

CALCULATING AND VERIFYING COMMON AND UNCOMMON ASSETS AND INCOME

North Tampa Housing Development Corporation

Leading Age – Florida Convention

Wednesday 07/20/2022

2:45PM-3:45PM



SESSION SPEAKER

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OBJECTIVES

- Today we will briefly discuss:
 - What is Income
 - What is an Asset
 - What is Income From an Asset
 - Verifications
 - Calculations

GOAL: Be Better Prepared to Tackle any Income or Asset That Comes Your Way!

IT ALL STARTS WITH



HUD Handbook 4350.3, Chapter 5

BUT IT DOES NOT END THERE

Additional References:

- Listserv Emails
 - RHIIP
 - HUD
- HUD Final Multifamily Mailbox 4350.3 Rev-1 Summary of Questions
- HUD Final Rules, Notices, Memos
 - Streamlining Rule & Fast Act Final Rule
 - Not discussed in this presentation as it is a voluntary, but if implemented will affect how you calculate certain incomes and assets.



REFERENCES ARE NOT ALL INCLUSIVE

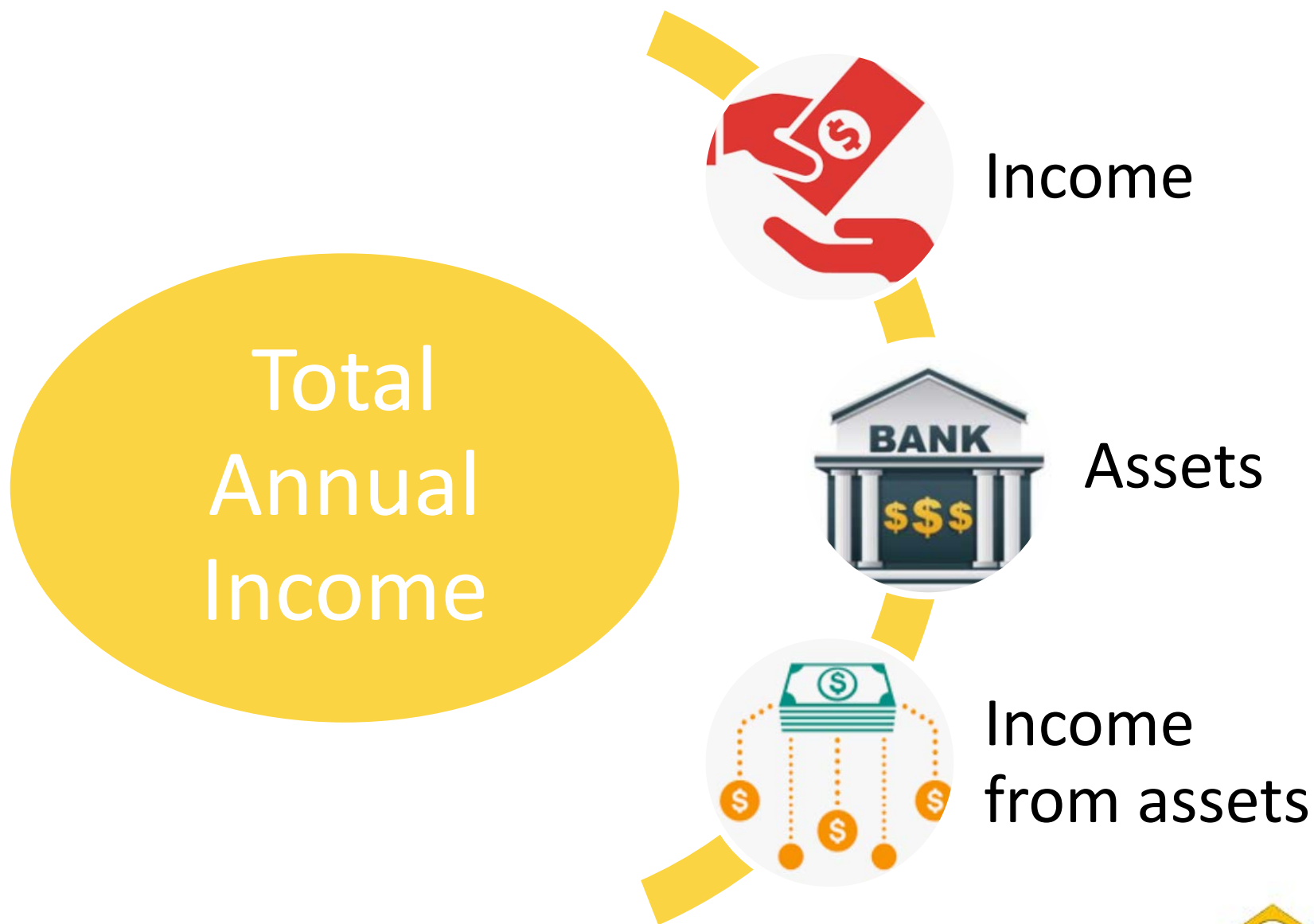
- You will not find every type of asset, income, or scenario in HUD guidance.
- Just because it is not mentioned does not mean it is not counted.
- Some times it comes down to your best reasonable judgement.



Context
clues

Common
Sense





WHAT IS ANNUAL INCOME

HUD Handbook 4350.3 Chapter 5

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.



WHAT IS AN ASSET AND INCOME FROM ASSETS

HUD Handbook 4350.3 Chapter 5

5-7 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.



WHOSE INCOME 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.

ADULT CHILDREN AFTER MI

HUD Handbook 4350.3 Chapter 7

7-4 D. When a change in family composition is reported in **Section 202/8** projects, adult children are eligible to move in after initial occupancy only if they are essential for the care or well-being of the elderly tenant(s). They are considered a part of the family and their income must be counted. Owners should require adult children to sign a release form relinquishing any future rights to the unit as a remaining member of the tenant family, as they qualify for occupancy only as long as the individual needing the supportive services is in occupancy.

E. When a change in family composition is reported in **Section 202 PRAC and Section 811 projects**, occupancy by adult children is subject to the following restriction. Adult children are not eligible to move into a unit after initial occupancy unless they are performing the functions of a live-in aide and are classified as a live-in aide for eligibility purposes. See paragraph 3-6 E.3 for eligibility requirements for a live-in aide.



INCOME INCLUSIONS AND EXCLUSIONS

HUD Handbook 4350.3 Chapter 5 Exhibit 5-1 – lists Income inclusions and exclusions. Keep it handy as a reference.

Exhibit 5-1

4350.3 REV-1

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

INCOME EXCLUSIONS:



INCOME INCLUSIONS AND EXCLUSIONS

What are some recent Income Exclusions HUD has clarified through Email Listservs or FAQs?

Dear Multifamily Housing Partners,

There is a new federal subsidy program that can help your residents pay for internet service. The **Affordable Connectivity Program**, offered through many internet service providers, gives households \$30 a month to cover the cost of internet service and a one-time subsidy of \$100 for computer devices for eligible households. ACP is a \$14.2 billion program made possible by the Infrastructure Investment and Jobs Act.

Public housing and Section 8 residents are eligible for ACP funding based on their receiving housing assistance, and the ACP subsidy is not considered income. To date, public housing residents are under-enrolled in the ACP program. We encourage you to make residents aware of this subsidy as it would increase their internet connectivity without added expense.

#439 - Temporary Employment with the U.S. Census Bureau Exclusion from Annual Income Notice Issued - June 10, 2020

Temporary Employment with the U.S. Census Bureau Exclusion from Annual Income Notice Issued

The Office of Multifamily Housing published Hosing [Notice H20-06](#) on [HUDCLIPS](#). "Exclusion from Annual Income of Temporary Employment from the U.S. Census Bureau." It provides for the exclusion of temporary income received from Census work.

Please direct questions to annecia.durr@hud.gov.

Q5: Are household payments under the CARES Act reportable as tenant income?
A: The Economic Impact Payment (which is technically an advance payment of a tax credit that may be claimed on a 2020 tax return) provided by the CARES Act is not to be included in calculations of tenant income.

Q6: The CARES Act identifies different types of unemployment compensation. Can HUD clarify which payments are to be included in tenant income calculations for HUD assisted Multifamily housing?
the American Rescue Plan (ARP). FPUC benefits are now available under the 2021 Appropriations at \$300/week through the week ending on or before September 26, 2021. HUD has determined that FPUC benefits meet the definition of temporary income and must NOT be included in annual income.



ASSET INCLUSIONS AND EXCLUSIONS

HUD Handbook 4350.3 Chapter 5 Exhibit 5-2 – lists Asset inclusions and exclusions. Keep it handy as a reference.

4350.3 REV-1

Exhibit 5-2: Assets

NOTE: There is no asset limitation for participation in HUD assisted-housing programs. However, the definition of annual income includes net income from family assets.

- A. Net Family Assets include the following:

- B. Net family assets **DO NOT** include the following:

IMPORTANT: The owner does not compute income from any assets in this paragraph.



ASSET INCLUSIONS AND EXCLUSIONS

What are some recent Income Exclusions HUD has clarified through Email Listservs or FAQs?

#424 – ABLÉ Account Notice Published – May 6, 2019

ABLE Account Notice Published

Today, May 6, 2019, the Office of Multifamily Housing Programs issued a joint Notice, [Notice H-2019-06](#), with the Office of Public and Indian Housing that provides guidance regarding the federally mandated exclusion of ABLÉ accounts from the calculation of income and assets under the Achieving a Better Life Experience Act of 2014 (ABLE Act). Amounts held in ABLÉ Act accounts are excluded from asset calculations, and any distributions from ABLÉ accounts are excluded from income calculations.

[Notice H-2019-06](#) provides HUD-assisted housing programs with clear guidance on the treatment of:

- Distributions from ABLÉ accounts
- Contributions made by the designated beneficiary
- Contributions made by others into the ABLÉ account
- Rollovers from existing ABLÉ accounts; and
- Requirements for verifying ABLÉ accounts

Click [here](#) to view the Notice in full. Please direct any questions to [Annecia Durr](#).



WHY WE COUNT BOTH ASSETS AND INCOME FROM ASSETS

HUD Handbook 4350.3 Chapter 5

5-7 B. Determining Income from Assets

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.



GETTING STARTED

- To be able to verify and calculate assets and income, you need to gather all needed information from the tenant.
- You should gather this in writing from the applicant or tenant and obtain their signature/date.
- HUD recommends the use of a checklist.

INCOME, ASSETS, AND DEDUCTIONS

A. Income:

YES

NO

- Are you or any other members of the household currently receiving income from any of the following sources?
 - Wages/salaries
 - Wages earned through a government program such as Senior Aides, Older American Community Service Employment Program, Americorps
 - If yes, which program?
 - Tips, bonuses or commissions
 - Overtime pay
 - Income from operation of a business
 - Social security
 - Disability/SSI
 - Death Benefits
 - Pensions/retirement funds
 - Annuities or non-revocable trust
 - Unemployment
 - Military Pay
 - Workman's Compensation
 - Public assistance/TANF
 - Alimony
 - Child Support
 - Income from rent or sale of property
 - Periodic payments from lottery winnings
 - Regular recurring contributions from persons or agencies outside of Household
 - Insurance policies
 - Severance pay
 - Student financial assistance
 - If yes, what is the source(s) of the financial assistance?
 - If yes, how much is the financial assistance received?
 - If yes, what is the cost of tuition?
 - Other
- Did you or any other members of the household file a federal tax return last year?
- Are there any adult members of the household (18 years of age or older) receiving income not listed above?
 - If yes, specify the source of the income

B. Assets:

YES

NO

- Do you or any other members of the household have any of the following:
 - Checking accounts
 - Savings accounts
 - Certificates of deposit
 - Money Market funds
 - IRA/Keogh account
 - Stocks
 - Bonds
 - Treasury bills
 - Trusts
 - If yes, is the trust irrevocable?
 - Real estate
 - Whole life or universal life insurance policy
 - Cash held in safety deposit boxes or home
 - Assets held in another state or foreign country
 - Other
- Have you or any other members of the household received any lump sum payments, such as:
 - Inheritance
 - Lottery winnings
 - Insurance settlements
 - Other
- Have you or any other household member disposed of any asset(s) for less than fair market value in the past two (2) years?
- Do you or any other household members have any assets that are held jointly with another person?

C. Deductions:

YES

NO

- Are there any fulltime students 18 years of age or older in the household?
- Is any household member elderly (62 or older) or a person with disabilities?
- Do you have medical expenses that are not paid for by an outside source such as insurance?



CHECKLIST

Your checklist template should be **reviewed and updated** as needed to include new items or help gather additional information to ensure all current and relevant information is being gathered. For example:

- SS no longer pays benefits with a check – they are direct deposited into an account or on a debit card (Direct Express); and some employers pay wages on a pay card/debit card. Does your checklist specifically include/ask if the applicant or tenant has a Direct Express, pay card, or other form of debit card?
- Payment Apps are becoming more and more used for buying, selling, and receiving payments. Does your checklist ask if a tenant has a payment app and/or receives regular payments through a payment app?
- Gig jobs are becoming increasingly popular as a form of supplemental income, and includes a wide range of possible services. Does your checklist ask for information on this type of income?

CONSENT FORMS

HUD Handbook 4350.3 Chapter 5 5-15 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.

U.S. Department of Housing and Urban Development

Document Package for Applicant's/Tenant's Consent to the Release Of Information

This Package contains the following documents:

1. HUD-9887/A Fact Sheet describing the necessary verifications
2. Form HUD-9887 (to be signed by the Applicant or Tenant)
3. Form HUD-9887-A (to be signed by the Applicant or Tenant and Housing Owner)
4. Relevant Verifications (to be signed by the Applicant or Tenant)



VERIFICATION FORMS

HUD Handbook 4350.3 Chapter 5

5-15 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.



VERIFICATION FORMS

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)

VERIFICATION FORMS

HUD Handbook 4350.3 Appendix 6 – lists information on creating consent and verification forms.

4350.3 REV-1

Appendix 6-A

Appendix 6-A: Guidance for Development of Individual Consent Forms

1. REQUIREMENTS FOR INDIVIDUAL CONSENT. See sample consent below.
Individual verification consent forms must contain the following consumer protections:
 - a. State in bold (or other emphasis) in a prominent place that the applicant/tenant does not have to sign the consent if it is not clear who will provide the information or who will receive the information.

NOTE: This can be re-worded to suit the owner's individual style. This customer protection assures individuals that their consents will be used by authorized individuals only.



VERIFICATION FORMS

HUD Handbook 4350.3 Appendix 6-C – lists relevant information to obtain for verification purposes and ways to verify the information for items including:

- Employment
- Termination of Employment
- SS/SSI
- Pensions and Disability Income other than SSI
- Unemployment
- Public Benefits
- Alimony or Child Support Payments
- Net Income From a Business
- Recurring Gifts
- Family Assets
- Assets disposed of for Less than Fair Market Value
- Income from sale of Real Estate
- Rental Income from Real Estate



COMMON VERIFICATION ERRORS

Common MOR findings for insufficient verifications:

- Incorrect number of check stubs obtained.
- Outdated Verification (older than 120 days from the date received).
- 6 month average balance for checking accounts not obtained.
- Verification obtained does not have enough information to properly calculate the factor.
 - Assets such as CDs, retirement accounts, and life insurance do not have the penalty or fees the tenant would incur if they withdrew the money verified.
 - Assets such as savings, money markets, CDs, retirement accounts, and stocks do not have information included to determine income earned such as interest and dividends etc.

COMMON VERIFICATION ERRORS

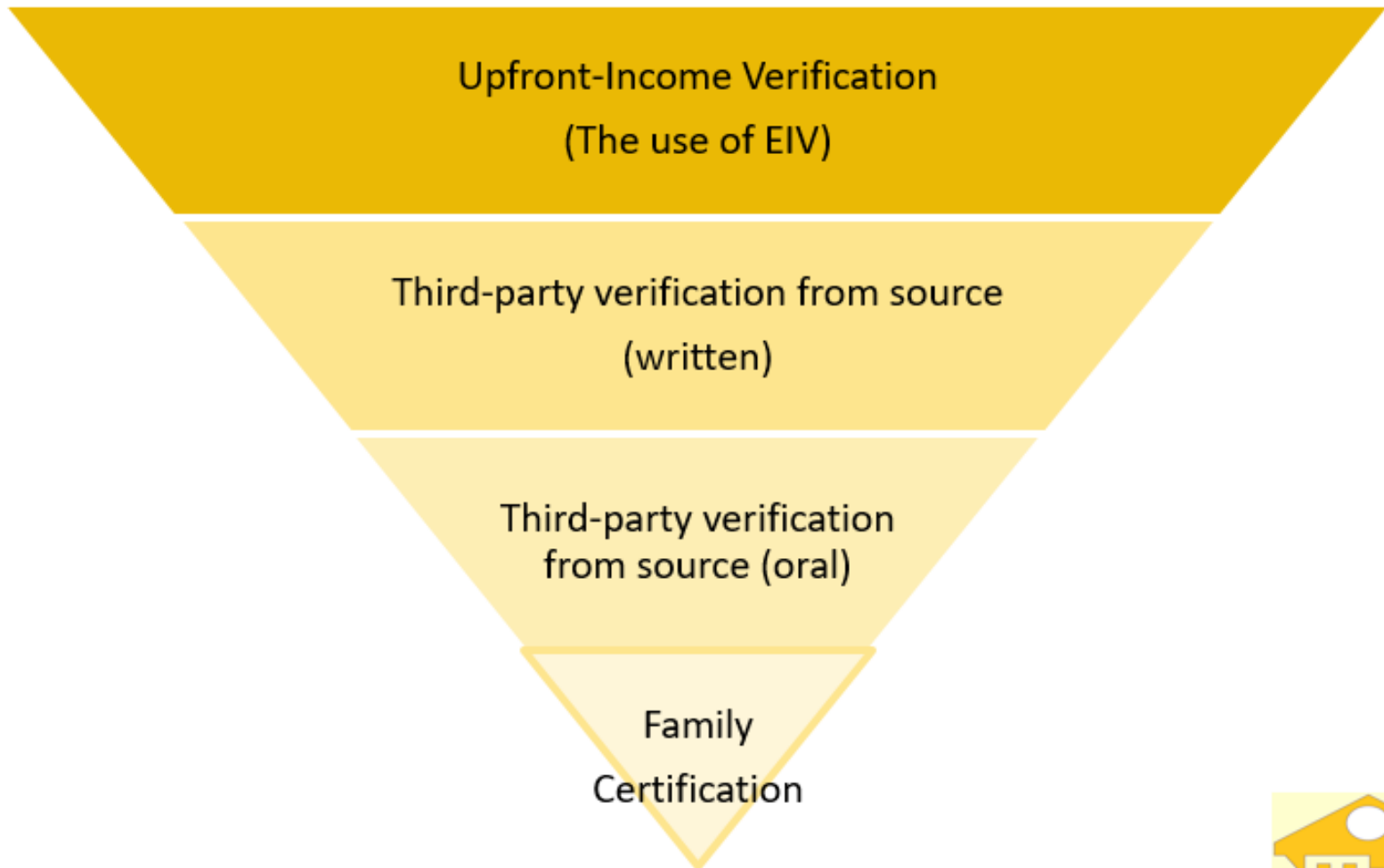
- Oral 3rd party verification not properly documented

HUD Handbook 4350.3 Chapter 5-18 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

ACCEPTABLE FORMS OF VERIFICATION



ACCEPTABLE FORMS OF VERIFICATION

HUD Handbook 4350.3 Appendix 3 – lists acceptable forms of verification. Keep it handy as a reference.

Appendix 3

4350.3 REV-1

Appendix 3: Acceptable Forms of Verification



WHAT IS 3RD PARTY VERIFICATION

HUD Handbook 4350.3 Chapter 5

5-13 B. 2. 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.

- (2) Written documentation sent directly by the third-party source by mail or electronically by fax, email or internet.

DOCUMENTING WHEN 3RD PARTY VERIFICATION IS NOT AVAILABLE

HUD Handbook 4350.3 Chapter 5

5-18 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.



AFTER APPLICANT OR TENANT REPORTS INFORMATION ON A CHECKLIST

Review the checklist and obtain any missing or incomplete information.

- Clarify or clarify inconsistent information.
- Compare to reported information during the last certification and clarify/verify significant changes.
- Ask the applicant/tenant for additional information as needed.
- Obtain consent forms.
- Obtain 3rd party verification of all reported income and assets (and deductions).



VERIFICATIONS OBTAINED, TIME FOR CALCULATIONS AND DETERMINATIONS – INCOME

HUD Handbook 4350.3 Chapter 5

5-5 Methods for Projecting and Calculating Annual Income

A....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.



VERIFICATIONS OBTAINED, TIME FOR CALCULATIONS AND DETERMINATIONS - INCOME

HUD Handbook 4350.3 Chapter 5

5-5 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.



VERIFICATIONS OBTAINED, TIME FOR CALCULATIONS AND DETERMINATIONS – INCOME

HUD Handbook 4350.3 Chapter 5

5-5 C. 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.



INCOME

HUD Handbook 4350.3 Chapter 5, 5-6 provides additional information on calculating income from other types of income.

Financial Aid

- Do not count loans.
- Do count grants and scholarships (for section 8) in excess of amounts receive for tuition unless tenant is over 23 with dependent children.

Alimony or Child Support

- Count all amounts court ordered unless 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.
- Count amounts actually being received if not consistent.
- Count if being received even if there is no court order.

Welfare

- Cash assistance through welfare is included.
- Amounts received for food through food stamps, WIC or other programs is not included.



INCOME

Regular Cash Contributions and Gifts

- 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.
- Groceries and/or contributions paid directly to the childcare provider by persons not living in the unit are excluded from annual income.
- Temporary, nonrecurring, or sporadic gifts not included.

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.
- 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.
- If the net income is a negative, 0 the amount counted.

INCOME

Periodic Social Security Payments

- Count the gross amount, before deductions for Medicare, etc., of periodic Social Security payments.
- 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.

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

- Count the full amount of periodic payments from annuities, insurance policies, retirement funds, pensions, and disability or death benefits.
- 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

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.



INCOME

Resident Stipends

- If under \$200 a month it is not counted.
- If over \$200 it is counted as income.

Lump Sum Payments

- Generally lump sums are assets not income.
- SS/SSI and VA disability paid in lump sum for deferred payments excluded from income (for VA only applies to section 8).
- Settlements from claim disputes are assets, but lump sum payments caused by delays in processing periodic payments for unemployment or welfare are included as income (HUD Handbook 4350.3 Chapter 5, Figure 5-3 provides an example of how to calculate this as income)
- Lottery winnings paid on 1 payment are assets, but lottery winnings paid in periodic payments are income.



INCOME – COLA INCREASES

HUD Handbook 4350.3 Chapter 9

9-6 B. 1. e. When processing recertifications with an effective date of January 1, February 1, March 1 and April 1, in order to complete the Recertification...the owner must use one of the methods below for determining the tenant's income.

(1) Use the benefit information reported in EIV that does not include the COLA as third party verification as long as the tenant confirms that the income data in EIV is what he/she is receiving;

(2) Use the SSA benefit, award letter or Proof of Income Letter provided by the tenant that includes the COLA adjustment if the date of the letter is within 120 days from the date of receipt by the owner;

(3) Determine the tenant's income by applying the COLA increase percentage to the current verified benefit amount and document the tenant file with how the tenant's income was determined; or

(4) Request third party verification directly from SSA when the income in EIV does not agree with the income the tenant reports he/she is receiving. (See Paragraph 9-15)

(5) All recertifications effective after April 1 **must** reflect the SSA benefit that includes the COLA.

INCOME NOT SPECIFICALLY ADDRESSED IN HUD HANDBOOK 4350.3 – GIG WORKERS

Gig workers or contract workers enter into agreements to provide services for a company, but are paid per job and are not employees – they considered self-employed.

- Tenants can sometimes have more than one gigs or contracts.
- Examples of such gig or contract work include:

Uber

Lyft

UberEats

Door Dash

GrubHub

Instacart

Shipt

Amazon Flex

Task Rabbit

TaskEasy

Dolly

GigWalk



INCOME NOT SPECIFICALLY ADDRESSED IN HUD HANDBOOK

4350.3 – GIG WORKERS

- Schedules can be flexible allowing the person to work when they want and can result in irregular income, but does not fall under “sporadic income” and is still counted.
- Treat the income as income from a business.
 - Ridesharing and delivery type gig expenses can include tolls, maintenance, gas, loan interest on vehicle.
 - Common verifications
 - Tax returns, including the Schedule C. Managers should be aware that if a self-employed individual makes \$400 or more per year, the filing of a federal tax return is required.
 - Tenant’s self certification of self-employment along with a print out showing payments from the company and receipts for expenses.



INCOME NOT SPECIFICALLY ADDRESSED – PAYMENT APPS

- Payment Apps allow a person to receive payments directly from another person.
- Examples include:
 - Paypal
 - Venmo
 - Cash App
 - Zelle
 - Square
 - Apply Pay
- Payments the tenant receives from these Apps could be considered income depending on what they are for.
 - Regular payments from these types of services need to be investigated to determine if they are countable income.
- If the tenant is the holder of a Cash App account that has a cash balance, the current balance may be considered an asset depending on if it is for personal use or business use.



INCOME SCENARIOS

Question: Is borrowed money considered income?

Answer: No. Borrowed money is not considered income.

Question: If a full-time student is the head of household or spouse, should the school grants the tenant receives be counted as income?

Answer: It depends on whether or not the student is receiving Section 8 assistance. For students who are not receiving Section 8 assistance, the school grants received by the student are not counted as income, regardless of whether the student is head of household or spouse. For students enrolled at an institution of higher education who are receiving Section 8 assistance, regardless of whether or not they are head of household or spouse, the school grants received by either a part-time or full-time student would be considered as financial assistance in excess of tuition and, therefore must be counted as income unless the student is over the age of 23 with dependent children or is a student living with his/her parents who are receiving section 8 assistance.



INCOME SCENARIOS

Question: Do owners/agents include the cents on SS payment amounts, although not received? For example, if the gross amount is \$570.20, but the net is \$570, do owners/agents calculate as $\$570.20 \times 12$?

Answer: When calculating Social Security income, use the gross amount shown on the third-party verification, including cents. Acceptable forms of third-party verification can be found in Appendix 3, "Acceptable Forms of Verification".

- Translation: When using the award letter for verification (such as at MI) use the cents because it is included on the verification obtained. When using EIV as verification, use the amount listed in EIV which does not include the cents (such as at AR).

Question: On an annual re-certification, the tenant states that their parents pay their car insurance and cell phone bill. Would either of these be counted as income on the annual re-certification?

Answer: Yes, owners/agents must count as income regular contributions and gifts from persons not living in the unit. The owner/agent should require the parents to provide written certification of the total amount of support provided to the tenant.



INCOME SCENARIOS

Question: A family member regularly buys the tenant groceries, is this considered income?

Answer: No, groceries are an income exclusion.

Question: A tenant won the lottery, is this counted?

Answer: Yes, but how it is paid out determines if it is income or an asset. Lottery winnings paid in one payment are treated as assets. Lottery winnings *paid in periodic payments* must be counted as income.

Question: Works for the census, is this income?

Answer: No, HUD has excluded this from income.

Question: Child support is being deducted from wages or SS income, do I count the gross amount after the deduction?

Answer: No, regulations state that owner/agents must use the full amount (gross income) before any payroll deductions, unless there is a regulation that specifically excludes the deduction (i.e., child support payments). The regulations do not exclude child support payments.



ASSETS – WHAT DO YOU NEED TO KNOW TO PROPERLY CALCULATE AN ASSET?

In General, to calculate assets correctly you need to know:

- Type of account or asset it is.
- Market Value (balance, face value, amount the asset could sell for, etc.).
- Fees and penalties that would be incurred if converted to cash
- Income being earned on or from the asset (interest bearing, dividends, periodic payments, etc.).
- Who has access to the asset or income earned from the asset (can the tenant access the asset and turn it into cash).
- Who owns the account (is there more than one owner).
- As necessary, when the account was opened or closed.

Some assets require more information to be gathered from the tenant and verified than others to be able to properly calculate it.



VERIFICATIONS OBTAINED, TIME FOR CALCULATIONS AND DETERMINATIONS – ASSETS

CASH VALUE OF AN ASSET

HUD Handbook 4350.3 Chapter 5

5-7 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.



ACTUAL VS. IMPUTED INCOME FROM AN ASSET

HUD Handbook 4350.3 Chapter 5

5-7 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.

*HUD Notice 2016-01 changed passbook rate to .06%



CASH VALUE OF AN ASSET

Calculating Cash Value of an Individual Asset

Market Value	5000.00
Costs to Dispose/cash out/convert to cash	677.50
Cash Value	4322.50
Round to dollar and enter this value on the 50059: 4323	

Calculating Total Cash Value of All Assets

Asset	Unrounded Cash Value	Cash Value
Checking	1331.48	1331
IRA	4322.50	4323
CD	3255.51	3256
Total		8910
Enter individual asset for each member separately on 50059		



IMPUTED VALUE OF ASSETS

Calculating Imputed Value of Assets

Total cash value of all assets	8910
Passbook Rate	0.06
Imputed vale	5.3460
Rounded Imputed value amount:	5

- Imputed value is not calculated when total cash value of assets is less than \$5000. In those cases the total actual income from Assets is used.
- When Total Cash Value of assets is more than \$5000, calculate imputed value and total actual income from assets. The greater amount is used as income from assets.



ACTUAL INCOME FROM ASSETS

Calculating Actual Income from Individual Asset

Market Value	3500
Interest rate	1.9%
Interest earned	66.50
Round to penny	66.50
Round to nearest dollar = income from asset	67

Calculating Actual Income From Assets

Asset	Market Value		Income
Checking	1331.48		0
IRA	5000	1.5%	75
CD	3500	1.9%	67
Total			142

ACTUAL income Calculations use Market Value not Cash Value



ACTUAL INCOME VS. IMPUTED INCOME WHEN TOTAL CASH VALUE OF ALL ASSETS IS MORE THAN \$5000

Actual Income From Assets			
Asset	Market Value		Income
Checking	1331.48		0
IRA	5000	1.5%	75
CD	3500	1.9%	67
Total			142

Imputed Value of Assets	
Total cash value of all assets	8910
Passbook Rate	0.06
Imputed value	5.3460
Rounded Imputed value amount:	5

Actual income of \$142 is greater than the imputed value of \$5 so
Actual income of \$142 will be counted as income from assets.



JOINT ASSETS

HUD Handbook 4350.3 Chapter 5

5-7 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.
 - 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.

ASSETS

HUD Handbook 4350.3 Chapter 5, 5-7 G. and Exhibit 5-2 provide additional information on calculating Assets and Income From Assets.

Bank Accounts:

- Savings – Count current balance as cash value; interest on the account count as income from asset.
- Checking – Count the average balance for the last six months as cash value; interest on the account, if any, count as income from asset.
- Certificate of Deposit (CDs) – Count current value minus penalties for early withdrawal as cash value; interest earned on the CD count as income from asset.
- Money Market Accounts – Count current value as cash value; interest on the account count as income from assets.
- Foreign Accounts – Count according to type of account it is.

Cash on Hand – Count the current amount of cash held in safe deposit boxes, at home, etc. cash value. Verify this with a self certification from the tenant.

ASSETS

Stocks, bonds, Treasury bills, mutual funds – Count current value minus fees or penalties, if any, to cash out as cash value; interest and/or dividends count as income from asset even when the earnings are reinvested.

- The value of stocks and other assets vary from one day to another. The value of the asset may go up or down the day before or after rent is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received.
- The tenant may request an interim recertification at any time thereafter that a decrease in stock value may result in a decrease in rent.

Tip: There is a website you can use to calculate current value of a savings bond: https://www.treasurydirect.gov/indiv/tools/tools_savingsbondcalc.htm



ASSETS

Retirement Accounts when not being drawn upon– Count current value minus penalties for withdrawal as cash value; interest or dividends count as income from assets.

- Only count if the tenant has access to the funds (including if the tenant is still working, but can access funds with penalty).
 - If a vested account, only count the amount that is vested (if the tenant has access to the vested amount).
- If tenant can only access when they retire or terminate employment, do not count if tenant is not retired or is still working.

Retirement Accounts at retirement, termination of employment, or withdrawal – Periodic receipts from pension and retirement funds are counted as income, and lump-sum receipts from pension and retirement funds are counted as assets. Count the amount as an asset or as income, as provided below:

- (1) If benefits will be received in a lump sum, include the lump sum receipt in net family assets.
- (2) If benefits will be received through periodic payments, include the benefits in annual income. Do not count any remaining amounts in the account as an asset.
- (3) If the individual initially receives a lump-sum benefit followed by periodic payments, count the lump-sum benefit as an asset and treat the periodic payment as income. In subsequent years, count only the periodic payment as income. Do not count the remaining amount as an asset.

ASSETS

Real Estate (house, land etc.) – Count current market value minus (a) any unpaid balance on any loans secured by the property and (b) reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.) as the cash value. No actual income from assets (only imputed).

Rental Property (when Real Estate is not tenant's business) – Count cash value (calculate same as above) as an asset, and the rent as income from the asset.

- An owner can count this as income from a business, if the tenant can provide some form of documentation such as a business license, a tax ID or a tax return. If the tenant cannot provide required information, the money earned will be treated as income derived from an asset.
- If the person's main business is real estate, then count any income as business income under paragraph 5-6 G of the chapter. In this case, do not count it both as an asset and business income.



ASSETS

Life Insurance Policies – Count the surrender value as the cash value.

- Surrender value is the current cash value of the policy minus any fees and penalties to cash out/terminate the policy.
- Only count life insurance policies available to the individual before death (e.g., the surrender value of a whole life policy or a universal life policy; it would not include a value for term insurance, which has no cash value to the individual before death).

Personal Property Held as an Investment (includes gems, jewelry, coin collections, or antique cars held as an investment) – Count the current value as cash value.

- Personal jewelry and personal belongings are NOT considered an asset. (clothing, furniture, cars, wedding ring, other jewelry that is not held as an investment, vehicles specially equipped for persons with disabilities).

ASSETS

Lump-Sum Receipts or one-time receipts including inheritances, capital gains, one-time lottery winnings, cash from selling an asset, victim's restitution, settlements on insurance claims (including health and accident insurance, worker's compensation, and personal or property losses), and any other amounts that are not intended as periodic payments. – Count the amount of the lump sum at the time of recertification, or if deposited into an account or invested, count the asset it was deposited into or invested in and income from that asset accordingly (e.g. savings, CD, stocks etc.).

- 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, vacation, etc.) the lump sum must not be counted.
- 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. However, 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).



ASSETS

Trusts – How you calculate depends on the type of trust, if the tenant is the beneficiary (trustee) or the creator (grantee) of the trust, if the tenant can access the trust, and if period payments are being made. Types of trusts include:

- Revocable Trust – The creator has access to funds and can change or end the trust.
- Nonrevocable Trust – The creator has no access to the funds and cannot change the terms of the trust or end it.
- Special Needs Trust – Typically created for person with disabilities for their care and support. This type of trust can be either revocable or nonrevocable.



ASSETS

If the tenant created the trust for someone else:

- If it was set up as revocable trust, the trust is considered to be an asset and is treated as any other asset – Count current value minus fees or penalties, if any, to cash out as cash value; interest and/or dividends count as income from asset even when the earnings are reinvested.
- If it was set up as a nonrevocable trust, then the amount the tenant put in the trust is counted as an asset disposed of for less than fair market value – Count the amount placed in the trust for 2 years from the date the count was set up.
 - If the tenant set up the trust as nonrevocable but with a stipulation that they receive the income from the trust, the income is added to the annual income and the trust is counted as an asset disposed of for less than fair market value for 2 years from the date the account was recreated (after the 2 years only the income from the asset will continue to be counted).
- If it was set up as a special needs trust – Count according to if it was set up as revocable or nonrevocable.



ASSETS

If the tenant is the beneficiary of the trust:

- The amount counted depends on if the tenant currently has access to the count, if they can withdrawal amounts at any time, or if they receive regular periodic payments from the trust.
 - A tenant may not have access to the trust funds until a certain age other stipulation such as the death of the creator. If the tenant cannot access the funds or income and is not receiving payments, the trust is not counted.
 - A tenant may receive the full value of a trust at one time – Count the lump sum as an asset received as a lump sum (refer to how to count a lump sum asset).
 - A tenant may receive only income from the trust on a periodic basis, or income from the principal on a periodic basis – Count as income the amount of the periodic payments being received, do not count the balance as an asset.
 - A tenant who is the beneficiary of a special needs trust, likely will not have access to the trust funds, and only receive periodic payments, but it is important to know exactly how the trust is set up to know how to count it.

ASSETS

Annuities – How you calculate an annuity depends on the type of annuity, the current status of the annuity, if payments have begun to be received by the tenant, and if the tenant has the right to withdraw the balance of the annuity. The OA will need to ask different questions during the verification process from tenant and/or 3rd party source (tenant's insurance broker) to determine how to count the annuity.

Types of annuities include:

- Fixed – offers set payment amount.
- Variable – payments may fluctuate.
- Hybrid – combination of fixed and variable.

Timing of an Annuity

- Deferred annuity – delays the start of payments until the holder chooses to start receiving payments.
- Immediate annuity – payments start immediately on purchase.
- Life annuity – pays as long as the tenant is alive.
 - Single life annuity pays payments for only one person.
 - Joint life annuity is issued to 2 people and payments continue (in whole or part) as long as either individual is alive.

ASSETS

- If the tenant does not have the right to withdraw the balance and/or earned income of the annuity, it is not counted as an asset.
 - When payments have begun, the tenant usually will no longer be able to convert it into a lump sum of cash. In this case – Count the regular payments being made as income, and do not count the balance as an asset.
 - Immediate Annuities usually do not have the right to withdraw the balance.
- If the tenant does have the right to withdraw the balance of the annuity, it is counted as an asset. In this case – Count the current value minus any fees and penalties (including taxes) for cashing it out as cash value; interest earned (and/or other income such as dividends) is included as income from the asset even if the income is reinvested into the annuity.
 - Deferred annuities usually allow the right to withdraw the balance only until payments start.



INCOME — ASSETS DISPOSED OF FOR LESS THAN FAIR MARKET VALUE

Assets Disposed of for Less Than Fair Market Value

- Applicants and tenants must sign a self-verification form at MI/IC and each AR 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.
 - OA only needs to verify the tenant self certification if the information does not appear to agree with other information reported by the tenant/applicant.
- O/A must count any assets disposed of for less than fair market value (including cash and property) during the two years preceding certification or recertification – Count as an asset the difference between the cash value of the asset disposed of and the amount actually received.
 - Only count 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.
- When the two-year period expires, the asset is removed from the 50059.
 - An IR may be done to remove the disposed asset(s). However, if the O/A elects to only include the asset/income for a partial remaining year at the time of the last recertification, then an IR would not be done.



INCOME — ASSETS DISPOSED OF FOR LESS THAN FAIR MARKET VALUE

Assets disposed of for less than fair market value **does not** include:

- Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorces, or separation.
- 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.



INCOME NOT SPECIFICALLY ADDRESSED IN HUD HANDBOOK

4350.3 – DEBIT CARDS

RHIIP Listserv #296 announced that SSA eliminated the option for Social Security and SSI recipients to receive their benefits in the form of paper checks beginning on March 1, 2013. Recipients continue to have the option to use direct deposit for their benefits or they may choose to receive a “Direct Express Debit Card.” The card is not associated with the recipient’s bank account and funds cannot be added to the card by the card holder.

- The balance on the Direct Express Debit Card is considered an asset and will be verified consistent with existing savings account verification requirements. This balance can be obtained from an ATM, though the online account service, or a paper statement. The verification document must identify the account and the account holder.
 - Count the current balance as cash value.
- Other items are now also paid on debit cards such as TANF, Child Support, and Wages. You also verify and count the current balance of these debit cards as an asset.



INCOME NOT SPECIFICALLY ADDRESSED IN HUD HANDBOOK 4350.3 – CASH APPS

Cash Apps – Depends on if the account is for personal use or business use to determine if it is counted as an asset or not.

- If the tenant is the holder of a Cash App account for personal use – Count the current balance as cash value of the asset.
- If the tenant is the holder of a Cash App specifically for an active business – Do Not Count the account as an asset.

HUD Handbook 4350.3 Chapter 5, Exhibit 5-2 B. Net family assets DO NOT include the following...5. Assets that are part of an active business.



INCOME NOT SPECIFICALLY ADDRESSED IN HUD HANDBOOK

4350.3 – CHIME ACCOUNT

What is Chime?

- Chime is an online financial service that offers checking, has a savings option, and can act as a cash app. Checking accounts have no checks, but come with a debit card. Is it a debit card, checking, or cash app?
- RHIP Listserv #296, HUD defined a debit card as a card not associated with the recipient's bank account and funds cannot be added to the card by the card holder.
- Chime defines it's account as a full- service checking account with the benefit of the ability to send and receive money like a cash app. It allows deposits and withdrawals.

[Benefits](#)[Accounts](#)[Who we are](#)[Learn](#)[Log In](#)[Get Started](#)

Is Chime a real bank or prepaid card?

Chime is a financial technology company, not a bank. Banking services are provided by The Bancorp Bank or Stride Bank, N.A.; Members FDIC. Chime is also not a prepaid card. Through its bank partners, Chime offers a full-service checking account with a Chime Visa® Debit Card for spending and using at 60,000+ fee-free in-network ATMs. Out of Network ATM fees apply. See Chime.com for more details.

INCOME NOT SPECIFICALLY ADDRESSED IN HUD HANDBOOK 4350.3 – CRYPTOCURRENCY/VIRTUAL CURRENCY

Cryptocurrency is a digital asset that is created and traded online, and includes:

Bitcoin	Binance Coin
Dogecoin	Binance USD
Ethereum	XRP
Tether	Cardano
USD Coin	Solana

- It is counted as an asset – Count current market value minus any fees to sell. If it is an interest bearing cryptocurrency account, then you would count the earned interest as income.
- Like stocks, the value of the asset may go up or down the day before or after rent is calculated and multiple times during the year thereafter. The owner may assess the value of these assets at any time after the authorization for the release of information has been received.
- The tenant may request an interim recertification at any time thereafter that a decrease in stock value may result in a decrease in rent.

Tip: There is a website you can use to calculate current value of cryptocurrency: <https://coinmarketcap.com/converter/>

ASSET SCENARIOS

Question: Deferred periodic payment of SS benefits is to be treated as an asset, not as income. If a resident has already spent the asset before the next annual recertification, should the asset still be counted? Would the resident still be required to report the delayed payment of SS benefits at their annual recertification, although it has already been spent?

Answer: Delayed payment of SS benefits is treated as an asset, not as income. Since only income on the asset is counted, there is no need to report the asset if the asset no longer exists.

Question: A tenant received a lump sum inheritance payment of \$12,000 and puts the money into a savings account. The tenant then decides to withdraw \$1,000 per month from the account and uses this \$1,000 on items generally not considered an asset. Should the \$1,000 per month that the resident withdraws from that savings account be counted as income?

Answer: The \$12,000 lump sum inheritance payment that the tenant received and put into a savings account is considered an asset. Monthly withdrawals would not be counted as income. Income on the asset will be considered at the next annual recertification.



ASSET SCENARIOS

Question: A tenant who lives in a Section 8 subsidized complex purchased a home, and he is renting it out, while living in the complex. Is the home counted as an asset, income, or both? The Handbook refers to "business income", but how can this be classified as a business? Would the manager need to obtain and review the tenant's tax returns?

Answer: The home would be counted as an asset. Owners/agents would determine the cash value of the asset by deducting from the current fair market value: (a) any unpaid balance on any loans secured by the property and (b) reasonable costs that would be incurred in selling the asset (e.g., penalties, broker fees, etc.). The rent received would be considered income from the asset. An owner can count this as income from a business, if the tenant can provide some form of documentation such as a business license, a tax ID or a tax return. If the tenant cannot provide required information, the money earned will be treated as income derived from an asset.

Question: Tenant receives SS, but does not report any assets. Is it ok to not list any assets on the 50059?

Answer: No. Tenant will have a checking, savings account, or direct express debit card in which to receive payments. O/A will need to clarify with the tenant how SS is being received and verify the asset accordingly.

ASSET SCENARIOS

Question: The tenant has a \$250,000 retirement account currently earning about 5% annually. The tenant retired and received a lump-sum payment of \$15,000. They will also receive periodic pension payments of \$350 a month. The tenant spent \$5,000 of the lump sum on a trip following retirement, and put the rest in a mutual fund they already had. How should I count this?

Answer: The \$5,000 of the lump sum spent on a trip is not counted. The remaining \$10,000 she placed in her mutual fund is not counted separately, instead the entire mutual fund including the \$10,000 deposit will be counted as an asset. Income being earned on the mutual fund will be counted as income from the asset. The \$350 monthly payment will be counted as annual income and the balance of the retirement account not be listed as an asset.

Question: The tenant has a \$250,000 retirement account currently earning about 5% annually. The tenant is no longer working, but has not yet started to receive regular payments. How do I count this?

Answer: Verification is needed to determine if the tenant can access the funds in the account. If the tenant can access the money (even with penalty), count the current balance of the account minus any penalties and fees, and count interest earned as income from the asset. If they cannot access the amount, then do not count the asset.

ASSET SCENARIOS

Question: The tenant reported \$5000 in a CD. The bank verification confirmed the face value is \$5000 and it is earning 1.5% interest. Is this sufficient information to calculate this asset?

Answer: No. The penalty for early withdraw is not known. O/A needs to verify how much the penalty will be to withdraw the funds from the CD. \$5000 minus the penalty will be the cash value, the interest earned will be the income from the asset.

Question: The bank verification provided a 12 month average in stead of a 6 month average, is this acceptable.

Answer: Yes. If the bank only provides 12 month average, this is acceptable.

Question: The tenant has a child with a bank account, do I have to report this on the 50059.

Answer: Yes. Assets of all members are counted. If a savings account, count the current balance as cash value and interest earned as income from the asset.

