



# Income Qualification and HOTMA Changes in 2024



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# Overview of Resources for Determining Income

- Code of Fed Regulation: 24 CFR Part 5
- Income and asset inclusions and exclusions
- Acceptable forms of verification
- HUD Handbook 4350.3: Chapter 5, Appendices 3 and 6C
- Income and rent limits chart
- FHC Technical Assistance hotline: 1-800-677-4548

To Get Class Materials: Cheryl Howell [chowell.fcda@yahoo.com](mailto:chowell.fcda@yahoo.com)

# Three Methods for Determining Income Eligibility

- 24 CFR Part 5 (HOME, SHIP, CDBG)
- IRS FORM 1040 (HOME, SHIP, CDBG)
- Census Long Form (SHIP)

**Regardless of definition used...** “Income shall be calculated by annualizing **verified** sources of income...to be received...during the ***12 months following*** the effective date of the determination.

# Annual Income Definition (24 CFR Part 5)

All amounts, monetary or not, which:

1. Go to, or on behalf of, the family head or spouse (even if temporarily absent) or to any family member.
2. Are anticipated to be received from a source outside the household during the 12-month period.
3. Annual income also means amounts derived from assets.

# Income Qualification Process

Step 1: Application

Step 2: Income Verification

Step 3: Asset Verification

Step 4: Calculation

Step 5: Certification

Step 6: Award



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# Step 1: Application

- The application is signed by all adult household members, including students age 18 and older.
- Date Stamp/number applications as they arrive
- Keep the applicant informed – Preferably in writing. If calls are made, document file.



**Electronic signatures are acceptable including DocuSign**

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# Included above Applicant Signature is Information about Florida Statute 817

Florida Statute 817 provides that willful *false statements* or misrepresentation concerning income, asset or liability information relating to financial condition is a *misdemeanor of the first degree*, punishable by fines and imprisonment provided under Statutes 775.082 or 775.083.

“I certify that the application information provided is *true and complete* to the best of my knowledge.”

# Social Security Cards

- Use another identifier for household members
- Not required in SHIP File
- City/County must give written explanation of purpose and authority if collecting social security numbers.
- FL Statutes Section 119.071(5)(a)2.a., (I) and (II): “an agency may not collect an individual’s social security number (SSN) unless the agency has stated in writing the purpose for its collection and unless it is imperative for the performance of that agency’s duties ... as prescribed by law.



# Determining Household Size

- Count Children in joint custody, present 50% or more of the time
- Count Children away at school who live in household during school recesses
- Count Children in the process of being adopted
- Count Temporarily absent family members



## Scenario: Household Members Permanently in a Hospital, Nursing Home

- The family decides if such persons are included when determining family size for income limits. If you count the Household member, count the income.

# Separated but Not Divorced

Count *unless* you can document that separation is permanent.

Examples:

Lease

Driver's license

Vehicle registration

Homestead

Tax returns

# Household Member in Prison

Best Practice:

- Count as household member if released within 12 months
- Do not count if release date is more than 12 months

Search [www.dc.state.fl.us](http://www.dc.state.fl.us)

- “Inmate Population Info Search”
- Enter name, SS # or Birth date & inmate #
- Print scheduled release date for the file

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# Count Foster Children

HUD Handbook 4350.3 Chapter 3:

“The owner must also count all anticipated children. Anticipated children include the following:

- Foster children who will reside in the unit;”
- ALSO: “g. The owner must count foster adults living in the unit.”

HUD Handbook 4350.3 Chapter 5:

- “Payments received by the family for the care of foster children or foster adults are not counted.”

## Roommates and Tenants

Roommates are household members, Tenants are not  
Count roommate's income  
Count rent paid by tenant

## Boyfriend, Girlfriend or Fiancé

Count if currently part of household or will be residing in home when purchased

# Live-In Aide

- **Is essential to the care, well-being of the person(s)**
- **Is not obligated to support the person(s)**
- **Would not be living in the unit except to provide the necessary supportive services**
- **Note: Do not include the live-in aide as a household member and do not count their income**





# Questions?



# Income Qualification Process

Step 1: Application

**Step 2: Income Verification**

Step 3: Asset Verification

Step 4: Calculation

Step 5: Certification

Step 6: Award



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# Step 2: Income Verification Process

Verify:

- Employment including overtime and tips
- Social Security
- Child Support/Alimony
- Regular Cash Contributions
- Unemployment Compensation

# Step 2: Income Verification Methods

## Methods:

**Written or Oral Third-Party Verification**

**Acceptable method:**

**Upfront-income verification (UIV)**



# Acceptable Method: Upfront-Income Verification (UIV)

- UIV is “the verification of income through an independent source that... maintains income information in computerized form...”

## The Work Number



You can pay to access applicant information through the work number.



Tenants who are employed by companies that use The Work Number can obtain paystubs online for free.



They need to set up a log-in and password to obtain the needed documents at [www.Theworknumber.com](http://www.Theworknumber.com).

# “I Can’t Get a Third-Party Verification”

- 1. Include copy of the date-stamped original request sent**
- 2. Written notes of follow-up efforts**
- 3. Indicate how long the request has been outstanding without response**



# Acceptable Verification: Applicant Provided Document

- Applicant-provided document considered 3rd party verification
- Dated within last 120 days
- Defined in Section 5-13 of HUD Handbook 4350.3, Chapter 5
- Examples: Pay stubs, SSA retirement benefit letter, Unemployment benefit notices.
- Most recent 4 to 6 consecutive pay stubs



# Timing

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

- Re-verify those out of compliance

“Stop The Clock”

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





# Calculating Income from Self Employed Applicants

- One or two tax returns
- Profit and Loss Statement  
Schedule C of tax return
- Signed statement estimating seasonal earnings or explaining circumstances



# Self Employed Applicants

## Count NET Income from a Business

- Count any salaries distributed to household members
- Check personal tax returns and business tax returns
- If the net income from a business is negative, count it as zero

# Step 3: Verification of Assets

Count all:

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

**Review bank  
statements for  
potential income**

# HOTMA Changes to Income Qualification Rules

NEW RULE:  
HOUSING  
OPPORTUNITY  
THROUGH  
MODERNIZATION  
ACT  
(HOTMA)  
Act of 2016



- Modifies the rules for determining household income and assets in HUD's HCV, Public Housing, PBRA, Section 202/811, HOPWA, HOME, and Housing Trust Fund programs
- Compliance date = January 1, 2025, FHFC's SHIP monitors will not cite HOTMA-related applicant file errors for income certification forms signed prior to this date
- You may choose to adopt these changes starting January 1, 2024

# Asset-Related HOTMA Changes in 2024



- Verify checking and savings accounts by collecting a minimum of one statement that reflects the current balance
  - *Use the current balance for the checking account*
- Educational savings accounts will no longer be counted
- Retirement accounts will not be counted as part of family assets
  - For retirement age applicants, still count income received periodically from a retirement account

Certificate of Deposit (CD)

**Individual Retirement Accounts (IRA)**

Checking and Savings Accounts

**Pension Account**

Stocks and Bonds

Revocable Trusts

**Roth IRAs**

Secondary Home (Vacation Property)

**Educational Savings**

Whole life insurance

**Annuities**

Personal Property as Investment  
(Jewelry, Antique car)

**Highlighted  
Assets  
Are Not  
Counted**

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# Questions?



# Calculating Cash Value of Asset

## Step # 1: Calculate Cash Value

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

Examples:

- Early Withdrawal Penalty
- Broker/legal fees assessed to sell or convert the asset to cash
- **HOTMA Change: For Checking and Savings accounts use *current end balance***



# Calculating Income from Assets (continued)

## **Step # 2: Calculate Actual Income**

Savings Account or CD example:

\$125.00 most current balance

Interest rate 3%

Cash Value of the asset is \$125.00

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

# Calculating Income from Assets

## **Step # 3: Calculate Imputed Income**

If total assets exceed **\$50,000**, “*impute*” income with a calculation involving the passbook rate, currently **.40%**, specified by HUD

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

# Imputed Income Calculation CHANGES in 2024

- Passbook rate has changed from .06% to **.40%**
- Staff will not calculate imputed income by multiplying the passbook savings rate unless the value of an applicant's assets exceeds **\$50,000**



# New Approach to Asset Income Calculations

1. Actual Income: First, staff must add up income from any asset for which actual income can be calculated
2. Imputed Income: Next, calculate the imputed income for assets where actual income cannot be calculated
3. Combine Calculations: Finally, combine both amounts to account for income on assets valued over \$50,000



# Blue Asset Imputed Income is Calculated with .4% Rate

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

Member	Asset Description	Cash Value	Income from Assets
1	Savings Account	2,000	40
2	Rental Property	160,000	6,500
3	Antique Car Investment	150,000	
4			
5			
6			
7			
8			
Total Cash Value of Assets		D(a) \$312,000	
Total Income from Assets		D(b)	\$ 6,540
If line D(a) is greater than \$ _____, multiply that amount by the rate specified by HUD (applicable rate _____) and enter results in D(c), otherwise leave blank.		D(c)	\$ 600 =

6,540  
plus  
600 =  
\$7,140

$$\$150,000 \times .004 = \$600$$

# Asset Income listed on Resident Income Certification Page 2

Member	Wages / Salaries (include tips, commission, bonuses and overtime)	Benefits / Pensions	Public Assistance	Other Income	Asset Income
1	█	█	█	█	(Enter the greater of box D(b) or box D(c), above, in box E(e) below)
2	█	█	█	█	
3	█	█	█	█	
4	█	█	█	█	
5	█	█	█	█	
6	█	█	█	█	
7	█	█	█	█	
8	█	█	█	█	
Totals	(a)	(b)	(c)	(d)	(e)
	█	█	█	█	7,140 █
Enter total of items E(a) through E(e). This amount is the <b>Annual Anticipated Household Income</b>					\$ █

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

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

# HOTMA Asset Verification: Self-Certification is Acceptable



- Accept self-certification of assets if total net assets is equal to or less than \$50,000.
  - Even if family assets exceed \$50,000, self-certification is still an acceptable form of verification, although HOTMA Guidebook lists other verification forms considered more reliable
- Alternative Verification: Collect a minimum of one statement that reflects the current balance of checking and savings accounts

# HOTMA Guidance on Asset Self-Certification

- “The family’s self-certification must state the amount of income the family anticipates receiving from such assets. The actual income declared by the family must be included in the family’s income, unless specifically excluded from income under 24 CFR § 5.609(b).”
- “PHAs/MFH Owners must clarify, during the self-certification process, which assets are included/excluded from net family assets.”



# HUD Does Not Require Self-Cert to be Notarized

- Self-Certification should list penalties for providing false information
- Page 109 of the HOTA Notice includes this text:

“I/We, the undersigned, certify under penalty of perjury that the information provided here is true and correct, to the best of my knowledge and recollection. **WARNING: Anyone who knowingly submits a false claim or knowingly makes a false statement is subject to criminal and/or civil penalties, including confinement for up to 5 years, fines, and civil and administrative penalties.**”

# Not All Changes Impact SHIP



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

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

# Go Fund Me

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

FHFC Guidance:

Monitor the amount of money in a GoFundMe account. If the GoFundMe account plus the household's other assets total **\$50,000 or greater**, require that the GoFundMe balance be deposited into a checking or other bank account, so that imputed income from assets may be properly calculated.

# Step 4: Calculation Methodologies

Always use gross, Do not round up or down.

- Verification shows range of hours:
  - take the high end
- To annualize full-time employment, multiply:
  - hourly wages by 2,080 hours
  - weekly wages by 52
  - bi-weekly amounts by 26
  - semi-monthly amounts by 24
  - monthly amounts by 12

# HOTMA Employment Income Calculation

You may now accept a minimum of two current and consecutive pay stubs



**EXAMPLE:** Cleo is paid weekly.

Her most recent earnings are \$673.40 and \$675.14

The \$674.27 average times 52 is \$35,062.04

- **Best Practice:** Establish a local policy for the length of time for pay stubs. For example, ‘collect the most recent 2 months of paystubs’

# Verification of Employment Form Still Has Advantages

- Learn about Pay Raises and Overtime Pay by communicating with an Employer
- Ask about commissions, end of the year bonuses, and other income
- Possibly learn about 'end of employment' date



# Big HOTMA Change!

## Child Support or Alimony

Page 42 of the HOTMA Implementation Guide:

“Annual income includes “all amounts received,” not the amount that a family may be legally entitled to receive but which they do not receive.”

- Count only the child support that the applicant is currently receiving.
- Collect written deposit notices they receive from deposits into Bank Accounts or Prepaid Cards
- Still encourage applicant to start a file with the Department of Revenue’s Child Support Enforcement office: 1 (800) 622-5437

# Cash App Cards

## **FIRST: Identify new annual Sources of Income**

- Applicant fills out 'explanation of deposits' form for each deposit of \$100+
- If it is business income, then applicant must provide profit and loss for the business

## **SECOND: Research Cash App as an Asset**

- Treat these virtual accounts like savings accounts
- This has no rate of return, so the 'income from the asset' is \$0.

Obtain screenshots of:

- Applicant's account profile page which provides account identification.
- Transactions within the most recent month (equivalent of a current statement)



# Social Security Income: Include Any Cents Shown

## Information About Current Social Security Benefits

Beginning December 2021, the full monthly Social Security benefit before any deductions is \$1,282.30.

We deduct \$0.00 for medical insurance premiums each month.

The regular monthly Social Security payment is \$1,282.00.  
(We must round down to the whole dollar.)

When a SSA award letter is used to calculate income, the amount shown on the award letter should be used to calculate income, including any cents that are shown.

Source: “HUD Provides Guidance Regarding The Counting Of Cents In Income” June 2011 Publication

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# Questions?



# Step 5: Income Certification

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

**RESIDENT INCOME CERTIFICATION – Homeownership/DPA**  
**Florida Housing Finance Corporation**  
**State Housing Initiatives Partnership (SHIP) Program**

Effective Date:   I   Allocation Year:   I  

**A. Recipient Information (select one)**

- a.   I   Current homeowner  
 b.   I   Home buyer      I   Existing Dwelling      I   Newly Constructed Dwelling

**B. Subsidy Use (check all that apply)**

- I   Down Payment Assistance                        I   Principal Buy Down  
  I   Closing Costs      I   Rehabilitation  
  I   Interest Subsidy      I   Emergency Repair  
  I   Loan Guarantee      I   Other

**C. Household Information:** Include all household members

Member	Full Name	Relationship to Head	Age
1	<u>  I  </u>	HEAD	<u>  I  </u>
2	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
3	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
4	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
5	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
6	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
7	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
8	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>

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

Member	Asset Description	Cash Value	Income from Assets
1	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
2	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
3	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
4	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
5	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
6	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
7	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
8	<u>  I  </u>	<u>  I  </u>	<u>  I  </u>
Total Cash Value of Assets		D(a) \$ <u>  I  </u>	<u>  I  </u>
Total Income from Assets		D(b) \$	<u>  I  </u>
If line D(a) is greater than \$50,000: Add the income from any assets for which actual income can be calculated, then calculate the imputed income for the assets where actual income cannot be calculated. To calculate imputed income, multiply the amount of assets where actual income cannot be calculated by the HUD specified rate (.40%). Combine both amounts and enter results in D(c), which must be counted on page two alongside other sources of household income.		D(c) \$	<u>  I  </u>

# Updates to the Resident Income Certification (RIC)

- Includes new instructions for calculating imputed income
- Includes the new passbook rate of .40%
- Protected document allows you to only enter data in relevant fields

# Third Page of Updated RIC

- Lists the 121-140% AMI Income Category
- Indicate which year's income limits this RIC is based on
- List the Metropolitan Statistical Area (MSA) or County on the income limits that is referenced

G. **SHIP Administrator Statement:** Based on the representations herein, and upon the proofs and documentation submitted pursuant to item F, hereof, the family or individual(s) named in item C of this Resident Income Certification is/are eligible under the provisions of Chapter 420, Part V, Florida Statutes, the family or individual(s) constitute(s) a: (check one)

**Extremely Low Income (ELI) Household** means individuals or families whose annual income does not exceed 30% of the AMI as determined by HUD with adjustments for household size.  
Maximum Income Limit: \_\_\_\_\_

**Very Low Income (VLI) Household** means individuals or families whose annual income does not exceed 50% of the AMI as determined by HUD with adjustments for household size.  
Maximum Income Limit: \_\_\_\_\_

**Low Income (LI) Household** means individuals or families whose annual income does not exceed 80% of the AMI as determined by HUD with adjustments for household size.  
Maximum Income Limit: \_\_\_\_\_

**Moderate Income (MI) Household** means individuals or families whose annual income does not exceed 120% of the AMI as determined by HUD with adjustments for household size.  
Maximum Income Limit: \_\_\_\_\_

**121-140% Income Household** means individuals or families whose annual income does not exceed 140% of the AMI as determined by HUD with adjustments for household size.  
Maximum Income Limit: \_\_\_\_\_

Based upon the \_\_\_\_\_ (year)  
Income Limits for \_\_\_\_\_ (MSA or County)

**Signature of the SHIP Administrator or His/Her Designated Representative:**

Signature	_____	Date	_____
Name (print or type)	_____	Title	_____



## Step 6. Award

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

# Employment Income Exercise



Three in the house: Mr. Claus, Ms. Claus, and Jack Frost.

Jack rents a room in their house. Mr. Claus provides a copy of the signed lease with Jack for \$500 monthly. The value of their primary house is \$285,000 and they have a \$100,000 mortgage on it.

Mr. Claus, Ms. Claus and Jack all work at a local toy factory and their monthly paystubs are identical.

- The two most recent ones show \$3,275 and \$3,025
- All three of them work 9 months of the year and are off around the holidays to volunteer time with their international charities.

# More Household Information

Applicant's statement of asset values and income:

- Rent a second house to the Abominable Snowman for \$7,500 net rent annually
  - The value of this second house is \$250,000 and they have a \$210,000 mortgage on it.
- Ms. Claus has a Federal Express 401K: \$400 monthly. This asset has a \$30,000 cash value and no guaranteed rate of return.
- They own an antique sleigh as an investment. You have verified that the sleigh has a \$50,000 blue book value.





# Checking and Savings Account Verification

This SHIP Office has a policy of verifying checking and savings accounts by collecting one statement that reflects the current balance.

- Mr. and Ms. Claus have one checking account and the most recent statement has a \$4,000 current balance.
- Mr. and Ms. Claus have one savings account and the most recent statement reflects a \$7,000 current balance and a 2% rate of return.
- The applicant's asset statement says that the income generated from the savings bank account is "about \$100".



# Employment Income Exercise ANSWERS

Household Member	Wages/Salary	Benefit/Pension	Jack Frost Rent	Asset Income	Total
Mr. Claus	\$28,350		\$6,000	\$7,840	\$42,190
Ms. Claus	\$28,350	\$4,800			\$33,150
<b>TOTAL</b>					\$75,340

Mr. Claus Salary =  $\$3,275 + \$3,025/2 = \$3150$  monthly x 9 = **\$28,350**

Ms. Claus Salary =  $\$3,275 + \$3,025/2 = \$3150$  monthly x 9 = **\$28,350**

Jack Frost Rent =  $\$500$  monthly x 12 = **\$6,000**

Pension =  $\$400$  x 12 = **\$4,800**

Rental:  $\$250,000 - \$210,000$  mortgage = **\$40,000 asset value**

Savings Account =  $\$7,000$  x .02 = **\$140**

# Claus Household Asset Income

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

Member	Asset Description	Cash Value	Income from Assets
1	Checking Account	4000	0
2	Savings Account	7000	140
3	Rental Property	40,000	7500
4	Antique Sleigh Investment	50,000	
5			
6			
7			
8			
Total Cash Value of Assets		D(a) \$101,000	
Total Income from Assets		D(b)	\$7640
If line D(a) is greater than \$200, multiply that amount by the rate specified by HUD (applicable rate .06 %) after results in D(c), otherwise leave blank.		D(c)	\$200

\$16 of imputed income

7640 plus 200 + 16 = \$7856

Sleigh \$50,000 x .004 = \$200

# Questions?



# Please complete the evaluation!

Questions?



Contact Michael at:  
[chaney@flhousing.org](mailto:chaney@flhousing.org)  
850-980-1307



Contact Tamara at:  
[west@flhousing.org](mailto:west@flhousing.org)  
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