

Contact Information

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Announcements

Schedule:

- The training will run from 9:00 am until approximately 3:00 pm
- Breaks: Morning and Afternoon
- Lunch: Approximately 12 – 1 pm
- Staff will present the webinar and allow for questions after each topic is covered. Upon conclusion of the presentation staff will remain available to answer questions.

Housekeeping:

- Certificates will be emailed after the conclusion of the class
- We suggest you silence your phones and put an “out of office” email response to help avoid distractions during the training
- Please pose questions and comments in the “Chat Box” or the “Questions Box”

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HOTMA

Programs impacted by the Housing Opportunity Through Modernization Act of 2016 (HOTMA)

- HOME Investment Partnerships (HOME), HOME-ARP and TCAP-RF Programs
- National Housing Trust Fund (NHTF)
- Supportive Housing for Persons with Disabilities (Section 811)

Programs somewhat impacted by HOTMA

- Housing Tax Credit Programs (LIHTC, Exchange and TCAP)
- BOND Program
- Texas Housing Trust Fund Program (THTF)
- Neighborhood Stabilization Program (NSP)

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HOTMA Resources

- **HOTMA Final Rule**

- <https://www.hud.gov/sites/dfiles/PA/documents/6057-F-03-HOTMA-Income-Final-Rule.pdf>

- **HOTMA Resources from HUD**

- https://www.hud.gov/program_offices/housing/mfh/hotma
- https://www.hud.gov/program_offices/public_indian_housing/hotmaresources

- **TDHCA Recorded Presentations**

- <https://www.tdhca.state.tx.us/pmcomp/presentations.htm>

- **TDHCA Forms**

- <https://www.tdhca.state.tx.us/pmcomp/forms.htm>

- **HUD Handbook 4350.3**

- <https://www.hud.gov/sites/documents/43503HSGH.PDF>

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HOTMA Disclaimer

The Department has developed this training based on the staff interpretations of the requirements of HOTMA. HUD has indicated that additional guidance would be released with regards to several sections of HOTMA. The Department will review said guidance and update, if necessary, any trainings and policies with regards to the programs affected by the guidance.

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HOTMA: Poll #1



Are there foster persons living in your development(s)?

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HOTMA: Foster Persons

Foster children and foster adults, as defined by state law, will not be considered household members for the purposes of eligibility, nor will their income or assets be included in the household determination of eligibility.

- Income from payments received for the care of Foster Persons is excluded
- This exclusion was added to help eliminate the double counting of Foster Persons since they are allowed to be considered temporarily absent household members in the households to which they would return
- Foster Persons' income may be used to determine the minimum income for a household but it will not be included in the determination of eligibility, the stipend received for the care of foster persons will continue to be excluded – not applicable to Section 811 households
- Foster Persons will be considered when determining the appropriate sized unit – only monitored for Section 811 households

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HOTMA: Foster Persons - Example

Four (4) Person Household in a 60% HTC Unit in Austin, Texas

- Jesse; Head of Household, Annual Income \$48,000
- Erin; Foster Adult, Annual Income \$10,000
- Lynn; Foster Child, No Annual Income
- Jane; Foster Child, Annual Income from SSI \$7,240
- Total Household Income **\$65,240**

Income Limit for a 4 person household \$66,180 – Qualified if moved in prior to January 1, 2024

Income Limit for a 1 person household \$46,380 – Unqualified if moved in on or after January 1, 2024 with HOTMA changes

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HOTMA: Foster Persons - Questions

- What if I recertify my household that originally qualified with foster persons and the household no longer qualifies?
 - You will follow the same process as you would if someone had an increase in their household income causing them to become an Over Income (OI) household. This will be program specific.
- Are foster persons listed on the Income Certification?
 - Yes, you would list them like you would a live-in aide, the code for these household members is “F” as shown on the Income Certification Instructions.
- **Persons between the ages of 18 and 24, who have left foster care, or will leave foster care within 90 days, and who are homeless or at risk of becoming homeless at age 16 or older, will be considered “single persons” and will have their income and assets included in the household calculation of eligibility.**

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HOTMA: Annual Income

Annual Income includes all amounts not specifically excluded in CFR 5.609.

This includes amounts as follows:

- All earned and unearned income for the Head of Household, Co-Head and/or Spouse
- All earned and unearned income for household members 18 years of age and older
 - There are some exceptions to this requirement for full-time students with regards to their earned income
- All unearned income for household members under the age of 18

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HOTMA: Excluded Income

- Insurance Payments and Settlements
- Employment Income for Students*
- Payments to keep family members with disabilities living at home**
- Payments from the U.S. Census Bureau for work on Decennial Census
- Direct Federal/State Payments for Economic Stimulus or Recovery
- Tax Returns
- Gifts for holiday, birthdays, or other significant life events
- Lump sum additions to assets like lottery winnings
- Civil Settlements from an action that caused someone to become disabled
- Income or lump sums received from Civil Rights Settlements
- Back-pay received as a result of a Civil Rights Action
- Worker's Compensation
- Income received from a retirement account
 - Except for periodic payments
- Certain Student Financial Assistance
- Any other income excluded by CFR 5.609

Any of the Lump Sums outlined on this slide that are placed in an asset, checking/savings account, will count towards the household assets.

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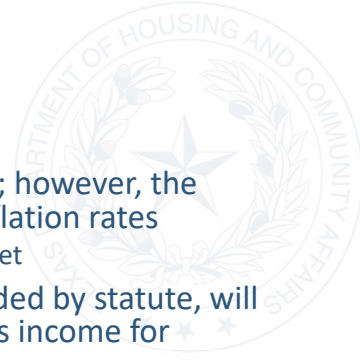
HOTMA: Poll #2



Are there students living in your development(s)?

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HOTMA: Excluded Income – Students*



- Student Eligibility has not changed at this time
- Student Income requirements are not changing drastically; however, the amount that is included may change annually based on inflation rates
 - Currently the allowable amount is \$480 if all requirements are met
- All households with student financial aid, that is not excluded by statute, will have the aid less allowable education expenses included as income for purposes of determining eligibility
- After July 1, 2024, all financial assistance covered in 479B of the HEA and the Bureau of Indian Education will be excluded from income, regardless of any excesses calculated
- Reimbursement programs from an employer, scholarship from a private entity or non-profit, trust, etc. would all be included as income in excess of the expenses
- The actual covered costs of the student are tuition, **books** and supplies, **room and board** and other required fees

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HOTMA: Student Financial Assistance– Students*

Student Financial Assistance means a grant or scholarship received from:

- The Federal Government
- A State, Tribe or Local Government
- A private foundation registered as a nonprofit under 26 USC 501(c)(3)
- A business entity (like a corporation, general partnership, limited liability, limited partnership, joint venture, business trust, or nonprofit entity)
- An institution of higher education
- Title IV Regulations can be found online at https://www.nasfaa.org/compiled_title_iv_regulations
 - Any assistance provided through Title IV of the HEA is excluded
- **If the student is the Head of Household, Co-Head or Spouse and is a person over the age of 23 with a dependent child all financial assistance is excluded.**
 - This is the only exception after January 1, 2024.

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HOTMA: Not Financial Assistance– Students*

While the income might be excluded with regards to the student income requirements, it may still be included as income for the purposes of eligibility, i.e. gift from family is a Monetary Contribution

Student Financial Assistance does not include:

- Any assistance that is excluded by regulation
- Financial support provided to the student for services performed, i.e. work-study
- Gifts, including those from family and friends
- Student Loans will never be included as financial assistance or income
- Any amount over the assistance used to cover the education expenses may be considered income for eligibility purposes

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HOTMA: Excluded Income – Student Example 1

Calculation of Income from Student Financial Assistance

Qualified Education Expenses:	\$12,850
Title IV HEA Assistance:	\$14,590
Other Financial Assistance:	\$5,000
Total of Financial Assistance:	\$19,590

How much total financial assistance would be used to reduce expenses?

\$14,590

How much should count as regular income?

\$5,000

All assistance provided through Title IV HEA must be excluded from income. This is exclusion must be taken into account first. Anything remaining after deducting the qualified expenses is not considered income. Had a balance been left, the other financial assistance would have been applied and anything leftover would be counted as income.

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HOTMA: Excluded Income – Student Example 2

Calculation of Income from Student Financial Assistance

Qualified Education Expenses:	\$18,000
Title IV HEA Assistance:	\$14,590
Other Financial Assistance:	\$5,000
Total of Financial Assistance:	\$19,590

How much total financial assistance would be used to reduce expenses?

\$18,000 (\$14,590 plus \$3,410 of the \$5,000)

How much should count as regular income?

\$1,590 (\$5,000 minus remaining \$3,410)

All assistance provided through Title IV HEA must be excluded from income. This is exclusion must be taken into account first. Anything remaining after deducting the qualified expenses is not considered income. Since a balance was left, the other financial assistance has been applied and anything leftover will be counted as income.

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HOTMA: Excluded Income – Student Example 3 with a trick

Calculation of Income from Student Financial Assistance

Qualified Education Expenses:	\$18,000
Scholarship from a local entity:	\$8,000
Parents outside the household:	\$25,000
Total of Financial Assistance:	\$33,000

How much total financial assistance would be used to reduce expenses?

\$8,000; which is excluded from income plus \$10,000 of the parental contribution

How much should count as regular income?

\$15,000; excess received from persons outside the household is income

All assistance provided through Title IV HEA must be excluded from income. This exclusion must be taken into account first. Anything remaining after deducting the qualified expenses is not considered income. Since a balance was left, the other financial assistance has been applied and anything leftover will be counted as income.

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HOTMA: Excluded Income – Payments to Disabled Families**

- Payments to keep family members with disabilities living at home received from, or authorized by, Federal/State agencies and Medicaid are excluded
 - What this looks like in a Program Unit:
 - Carolyn is living in a program unit with her disabled husband. Carolyn is paid by a State program to care for her husband in order to keep him home instead of in a nursing-care facility. This income is excluded. Her husband's Social Security income and any other income (not specifically excluded) will be included in the determination of household income.
 - Carolyn is also paid for the care of other persons in her apartment community through the same program; however, only the income from her husband that lives in her household is excluded. All other income received from the agency will be counted towards eligibility.

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HOTMA: Annual Income - Questions

- **Where can I find a comprehensive list of excluded income sources?**
 - 24 CFR 5.609
 - HUD plans to update the list of federally mandated exclusions via Federal Register notice
- The “temporary, nonrecurring, or sporadic income (including gifts)” exclusion is replaced with an exclusion for “nonrecurring income, which is income that will not be repeated in the coming year based on information provided by the family.”
- The “coming year” is defined as the 12 months following the income certification.
- Incomes of “day laborers”, “independent contractors”, and “seasonal workers” (defined in regulation) are all specifically included in family income.

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HOTMA: Poll #3

All retirement accounts are excluded from the calculation of assets as a result of HOTMA, true or false?

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HOTMA: Assets

- For MFDL Program Units, households may self-certify household assets when the total amount is less than \$50,000; however,
 - At Initial Certification the assets must be fully verified by third-party or first-hand documentation; also during 6th year certifications the assets must be verified
 - The IRS has not approved this change for the HTC and BOND Programs at this time
- For Section 811 Program units, the assets must be fully verified by third-party or first-hand documentation at Move-In and Initial certifications and during each 3rd year certification for the household
 - All Section 811 households must have their assets fully verified during the 2024 certification
- Actual Income ONLY will be included on self-certified assets under \$50,000
 - What this looks like in a Program Unit:
 - Household has \$5,000 in a checking account with a .02% rate of return and \$20,000 in the form of land
 - Actual income from checking \$1 is the only income from assets reported
- Retirement accounts (as defined by the IRS) are no longer included
 - Not even 401K accounts ☺

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HOTMA: Assets continued

- A household with **more** than \$50,000 in household assets will have the actual income calculated for the assets that have the interest rate or rate of return available and imputed income calculated for those that do not have an interest rate or return available
- Imputed Income on assets OVER \$50,000 will only be calculated if the actual rate of return cannot be determined
- What this looks like in a Program Unit:
 - Household has \$35,000 in a checking account with a .02% rate of return and \$20,000 in the form of land
 - Actual income from checking \$7 and Imputed income from land \$12 = combined income from assets of \$19
- **The asset limitation requirement applies to Section 8 PBRA programs only; the provision does not apply to HOME, NHTF, or Section 811.**

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HOTMA: Assets at Layered Properties

Property has Housing Tax Credit and HOME Funds

Checking account with no interest:	\$18,000
Savings account with 2% interest rate:	\$8,000
Land with no determined rate of return:	\$25,000
Total of Household Assets:	\$51,000

How much is the actual income from assets?

\$0 from the Checking Account; \$160 from the Savings Account and \$0 from the Land

How much is the imputed income from the assets?

For the Housing Tax Credit Program: \$30.60 (\$51,000 x .06%)

For the HOME Program: \$15 (\$25,000 x .06%)

How much income from assets should be included on the Income Certification?

For the HOME program: \$0 checking (actual); \$160 savings (actual); \$15 land (imputed)

For the Housing Tax Credit Program: \$0 checking (actual); \$160 savings (actual is higher than imputed); \$0 land

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HOTMA: Assets - Questions

- **I have properties with HOME and Housing Tax Credit, how do I handle assets?**
 - **At this time, until and unless the IRS issues guidance...**
 - For the Housing Tax Credit Program you will still be able to use the Under \$5,000 certification (if allowed) but assets over this amount must be fully verified by first-hand or third-party documentation
 - For the MFDL Program you must fully verify all assets at the time of the initial certification; however, the assets can still be self-certified during the intervening years. Assets must be fully verified in the 6th year certifications
 - **If the IRS issues guidance, the Department will adjust the requirements and update the applicable forms**
- **I have properties with Section 811 and Housing Tax Credit...**
 - Section 811 is allowed to use the asset self-certification other than at Move-In and Initial Certifications and every third year, HTC will do as outlined above until further guidance is received

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HOTMA: Deductions for Adjusted Income

Annually, HUD will issue an Adjustment for Inflation to be used for dependent deductions, this will directly relate to the student employment income and adoption assistance to be included for eligibility.

- The HOME, TCAP-RF and HOME-ARP programs (when household goes over 80%) must use the deductions to calculate adjusted income to determine tenant rent
- Section 811 Program must use the deductions to determine adjusted income and tenant rent
- Dependent Deduction will be updated annually based on inflation
 - This amount will correlate to the earned income counted for full-time students and adoption assistance
- Child Care Deduction has excluded foster children with HOTMA, this might change with further guidance from HUD, and has removed the allowance for a person to look for work
- Elderly/Disabled Deduction is being increased to \$525
- Reasonable Attendant Care and Auxiliary Apparatus; formerly Disabled Deduction – the 3% test is now a 10% test
- Unreimbursed Health and Medical Care expenses for elderly/disabled households – the 3% test is now a 10% test

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HOTMA: Dependent Deduction

The Dependent Deduction

- For 2024 this will remain at \$480, HUD will announce increases annually based on inflation
- Two types of household member income caps are affected by this amount
 - Full-time student income, when the student is not the head, spouse or co-head, is capped at the amount of the deduction
 - Adoption assistance is capped at the amount of the deduction
 - If/When the deduction changes the income caps will also change
- Foster children are not eligible for the dependent deduction

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HOTMA: Childcare Deduction

The Childcare Deduction

- Anticipated expenses for care of children under the age of 13 may be deducted from the annual income if:
 - The childcare is necessary to enable a family member to work or further their education
 - The family has determined that no adult in the household can provide the childcare
 - Expenses are not paid to a family member in the unit
 - The expense must be reasonable
 - The expense cannot be reimbursed by any agency or individual
- This deduction is available to households where the childcare allows a household member, or members, to work or attend school
- Foster children are not eligible for the childcare deduction at this time

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HOTMA: Elderly/Disabled Deduction

The Elderly/Disabled Family Deduction

- The deduction amount is changing to \$525 starting on January 1, 2024
 - This deduction amount will be adjusted annually for inflation
- This remains a household deduction when the head, spouse or co-head is 62 years of age, or older, or a disabled person
- Foster persons are not eligible for this deduction

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HOTMA: Health & Medical Care Expense Deduction

The Health & Medical Care Expense Deduction

- This remains a household deduction when the head, spouse or co-head is 62 years of age, or older, or a disabled person
- HUD is revising the definition of Health and Medical Care Expenses to reflect the Internal Revenue Service (IRS) definition; <https://www.irs.gov/pub/irs-pdf/p502.pdf>
- The deduction includes out-of-pocket medical expenses for all family members of a qualified household; Expenses must be properly verified
- Foster persons are not eligible for this deduction

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HOTMA: Health & Medical Care Expense Deduction Hardship

The Health & Medical Care Expense Deduction Hardship Allowance

- This hardship allowance is only applicable to the Section 811 Program Units
- The disallowed amount is changing from 3% to 10% of the annual income
 - There is a hardship allowance for this deduction, in 2024 it will be 5%, in 2025 it will be 7.5% and in 2026 it will be the full 10%
 - The household must have been receiving the deduction prior to the implementation of HOTMA

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HOTMA: Attendant Care & Auxiliary Apparatus Expense Deduction

The Attendant Care & Auxiliary Apparatus Expense Deduction

- All families who incur expenses on behalf of a disabled member that allows an adult member, including the disabled member, to work are eligible for the deduction
- Examples of Auxiliary Apparatus expenses
 - Payments made on a motorized wheelchair that enables the disabled head of household to work
 - Or, the payments on a motorized wheelchair for an adult child of the head of household that enables the head of household and the adult child to work
- Examples of Attendant Care expenses
 - Payments made to a qualified caregiver of a child that allows the child's parent to go to work every day
- Foster persons are not eligible for this deduction

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HOTMA: Attendant Care & Auxiliary Apparatus Expense Deduction Hardship

The Attendant Care & Auxiliary Apparatus Expense Deduction Hardship Allowance

- This hardship allowance is only applicable to the Section 811 Program Units
- The disallowed amount is changing from 3% to 10% of the annual income
 - There is a hardship allowance for this deduction, in 2024 it will be 5%, in 2025 it will be 7.5% and in 2026 it will be the full 10%, this will apply to Section 811 program units
 - The household must have been receiving the deduction prior to the implementation of HOTMA

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HOTMA: Deduction Examples

James, Head of Household, age 63
 Nicole, Spouse, age 52
 Casen, Dependent, age 14, disabled – requires attendant care

James’s annual income	\$25,000
Nicole’s annual income	+ \$23,000
Total Annual Income	\$48,000

James’s out-of-pocket Health & Medical Care expenses	\$2,000
Nicole’s out-of-pocket Health & Medical Care expenses	\$1,000
Casen’s out-of-pocket Attendant Care expenses	+ \$6,000
Total Health & Medical Care and Attendant Care expenses	\$9,000
Less 10% (assuming this is a new move-in after 1/1/2024)	\$4,800

Annual Income	\$48,000
Medical Deduction	\$4,200
Dependent Deduction	\$480
Elderly/Disabled Ded.	\$525



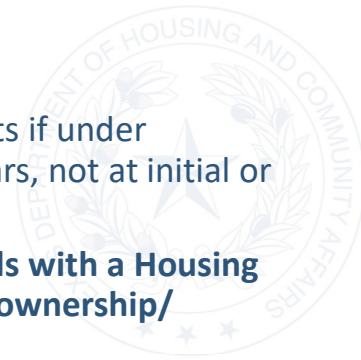
To calculate rent:
 Adjusted annual income
 \$42,795
 Divided by 12 months
 \$3,566.25
 Multiplied by 30%
 \$1,069.88
Total Tenant Payment

Adjusted Annual Income \$42,795

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HOTMA: HOME/HOME-ARP/TCAP-RF

- Households will be able to self-certify household assets if under \$50,000 for the combined total during intervening years, not at initial or during 6th year certifications
- **The Section 8 Verification may be used for households with a Housing Choice Voucher, assuming the PHA is not part of the ownership/management group**
- If using source documentation (i.e. paystubs, bank statements), 2 months (60 days) of documentation are required, this has not changed with HOTMA
- Households may continue to self-certify income and assets in intervening years with full income recertification done in each 6th year
- Adjusted Income will remain a requirement for households that have income exceeding the 80% HOME limit



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HOTMA: National Housing Trust Fund (NHTF) Program

- Households will be able to self-certify household assets if under \$50,000 for the combined total during intervening years, not at initial or during 6th year certifications
- **The Section 8 Verification may be used for households with a Housing Choice Voucher, assuming the PHA is not part of the ownership/management group**
- If using source documentation (i.e. paystubs, bank statements), 2 months (60 days) of documentation are required, this has not changed with HOTMA
- Households may continue to self-certify income and assets in intervening years with full income recertification done in each 6th year

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HOTMA: Section 811

- Households will be able to self-certify household assets if under \$50,000 for the combined total during intervening years, not at Move-In and Initial Certification or during every third year certifications
 - In 2024 all existing Section 811 households must have their assets fully verified
- Adjusted Income will remain a requirement in order to determine the tenant portion of rent
- Move-In and Initial Certifications will forecast income based on current circumstances
- Annual Recertifications will use the prior year income, unless the owner is able to determine that the prior year income is not indicative of what the up-coming year will reflect, i.e. the household receive a job and will have a higher income that was not present in the prior year
- Interim Recertifications...

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HOTMA: Section 811

- HUD 9887 and 9887A only need to be signed when a tenant begins to receive subsidy
 - Effective when the new forms are released by HUD
 - Initial subsidy award/move-in
 - Additional household members added or existing household members turn 18
 - If subsidy is terminated and the household goes back on subsidy
- De minimis errors of \$30 or less per month will not result in noncompliance but may require credits to the household if the household overpaid
- EIV is no longer required on Interim Recertifications unless the policies and procedures require them

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HOTMA: Notes and Thoughts

- The final rule will become effective on January 1, 2024
- HUD will publish a Federal Register notice on inflationary adjustments (for items that are adjusted annually for inflation, such as the dependent deduction and the elderly/disabled family deduction) and will solicit comment on the proposed methodology
- HUD plans to update the list of federally mandated exclusions via Federal Register notice
- HUD will annually publish a passbook rate based on the Federal Deposit Insurance Corporation (FDIC) National Deposit Rate for savings accounts

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**DoN't
PANiC!**

THANK YOU!

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