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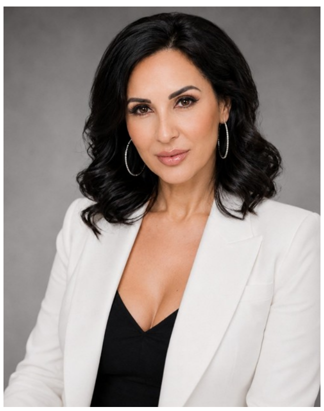
HOTMA Asset Rules Explained: The Complete Guide for Property Managers

A practical HCA guide to net family assets, asset income, exclusions, verification, and implementation



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Affordable housing compliance is changing, and HOTMA's asset rules are among the most important changes property managers need to understand. This guide translates the rules into an operational framework your team can use during applicant processing, annual recertifications, interim reviews, file audits, and compliance preparation.

2026 IMPLEMENTATION NOTE

HUD Multifamily has extended the mandatory full-compliance date for HOTMA Sections 102 and 104 to January 1, 2027. Owners/agents may implement earlier, but early implementation before TRACS 203A requires HUD's interim procedures, including use of the rent override function when applicable. Property managers should confirm the implementation rules that apply to their specific HUD program before changing certification procedures.

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Why HOTMA Changed the Asset Conversation

For years, many HUD-assisted housing teams learned asset calculations through a familiar set of thresholds, verification practices, and the traditional “greater of actual or imputed income” concept. HOTMA changes that framework. Property managers now need to separate three questions: What is an asset? Is it included in net family assets? And how is income from that asset counted?

That distinction matters because an asset can affect eligibility, verification requirements, and annual income in different ways. A clean HOTMA file should make each decision visible and defensible.

1. Start With the New Definition of Net Family Assets

Under HOTMA, net family assets generally include the net cash value of real property and non-necessary personal property, after deducting reasonable costs that would be incurred in disposing of an asset. Necessary personal property is excluded.

Examples of assets that may be included

- Cash and funds held in savings, checking, money market, and similar accounts, subject to HUD rules.
- Stocks, bonds, certificates of deposit, investment accounts, and other non-necessary personal property.
- Real property such as land, a rental property, or another ownership interest that is not otherwise excluded.
- Certain assets disposed of for less than fair market value during the applicable look-back period.

Examples of property that may be excluded

- Necessary personal property, such as items needed for daily living.
- Certain retirement accounts recognized by HUD as excluded assets.
- Certain education, disability-related, trust, federal tax refund, and other specifically excluded items when HUD's regulatory conditions are met.

The safest practice is not to rely on memory. Build an asset checklist that identifies the asset, its owner, current value, net cash value when applicable, whether it is included or excluded, the reason for the decision, and the income generated by the asset.

2. Understand the Inflation-Adjusted Threshold

HOTMA established a $50,000 base threshold for net family assets, adjusted annually for inflation. When net family assets exceed the applicable annual threshold, the rules require closer attention to verification and asset-income calculations. Because HUD adjusts certain HOTMA dollar amounts, property managers should use the current HUD-published inflation-adjusted figure for the certification effective date rather than hard-coding an old amount into forms or policies.

HCA recommends that compliance teams maintain a one-page annual HOTMA threshold sheet and update it whenever HUD publishes new inflation adjustments.

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3. Actual Income and Imputed Income Are No Longer a Simple Either/Or Test

One of the biggest operational changes is the treatment of income from assets. Under HOTMA, actual income from assets is counted when it can be calculated. If net family assets exceed the applicable threshold and actual income cannot be calculated for a specific included asset, the owner/agent generally imputes income for that asset using HUD's current passbook savings rate.

This means a household may have a combination of actual asset income and imputed asset income. Staff should evaluate assets individually instead of automatically applying one calculation to the household's entire asset portfolio.

A simple example

Assume a household's net family assets exceed the applicable annual threshold. A savings account has a known interest rate and produces calculable actual income. A separate parcel of land produces no readily calculable actual return. The file may count the actual income from the savings account and, when HUD's conditions are met, calculate an imputed return on the land using the HUD passbook rate.

The file should clearly document why actual income was available for one asset and why imputation was required for another.

4. Do Not Confuse the Asset-Income Threshold With the Asset Limitation

The threshold used to determine certain asset-income and verification treatment is not the same thing as HOTMA's asset limitation rules. Section 104 created asset limitations for covered programs, including restrictions involving total net family assets and ownership of certain real property suitable for occupancy by the family. The statutory base amount is adjusted for inflation.

Program applicability and exceptions matter. Teams should confirm whether Section 104 applies to the property and household before making an eligibility determination. Never terminate assistance or deny an applicant based solely on a generic HOTMA checklist.

5. Real Property Requires a Separate Review

Real estate can create two different HOTMA questions: its value as an asset and whether ownership affects eligibility under an applicable asset limitation. Property managers should document ownership, net cash value, whether the property is suitable for occupancy, whether the family has a legal right to reside there, and whether an exception applies.

A property that is inaccessible because of a legal restriction, domestic violence situation, ownership interest without a present right to occupy, or another recognized exception may require a different analysis than a readily available home the family can occupy.

6. Verification Procedures Need to Match the New Rules

HOTMA changed more than calculations; it also changed how teams verify information. Depending on the value and type of assets and the applicable HUD program, self-certification may be permitted in circumstances defined by HUD. When third-party verification is required, the file should contain sufficient documentation to establish the value of the asset and the income it generates.

A strong file tells the reviewer:

- What assets the family reported.
- Which assets were excluded and the regulatory reason for each exclusion.
- How the net cash value was established.
- Whether actual income could be calculated.
- When imputed income was required and which HUD passbook rate was used.
- Which annual inflation-adjusted thresholds applied to the certification.

7. Update Your Forms, Policies, and Software Workflow

A property can understand HOTMA conceptually and still fail operationally if its forms and software workflow were built around pre-HOTMA rules. Before implementation, review the Tenant Selection Plan, EIV policies and procedures, recertification questionnaires, asset declarations, verification forms, calculation worksheets, applicant notices, staff job aids, and quality-control checklists.

For HUD Multifamily owners implementing before TRACS 203A, HUD currently provides interim instructions. This is especially important because a correct manual HOTMA calculation can still create a reporting problem if staff do not follow HUD's prescribed TRACS process.

8. Train Staff on the Decision Process, Not Just the Numbers

The most common HOTMA mistakes are likely to come from applying a correct number to the wrong situation. Training should therefore be scenario-based. Give staff examples involving bank accounts, investment accounts, real estate, retirement funds, trusts, jointly owned assets, assets disposed of for less than fair market value, and households near the applicable asset limitation.

For every scenario, require staff to answer: Is this an asset? Is it excluded? What is its net cash value? Is actual income calculable? Does imputation apply? Does an asset limitation apply? What verification is required? What must be documented?

9. Add a HOTMA Quality-Control Review

During the transition, HCA recommends a second-level review for files with complex assets, significant real estate, trusts, unusual ownership interests, assets near an eligibility limit, or mixed actual and imputed asset income. A targeted review can catch errors before they become incorrect rent calculations, repayment issues, MOR findings, applicant denials, or resident disputes.

HCA's recommended pre-approval check

1. Confirm the program and applicable HOTMA implementation status.
2. Verify the certification effective date and current HUD inflation-adjusted thresholds.
3. Reconcile the household's declared assets with available verification.
4. Classify each asset as included or excluded.
5. Calculate net cash value where required.
6. Calculate actual income where it is available.
7. Apply imputed income only when HUD's conditions are satisfied.
8. Review any applicable Section 104 asset limitation and exceptions.
9. Confirm software/TRACS handling.
10. Document the decision trail so another reviewer can reproduce the result.

10. Avoid These Common HOTMA Asset Mistakes

- Using an outdated annual threshold or passbook rate.
- Treating every item a household owns as a countable asset.
- Failing to distinguish necessary from non-necessary personal property.
- Automatically imputing income on every asset.
- Ignoring actual income that can be calculated.
- Confusing the asset-income threshold with the separate eligibility asset limitation.
- Applying Multifamily procedures to a PIH program, or vice versa, without checking program-specific guidance.
- Updating the calculation worksheet but not the Tenant Selection Plan, EIV procedures, forms, and quality-control process.
- Failing to document why an asset was excluded or why an exception applied.

What Property Managers Should Do Now

HOTMA does not have to become a file-by-file guessing exercise. The most effective approach is to standardize the process before the next certification lands on a specialist's desk. Build a current threshold sheet, update policies and forms, train staff with realistic scenarios, audit a sample of completed files, and create an escalation path for unusual assets.

HUD Multifamily's current mandatory full-compliance date is January 1, 2027. That extension gives owners and agents additional implementation time, but it should be used to improve systems rather than postpone preparation.

How Housing Consultants of America Can Help

Housing Consultants of America supports affordable housing owners, management companies, housing authorities, nonprofits, and site teams with HOTMA implementation, file reviews, policy and procedure

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updates, recertification support, compliance auditing, training, and temporary occupancy/compliance staffing.

Whether your organization needs a HOTMA readiness review, help correcting complex asset calculations, a 100% file audit, or additional compliance capacity, HCA can help your team build a practical process that is accurate, consistent, and easier to defend during monitoring or review.

Official HUD References Used for This Guide

- HUD Multifamily HOTMA Resources and Implementation Guidance (hud.gov/hud-partners/multifamily-hotma)
- HUD HOTMA Net Family Assets Training Materials
- HUD HOTMA Determining Income Training Materials
- HUD PIH HOTMA Resources and PIH Notice 2023-27
- HUD annual Inflationary Adjustments resources

Compliance note: This article is educational and should be used with the current HUD regulations, notices, program-specific guidance, and annual inflation-adjusted amounts applicable to the property and certification date.