35,909
  - Based on earned income of the HOH and two dependent deductions

Example

- In August, the HOH reported she received a raise at work, increasing her annual earned income by $2,650
- She also recently started receiving monthly child support payments of $150 ($1,800 annually)
- She reported no other changes

Example

- While the combined increase of earned income (wages) and unearned income (child support) is a 12.3%, the PHA must look at the earned and unearned income changes independently to determine if an interim should be performed

Example

- The increase in earned income represents a 7% increase
- The increase in unearned income represents a 5% increase
- The PHA documented in the tenant file that the family reported the change, but an interim was not performed

Example

- In November, the HOH reported that her monthly child support payments increased again, from $150 to $325 ($3,900 per year)
- She certified no other changes to income or deductions

Example

- The change in unearned income represents a 10.8% increase in adjusted income (based on the 6/1/2024 annual)
- The PHA must perform an interim, but only for the change in unearned income
- The PHA will continue to disregard the increase in earned income until the family's next annual reexam

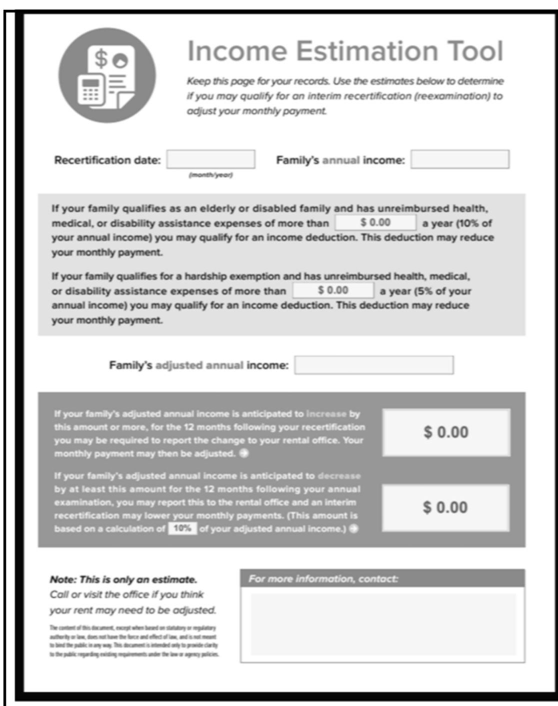
Family Reporting

Family Reporting

- PHAs must develop policies that describe when and under what conditions families must report changes in household composition and adjusted income
  - For example, how many days does the family have to report a change?
    - Up to PHA policy

Family Reporting

- PHA policy may require families to report only changes that the family estimates meet the threshold for an interim
  - or
- PHA may establish policies requiring that families report all changes in income and household composition, and the PHA will subsequently determine if the change requires an interim



Income Estimation Tool

Keep this page for your records. Use the estimates below to determine if you may qualify for an interim recertification (reexamination) to adjust your monthly payment.

Recertification date: ______ *(month/year)* Family's annual income: ______

If your family qualifies as an elderly or disabled family and has unreimbursed health, medical, or disability assistance expenses of more than $ 0.00 a year (10% of your annual income) you may qualify for an income deduction. This deduction may reduce your monthly payment.

If your family qualifies for a hardship exemption and has unreimbursed health, medical, or disability assistance expenses of more than $ 0.00 a year (5% of your annual income) you may qualify for an income deduction. This deduction may reduce your monthly payment.

Family's adjusted annual income: ______

If your family's adjusted annual income is anticipated to increase by this amount or more, for the 12 months following your recertification you may be required to report the change to your rental office. Your monthly payment may then be adjusted. $ 0.00

If your family's adjusted annual income is anticipated to decrease by at least this amount for the 12 months following your annual examination, you may report this to the rental office and an interim recertification may lower your monthly payments. (This amount is based on a calculation of 10% of your adjusted annual income.) $ 0.00

Note: This is only an estimate.
Call or visit the office if you think your rent may need to be adjusted.

The content of this document, except when based on statutory or regulatory authority or law, does not have the force and effect of law, and is not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

For more information, contact:

- PHA may provide families with a copy of the income estimation tool at their annual so that the family understands the 10% threshold

Effective Dates

Changes Reported Timely: Rent Decreases

- Rent decreases are effective on the first of the month after the date of the actual change leading to the interim reexam
  - This means the decrease will be applied retroactively

Changes Reported Timely: Rent Increases

- For rent increases, PHAs must provide the family with 30 days advance written notice
- Increase is effective the first of the month after the end of that 30-day notice period

Failure to Report Rent Increases

- If the family fails to report, the PHA must implement any rent increase retroactively to the first of the month following the date of the change

Example

- Maria Martin's last annual was in August
- On 11/1 her child support increased by 15%
- Under PHA policy, Maria was required to report the increase within 10 days
- However, she failed to report the change until February
- The increase will be retroactive to 12/1
  - First of the month following the change

Failure to Report Decreases

- If the family fails to report and it would result in a decrease, the PHA implements the change no later than the first rent period following the completion of the interim

Example

- Harry Halloway was receiving unemployment at his last annual reexam effective 4/1. He stopped receiving benefits in July, but he failed to report this timely and reported the decrease on 11/10.
- The PHA processes an interim in November after he reports the decrease.
- The PHA applies the decrease prospectively to December 1 which is the first rent period following the completion of the interim.

Failure to Report Decreases

- However, the PHA may choose to adopt a policy that would make the effective date of the rent decrease retroactive to the first of the month following completion of the reexam
  - PHAs may choose to establish conditions or requirements for when such a retroactive application would apply

Failure to Report Decreases

- If the PHA adopts such policies, the earliest date that the retroactive decrease is applied is the later of:
  - The first of the month following the date of the change that lead to the interim reexamination;
    - or
  - The first of the month following the most recent previous income examination.

Example

- James June is HOH. His adult son moved out of his assisted unit on 3/1. Under PHA policy, James was required to report the change within 10 days. He failed to report.
- At the time, the PHA had already processed his annual effective 4/1.
- He reported the change on 6/12.

Example

- The decrease may not be applied prior to the later of the first of the month following:
  - The date of the change leading to the interim: 3/1
  - The effective date of the family's most recent previous annual: 4/1
- The later of these dates is 4/1
- If the PHA will apply the change retroactively, the PHA will make the change retroactive to first of the month following the 4/1 annual which is 5/1.

Policy Exceptions

- Rather than applying retroactive decreases in all cases, the PHA may adopt a policy to describe the conditions under which retroactive decreases will be applied
  - e.g., extenuating circumstances that may inhibit timely reporting or a natural disaster

Interims and FSS

- FSS families are subject to the same 10% interim rules under HOTMA
  - Escrow accounts may not grow through out the year
  - No interim to start FSS unless a 10% change in adjusted income
    - Escrow would begin at first annual reexamination

Interims and FSS

- Although families may experience fewer escrow increases under HOTMA this may offer families opportunity to use increased earnings outside the FSS program scope
  - Realize short- or long-term goals
    - Invest in a hobby
    - Take family on vacation
    - Purchase a car

FSS and HOTMA

PHAs who operate FSS programs should note that families participating in the FSS program are subject to all HOTMA interim reexamination regulations. PHAs cannot implement local policy to perform an interim reexamination for increases in adjusted income below the 10% threshold for FSS participants.

Although families participating in FSS may experience fewer escrow increases under the HOTMA final rule, the revised IR regulations may provide these families the opportunity to use their increased earnings to realize other short or long-term goals outside of the scope of the FSS program.

The HOTMA interim reexamination regulations impact administration of the FSS program in the following ways:

1. FSS participants are subject to *all* requirements of the HOTMA interim reexamination regulations; and
2. At enrollment, PHAs may not perform an interim reexamination of annual income *unless* the family experienced a change in adjusted annual income that meets the threshold to perform an interim reexamination under the HOTMA final rule.
3. Families for whom their first reexamination of income does not occur until their regularly scheduled annual reexamination will not have the opportunity to begin escrowing their increased earnings until that time and may have fewer escrow increases over the life of the 5-year contract[2].

Source: **Public Housing and Housing Choice Voucher Program List of Discretionary Policies to Implement HOTMA**

Thank you for attending!