



HOTMA: An Overview

HOUSING OPPORTUNITY
THROUGH MODERNIZATION ACT


GWEN VOLK

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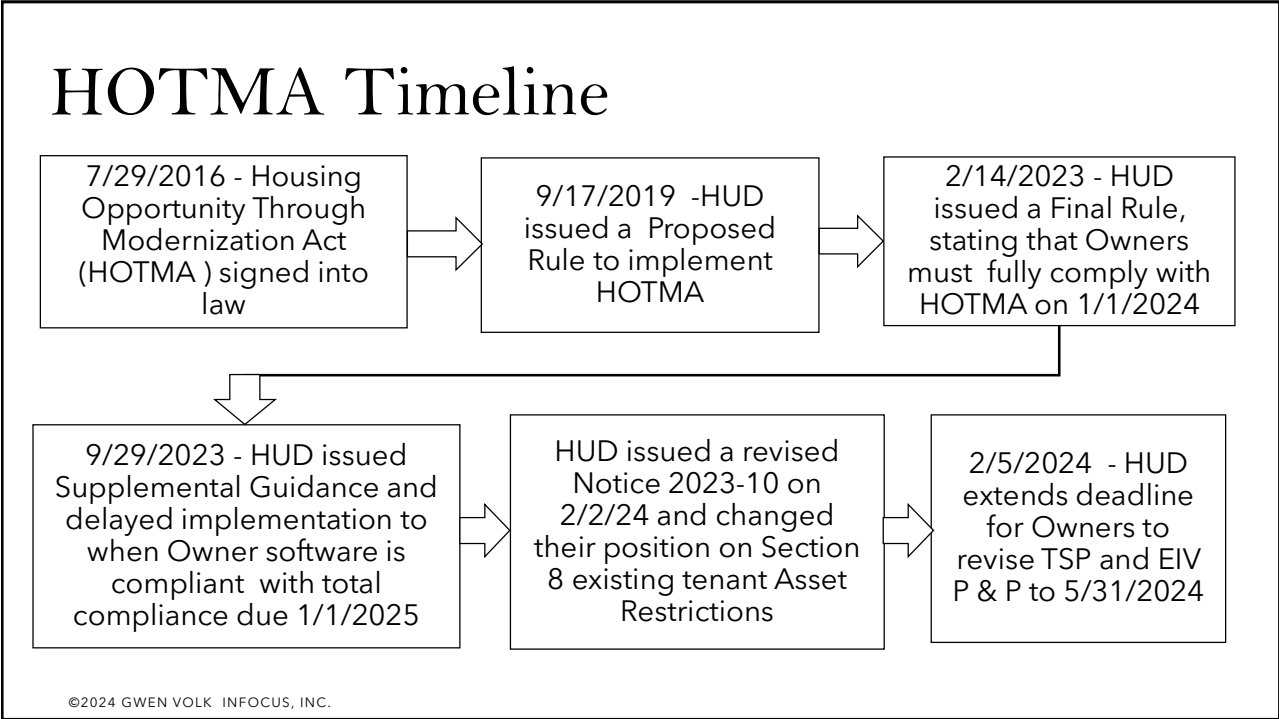


- This course is based on our reading, analysis, and interpretation of the HOTMA Final Rule and Supplemental Guidance issued to date relative to the HUD Office of Multifamily Housing in consultation with HUD and other knowledgeable individuals.
- HUD says MFH Owners must continue to follow their existing Tenant Selection Plans and EIV policies & procedures until the MFH Owner’s software is compliant with TRACS 203A.
- Gwen Volk INFOCUS, Inc. does not provide legal advice and is not a regulatory agency. While we have exercised due diligence to provide accurate information, we will not be responsible for any errors or inaccuracies
- Attendees seeking guidance on programs not covered in this course should refer to the HOTMA Final Rule and contact PIH, CPD, RD, and/or the agency that allocates and monitors the tax credits or tax-exempt bonds, as applicable.

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Key Changes

- Income Inclusions and Exclusions
- Asset Exclusions and Threshold
- Calculating Income from Assets
- Section 8 Asset Cap
- Deductions and Allowances
- Verification & Documentation
- Annual Recertification
- Interim Recertification
- Miscellaneous - EIV, TSPs, SSNs, New forms

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Income Inclusions and Exclusions

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Changes to Income Definition

- Provides a broad definition of income
- Does not list included income sources
- Adds definitions for Earned and Unearned Income
- Adds definitions Seasonal Worker, Day Laborer, and Independent Contractor and clarifies that you must count their income even though days and hours vary
- Updates the list of excluded income sources - examples:
 - Baby Bonds and Coverdell Accounts
 - State payments to allow individuals with disabilities to live at home
 - Distributions of principal from trust accounts
 - Workers Compensation

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Changes to Foster Children and Adults

- Do not count them as part of the family for income limits
 - Example: HOH, Spouse, 2 Children, 1 Foster Child, 1 Foster Adult - Use the 4-person income limit
- Do count them in determining unit size
- Do not count any income or assets for them
- They are not eligible for any deductions
- Childcare expense can be taken for Foster Children under age 13 per the childcare allowance rules

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HOTMA Changes Student Income Calculations

FINANCIAL AID IN EXCESS OF TUITION, BOOKS AND FEES

NON-SECTION 8 STUDENTS
(202/811 PRAC-202 PAC-236- BMIR)

- Federal aid is always excluded
- Other aid that covers tuition and fees is excluded

SECTION 8 STUDENTS
[INCLUDING 202/8]

- Federal aid that covers tuition and fees is excluded
- Other aid that covers tuition and fees is excluded

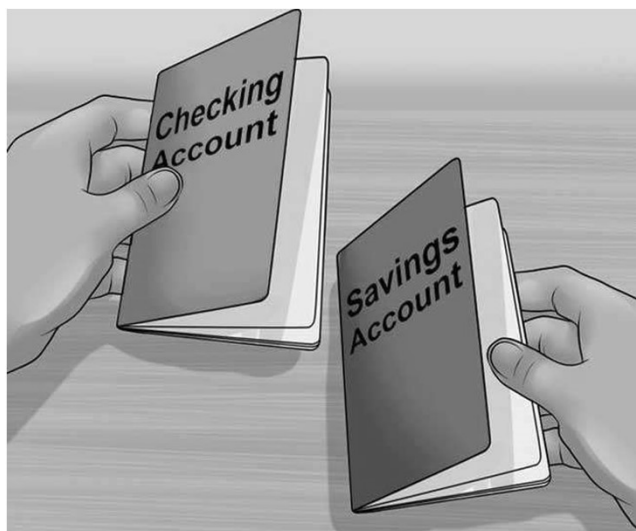
Only one exception Post-HOTMA: Excess financial aid is excluded for a student with a dependent child who is age 24 or over **and is the head of household, co-head or spouse.**

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Asset Exclusions and Threshold



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New Exclusions from Assets: Examples

- Any account under an IRS-recognized retirement plan including IRAs, employer retirement plans, and retirement plans for self-employed individuals
- Certain education savings accounts - Coverdell, 529, ABLE, or "baby bond" accounts
- Real property that the family does not have the effective legal authority to sell in the jurisdiction in which the property is located
- Irrevocable trusts

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Real Property





- Defined by state law
- Included in family assets regardless of value even a negative value
- Excluded from family assets if family doesn't have the legal right to sell

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Personal Property

NECESSARY	NON-NECESSARY
<p>Always excluded from assets</p> 	<p>Listed on the 50059 but not added to "total included assets" unless the combined value exceeds \$50,000</p> 

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Verifying/Calculating Income from Assets

**TOTAL "INCLUDED ASSETS"
\$50,000 OR LESS**

**Actual income will be
calculated**

**Owner has option to use
Streamlining (available since
6/28/2020)**

**Owner has option to use Self
certification at move-in/initial
cert (Owner policy)**

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**TOTAL "INCLUDED ASSETS"
50,001 OR MORE**

**Use the actual income for each
asset where the actual income
can be determined**

**For each asset where the actual
income cannot be determined,
income impute income using the
current passbook savings rate**

**There is no "greater of"
calculation with HOTMA.**

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Verification & Documentation

THE HOTMA WAY

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Documentation Changes

- Minimum of 2 current consecutive paystubs when tenant does not choose to use EIV plus a self-certification
- Award letters are good for the entire year
- Only 1 current financial statement for checking - use current balance we are not financial advisors,
- Self-certification of assets at move-in/initial certification (as previously discussed)

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HOTMA Verification Hierarchy

- Means-tested Verification (aka Safe Harbor) optional
- Upfront Income Verification (UIV) using HUD's Enterprise Income Verification (EIV) system (EIV may be used as the sole verification of Social Security income);
- Upfront Income Verification (UIV) using non-EIV resources (e.g., Work Number, web-based state benefits system, etc.);
- Written, third-party verification from the source, also known as "tenant-provided verification".
- EIV with Self-Certification (Employment or Unemployment Income).
- A Written Third-party Verification Form (as appropriate);
- Oral verification.
- Family Self-Certification.

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Requirements and Options Summary

NEW MOVE-INS AND INTERIMS

- Estimate the family income for the upcoming 12-month period.
- Owner may (at their option) use a “means-tested” verification method or Streamlining (if the family has fixed income sources)

ANNUAL RECERTIFICATION

- Determine the family income for the previous 12-months except when using a Streamlining (when family has fixed income sources)
- Owners may (at their option) use a “means-tested” verification method

Section 8 Asset Restrictions



Asset Restriction Applicability

- Applies to Section 8 including 202/8
- The following MFH programs are **not** subject to the asset limitation:
 - Section 202/162 PAC;
 - Section 202/811 PRAC;
 - Section 236 IRP;
 - Section 811 PRA;
 - SPRAC

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Two Asset Restrictions for Section 8

1. On admission families cannot receive Section 8 if they have:
 - a) Over \$100,000 in total net family assets (the "asset cap"), or
 - b) Ownership in real property where the family could live.
2. On recertification, Owner has choices (next slide)
3. The asset limitation will be adjusted by CPI-W starting in 2025
4. Asset Restrictions do not apply until Owner software is HOTMA compliant

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Owner Options for Existing Residents

Owner Policy Required

1. Total Non-Enforcement (grandfathering)
2. Enforcement - at next certification (interim or annual)
May enforce with 30 days notice or delay enforcement for up to 6 months for all or create delay time frames based on exceptions (disability, age, etc.)
3. Limited Enforcement: Option to Cure
Same as Enforcement except residents are given the option to cure the non-compliance within the delay time-frame.

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Deductions and Allowances

AND HARDSHIP POLICIES

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Dependent Deduction

- Remains \$480 per dependent in 2024, then adjusted annually for inflation
- In 2025 and thereafter, this will change:
 - Amount of earned income counted for adult full-time dependent students
 - Amount of adoption assistance account per adoptee

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Deductions: Child Care

- New Hardship Exemption effective when Owner software is HOTMA compliant
- The deduction can continue even when no adult is working or going to school when the family can demonstrate:
 - They are unable to pay their rent without the deduction, and
 - The childcare expense is still necessary even though the family member is no longer employed or furthering education.
- Owner must have a written policy for this
- Hardship Exemption for the family must be reviewed at least every 90 days

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Elderly/Disabled Household Deduction

- Beginning when Owner software is HOTMA compliant, qualifying families deduct \$525
- Adjusted by HUD annually for inflation and rounded to the next lowest multiple of \$25.

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Medical and Disability Expense Deduction “co-pay” increases from 3% to 10%

- When the combined total of allowable medical and disability expenses exceeds 10% of annual income, the family may deduct this amount from Annual Income.
- When Owner software is HOTMA compliant:
 - 10% applies to all new move-ins and existing families who were not receiving these deductions on 1/1/24.
 - Families who were receiving the deduction on 1/1/24, will be raised to 5% on their next IR/AR, then to 7.5% 12 months later, and to 10% 12 months after that.
- Owner’s “General Relief” policy and other “optional” policies may apply

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Annual Recertification


THE HOTMA WAY



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Annual Recertification Verification Process

- EIV plus self-certification
- Other verification forms as needed
- See pages 16 -22 of Supplemental Guidance for HUD's examples of how to use EIV plus self-certification and other verification as needed
- If Owner opts to use Safe Harbor/ Means-Tested verification, use of EIV is not required

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Interim Recertifications

THE 10% TEST

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Interims are required only when:

HOTMA Interim Recerts

- Total adjusted income increases by 10% or more (no set dollar amount) due to something other than "earned income".
- Total adjusted income decreases by 10% or more or lower percentage if established by the owner
- Total adjusted income decreases greater than 0 percent due to decreases in family size

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Interims and Earned Income

- An OA must not complete an IR for an increase in earned income unless an IR to decrease adjusted income has been completed since the effective date of the last AR
- An O/A must not include the earned income increase nor consider it when calculating the % of change in adjusted income when an increase in unearned income has occurred when an AR to decrease adjusted income has not been performed since the effective date of the last AR.
- The O/A has the option not to perform an interim due to an increase in earned income that has occurred after a previous interim for a decrease in adjusted income was performed. (Owner Policy needed.)

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New Type of Certification

Non-Interim Reexamination Transaction

- For changes that do not trigger an interim

Examples

- A family member moves out or in?
- The citizenship or non-citizen eligibility status of any family member changes
- Adding or updating a family member's SSN
- Updating the phase-in %
- Adding or removing a hardship exemption
- Etc.

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Miscellaneous Issues

EIV AND WHATNOT



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Enterprise Income Verification System

- EIV Income Report will be run 120 days after transmission of a MI or IC to TRACS (instead of 90 days)
- Owners are not required to review EIV Income Reports when creating an Interim.
- Owners that do not require families to undergo interim reexaminations (IRs) for earned income increases after an IR decrease do not need to review the New Hires report at all between a family's annual reexamination. If the Owner's policy is to require an IR including increases to earned income after an IR decrease, then the Owner must review the report quarterly after the family's IR decrease.
- Owners will not be required to investigate EIV Income Discrepancies until HUD changes the logic in the system.
 - A change of \$200 a month or more in annual income does not sync with a change of 10% or more in adjusted income

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No Non-Compliance for “*de minimus errors*”

- A miscalculation of tenant income or a tenant reporting error equal to a difference of \$30 or less in monthly adjusted income (\$360 a year) will not be non-compliance
- Tenants who have underpaid rent due to the error will not be required to repay it to HUD, but Owner will have to repay it to HUD
- If the difference of \$30 or less resulted in the tenant having overpaid rent, Owners will still have to refund these amounts to the tenant

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HUD Must Issue New Forms

- 9887/9887A - only has to be signed one time
- HUD Fact Sheet How Your Rent Is Determined
- Leases (Needed for Interim Reporting changes)
- TRACS 203A (HOTMA doesn't happen without 203A)
- VAWA Lease Addendum (not part of HOTMA)

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New Ways to Verify SSNs

- Owner must attempt to first obtain a valid SSN card issued by the SSA or an original document issued by a federal or state agency with the required information .
- If that is not possible, individual can self-certify their SSN and furnish at least one third-party document, such as a bank statement, utility or cell phone bill, benefit letter, etc., that contains the name of the individual. The Owner must explain why the SSN card, etc was not available
- If the tenant's SSN is verified in EIV, then no further verification is required.
- If the tenant's SSN fails the SSA identity match, the Owner must obtain a valid SSN card issued by the SSA or an original document issued by a federal or state agency with the required information

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Deadlines



- Owner must develop a HOTMA compliant TSP and EIV policies and procedures by **5/31/2024**
- Compliance deadline is after owner software is compliant and no later than 1/1/2025
- Owners will not receive MOR findings for noncompliance with HOTMA until 1/1/2025.
- HUD has stated that Owners who wish to implement HOTMA changes prior to software update can do manual overrides in TRACS to create HOTMA compliant 50059s.

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Owner Policies and Forms that will Need to Be Updated

Tenant Selection Plan (5/31/2024)	Application / Preapplication Forms	Rejection Letters (Section 8 - regarding asset cap)
Applicant Notices (Section 8 - regarding asset cap)	Hardship Policies <hr/> EIV Policies & Procedures (5/31/2024)	Tenant Reporting Policies

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Q & A

ARE YOU READY FOR
HOTMA?

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Thank
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