

PB 11 A 03.01.12

HO / RR PART 5

Wed Feb 29 at 9:30

Wed Mar 14 at 9:30

PG #	MAJOR CHANGES
1	income limit determination date
4	notarized affidavit details (marital separations)
8	new verification process which changes the order of hierarchy and allows applicant-provided source documents
9	applicant-provided original or authentic document dated within 60-day period prior to date of Checklist
10	grantee required to obtain two current and consecutive pay stubs
10	grantee will view original document and make copy
12	order of submission
17-18	income from rental property now in "income include" section
FORM	Annual Household Income Worksheet, added more lines in B-1, B-8
FORM	NEW worksheet for SE YTD income and expenses. Grantee can provide to SE applicants, if necessary.
FORM	Required Documents Checklist

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY
COMMUNITY DEVELOPMENT DIVISION

PB 11A – PART 5

**INCOME AND ASSET GUIDEBOOK
FOR HOMEOWNER AND RENTAL REHABILITATION PROGRAMS**

Grant administrators of the Community Development Division (CD) funds must certify that program recipients meet the Housing and Urban Development (HUD) and Michigan State Housing Development Authority (MSHDA) eligibility requirements. Therefore, CD has prepared this Income and Asset Guidebook, as revised Policy Bulletin # 11, to provide direction in Household Eligibility Requirements, Income, Assets and the Third Party Verification (TPV) Process.

HOUSEHOLD ELIGIBILITY REQUIREMENTS

Area Median Income (AMI) Limits

CD grant funds are reserved to benefit low-moderate income families and, depending on the type of program, the following maximum income limits apply:

- Homeowner Assistance Programs households must have gross annual income of at or below 80% Area Median Income (AMI).
- HOME-assisted rental rehabilitation households must have gross annual income of at or below 60% AMI.
- CDBG-assisted rental rehabilitation households must have gross annual income of at or below 80% AMI.
- CDBG-assisted multiple units structures must have at least 51% of the units occupied by low-mod income households. If the structure has two units, at least one must be occupied by a low-mod income household.
- CDBG-assisted area benefit activities undertaken in a Neighborhood Preservation Program (NPP) area or Neighborhood Revitalization Area require that the activity benefits all the residents in the area (e.g., street improvements, water and sewer, neighborhood facilities, etc.) and at least 51% of the area's residents are at or below 80% AMI.

AMI limits are determined by HUD and are posted at <http://www.huduser.org/datasets/il.html>. Use income limit in effect at the time household is determined to be income eligible (date Grantee staff signed and dated the Annual Household Income Worksheet – HO and RR form).

Household Size

Income limits are adjusted by household size; therefore, one of the first steps in determining eligibility is to determine the size of the household.

Some households may have members whose income, if any, is not considered when calculating annual income. **Do not** count the following household members when determining family size or annual income:

- Foster Children
- Live-in Aides
- Children of Live-In Aides
- Unborn Children
- Children Being Pursued for Legal Custody or Adoption who are not currently living with the household.

Note: A child in a shared-custody agreement and resides in the household at least 50% of the time can be counted as a household member.

Citizenship

Pursuant to the Welfare Reform Act in 1966 and Section 401 of Title IV of the Personal Responsibility and Work Opportunity Reconciliation Act of 1996 (PRWORA), a Federal public benefit for public or assisted housing requires verification of legal residency in this country before providing assistance. Each household member must complete the “Declaration of Section 214 Status” form and attach documents as required.

For information about immigration services, contact the U.S. Citizenship and Immigration Services, Detroit District Office, 1-800-375-5283 or visit their website online at https://eqov.uscis.gov/crisqwi/go?action=offices.type&OfficeLocator.office_type=LO.

Whose Income to Count

Knowing *whose* income to count is as important as knowing *which* income to count, see below:

Earned Income of Minors. Earned income of minors (age 17 and under) is **not** counted. Unearned income attributable to a minor is counted (e.g., child support, **Temporary Assistance for Needy Families** (TANF) payments, disabled child who receives SSI, other benefits paid on behalf of minor).

Income of Live-in Aides. If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide is **not** counted, regardless of the source. Except under unusual circumstances, a related person cannot be considered a live-in aide. The Grantee **may** use the “Verification of Disability and/or Special Medical Needs” form.

Temporarily Absent Family Member. The income of temporarily absent family members **is** counted as annual income - regardless of the amount the absent member contributes to the household.

For example, a construction worker employed at a temporary job on the other side of the state earns \$600 per week. He keeps \$200 per week for expenses and sends \$400 per week home to his family. The entire amount (\$600 per week) is counted in the family's income.

Permanently Absent Family Member. If a family member is permanently absent from the household (such as a spouse who is in a nursing home), the head of household has the choice of either (i) counting that person as a member of the household and include their income or (ii) specify that the person is no longer a member of the household.

Adult Full-Time Students Living Away From Home. If the adult full-time student is counted as a member of the household in determining household size (to compare against the HUD income limits), up to \$480 of the student's income must be counted in the family's income. The Grantee **may** use the "School Verification" form.

Note: The \$480 **annual** limit does **not** apply to a student who is the head of household or spouse; their full income must be counted.

Marital Separations. All parties with a legal interest in the property, including both spouses, must sign the lien agreement. Eligibility requirements for parties that are separated differ depending on the type of program as follows:

For Homeowner Assistance programs, a married applicant who is separated may be eligible if:

- The separated spouse has not lived in the property for at least six months prior to the date of application, AND
- The separated spouse can document a separate address (driver's license, lease, utility bill, etc.), AND
- Separation status and income and/or support payments are verified by a Judgment of Separate Maintenance OR a notarized affidavit **(see Note below)** signed by the applicant.

For Rental Rehabilitation programs, a married applicant who is separated may be eligible if:

- Applicant can provide proof of separation (i.e., separate addresses, court documentation, etc.) and it is at least six months prior to the date of application, AND
- Separation status and income and/or support payments are verified by a Judgment of Separate Maintenance OR a notarized affidavit **(see Note below)** signed by the applicant.

Note: The notarized affidavit should state the following:

1. name and addresses of both parties,
2. date of separation,
3. date divorce proceedings will begin,
4. alimony payments are being made to either party and amount,
5. child support payments being made to either party and amount,
6. other payments and amount, and
7. other pertinent information regarding this separation.

For additional household eligibility requirements, refer to Policy Bulletin # 16.

Initial Eligibility and Annual Recertification

Grant administrators of CD program funds must certify that program recipients meet HUD and MSHDA annual income requirements for eligibility.

Depending on the component, the timing of determining income eligibility may vary as follows:

- 1) For Homeowner Rehabilitation programs, households must be income eligible at the time the construction contract is executed or the time the rehabilitation loan is executed, whichever occurs first, and the income verification must be less than 6 months old.
- 2) For Rental Rehabilitation and Rental Development programs, households must be income eligible at the time the lease is executed. For tenants in place, households must be income eligible at the time the agreement to provide assistance to the landlord is executed. Income verification must be less than 6 months old.
 - For HOME-funded rental units, annual recertification is required throughout the period of affordability. HUD allows “self certification” (see “Recertification of Annual Income by Tenant Family” form); however, for terms of affordability longer than five years, recertification of income eligibility must be documented using the Third Party Verification method every 6th year (i.e., 6, 12 and 18).
 - For CDBG-funded rental units, income of existing tenants is verified prior to the landlord receiving assistance. New tenants’ income is verified prior to signing a lease. Income restrictions do not apply to subsequent tenants occupying assisted units unless otherwise stipulated by MSHDA.

Note: Tax credit projects require an annual recertification using the Third Party Verification method.

Rent limits apply to assisted units and vary according to the source of funds. Both HOME and Community Development Block Grant (CDBG) rents include a Utility Allowance. See Policy Bulletin #25 for definitions of Rent Limits Under the CDBG Program, Rent Limits Under the HOME Program, and Guidelines for Floating Units Under the HOME Program.

INCOME ELIGIBILITY REQUIREMENTS

Part 5 Definition

For all Homeowner Rehabilitation, Rental Rehabilitation and Rental Development activities, CD Grantees will calculate annual income as defined in 24 CFR 5.609, also referred to as "[Part 5 annual income](#)", and is used by a variety of Federal programs, including:

- the HOME Investment Partnership Program,
- the Community Development Block Grant Program,
- the Section 8 Program,
- public housing programs, and
- the Low Income Housing Tax Credit Program.

Note: In some cases, two or more Federal programs may provide assistance to a single program or project at the local level. When this is the case, the Grantee should be careful to comply with CD requirements as well as any additional requirements of other sources of funds.

Calculating Income

Annual income is determined by calculating a household's **anticipated** total or gross income.

Use the family's current income to anticipate the family's expected annual income projected for the next 12 months (from the date of application). Sporadically received income, or income where the amount received is not consistent must be treated as irregular income, and the procedures described below for annualizing irregular income must be used to anticipate annual income for the next year.

Use averages and estimated amounts when necessary.

Use gross income and include holiday pay in determining gross income. Do not deduct taxes or other payroll deductions from gross income (i.e., funds put into retirement account)

Include all tips, bonuses, scheduled pay increases or other additional amounts. If TPV indicate an expected change in income (i.e. pay increase), include the change in calculations to obtain the closest possible estimate. Multiple entries on income calculation sheet may be required.

Example: A participant starts a new job and the employer indicates an anticipated increase after six months. Calculate and enter six months at current wage and six months at the increased wage to get the best estimate of the next 12 month's earnings.

If verifications provided are not clear, the Grantee must obtain additional information before determining the applicant's annual income.

Convert all income to an annual figure by multiplying the pay rate by frequency of payment.

- Multiply hourly wages by the number of hours worked per year.
Full-time employment (40 hours a week and no overtime) is 2,080 hours

(40 hrs X 52 weeks = 2080 hours)
(10 hours a week X 52 weeks = 520 hrs per year)

- Multiply weekly wages by 52.
- Multiply bi-weekly wages by 26 (every two weeks).
- Multiply semi-monthly wages by 24 (two times per month).
- Multiply monthly wages by 12.
- Multiply daily wages by 260 (full time and no overtime).
- To convert monthly amount to weekly, divide by 4.3.
- Round total calculation up to the nearest dollar at .50 and above (except SS payments, which are always rounded down).

Note: Federal and State wage laws require employers to pay time and a half in excess of 40 hours for most occupations. If earnings verification shows more than 40 hours worked but does not indicate overtime paid, verify with employer if overtime is paid or not.

Calculating Irregular Income

Irregular income is defined as income received in an unpredictable manner, such as income from seasonal employment, households with irregular income from temporary work agencies, child support, or alimony.

When determining irregular income, use the most recent verification providing the *required information* available. Use only the actual amounts received for the previous 12 months to project the upcoming 12 months.

If the less than 12 months of income is verified, divide the year-to-date (YTD) total by the amount of actual weeks the total covers to obtain an average weekly income. Multiply the weekly income amount by 52 weeks for a projected 12 month income.

Types of TPV may vary and it is often difficult to determine annual income based on the information provided. When this is the case, it is necessary for Grantee to contact the source to clarify information and document same.

Convert the following irregular income to an annual figure as follows:

- School Employment – Most schools are in session 37 weeks a year: calculate at 37 weeks worked and 15 weeks off unless verification documents specifically note otherwise. School employees usually have a choice of being paid their yearly salary spread out over 37 weeks or 52 weeks.
- Unemployment Benefits – Multiply the gross weekly benefit by the number of weeks remaining in the eligibility period. Grantees must be sure to consult with employers for the possibility of a return to employment and/or check with the unemployment office on the possibility of an extension of benefits.
- Irregular Income (including wages, child support, etc.) – Use the most recent verification available. Divide the YTD amount by the number of actual weeks to receive an average weekly amount. Multiply the average weekly amount by 52 weeks.

Example:

A check stub dated June 3, 2005 (22 weeks)

Total received (YTD total) \$ 814.00

YTD divided by 22 weeks equals weekly average: $814/22 = 37.00$

Weekly average x 52 weeks equals annual average: $37 \times 52 = 1924.00$
(Round off to whole dollar amount)

VERIFICATION PROCESS

All head of households must complete a “Family Composition” form.

A “Checklist” form must be completed for each household member that is 18 years old and older. Each item on the Checklist marked “yes” relative to income and assets must be verified.

A verification document is valid for 6 months from date of the Checklist. If the Checklist is older than six months **prior to the recipient actually receiving the assistance**, the **entire** household income must be re-verified and income projected 12 months.

See Household Eligibility Requirements – Initial Eligibility and Annual Recertification for more information.

Grantee will verify the accuracy of the information and calculate the family’s household income using the “Annual Household Income Worksheet – HO and RR” form.

In the past, CD allowed verification from other funding sources that were consistent with or “substantially equivalent” to the Section 8 existing standard; however, many of those documents do not include all the information we require. Therefore, effective immediately, **CD will only accept verification of income and assets as outlined in this Guidebook and on the forms contained herein.**

Level of Verifications Hierarchy

Gross income must be verified using the following hierarchy as set forth by HUD.

Pursuant to HUD Notice PIH2010-19 (HA) issued May 17, 2010, there have been changes to the TPV process outlined below. The Level of Verifications Hierarchy has been streamlined to allow applicant-provided documents and, therefore, the traditional third party verification form sent to the third party may not be required. Grantee should begin with the highest level of verification techniques. If the income report does not contain employment and/or income information needed, Grantee should attempt the next level of verification.

The five levels of verification, in order of acceptance to HUD, are identified below:

1. Up-front income verification (UIV)
2. Review of original source documents (provided by Applicant)
3. Third party verification, written
4. Third party verification, verbal
5. Family certification (notarized statement)

1. Up-Front Income Verification (UIV)

Up-front income verification (UIV) is the verification of income through an independent source that systematically and uniformly maintains income information in computerized form for a large number of individuals. UIV replaces, to a large extent, the more time consuming and less accurate TPV process of contacting individual employers identified by the family or reviewing outdated income verification documents.

A current UIV resource available to Grantee and/or applicant are private sector databases.

- Private sector databases. MSHDA recommends using “The Work Number” who provides automated employment and income verifications.

The Work Number has a “Standard Service” which will provide income verification to the Grantee within 5 business days via fax. **The cost for a non-profit is approximately \$7 and includes income and employment verification.** The Grantee may access and register at www.theworknumber.com or (800) 660-3399. See Attachments section.

The Grantee must have incoming FAX capability and register as a “Social Services User” with an Agency Type identifier of “Housing Authority.” The “Standard Service” Registration Agreement requires confidentiality with regard to any information obtained.

After completing the one-time registration, the Grantee can order verifications at any time by accessing the website and entering their FAX number, employer code number, and employee Social Security number. All information provided is current as of the most recent pay period.

Note: More employers are added to the website continuously. Current registered companies include major employers such as: Burger King, City of Detroit, Coca-Cola, Fifth Third Bank, Hardee’s, Home Depot, JC Penney, K-Mart, Kroger, McDonalds, Meijer, Pepsi Cola, Sears, Wal-Mart, etc.

2. Original Source Documents Provided by Applicant

If an UIV is not obtained, the Grantee must review original source documents provided by the applicant to verify income and assets.

An original or authentic document generated by a third party source dated within a 60-day period preceding date on Checklist or Grantee request date. Documentations originated from a third party source and in the possession of the applicant are allowed. The Grantee may, at its discretion, reject any applicant-provided documents and move to the next level of hierarchy.

Examples of acceptable applicant-provided documentation (generated from a third party source) include, but are not limited to:

- Pay stubs
- Payroll summary report
- Employer notice/letter of hire/termination
- SSA benefit verification letter
- Bank statements

Grantee is required to obtain, at a minimum, two current and consecutive pay stubs. For new income sources or when two pay stubs are not available, the Grantee should project income based on a written third party verification form.

**Original and authentic verification documents are preferred.
Grantee will photocopy for project file and return originals to applicant.**

Refer to the “Level of Verifications Chart” in Attachments section of this Guidebook for acceptable applicant-provided documents.

Note: Financial institution statements that reflect direct deposit amounts are not acceptable. Since direct deposit financial documents do not identify gross amounts or deductions, Medicare deductions, gross wages, etc., specific information must still be obtained from the source.

Under no circumstances may a copy of a U.S. Treasury issued check be retained in an applicant file.

3. Third Party Verification Form – Written

If UIV method is not available or original source documents are not provided by applicant or accepted by Grantee, a written TPV Form is used to verify information directly from the source and must be requested by the Grantee via first class mail, e-mail, fax, drop off at source, etc. **The applicant CANNOT hand carry any verification documents to or from the source.**

The Grantee must obtain applicant release signatures at the top of the applicable verification forms, **OR** attach a copy of the “Authorization for Release of Information and Privacy Act Notice” form with the words “see attached authorization form” written on the applicant signature line of the applicable verification form prior to sending to the source.

Note: Multiple forms may be needed to accommodate several sources. For example, separate Verification of Resources because applicant has three savings accounts at three different financial institutions.

The signed verification forms are submitted by the Grantee directly to the verification source who then returns the document(s) directly back to Grantee. **The applicant CANNOT hand carry any verification documents to or from the source.**

The Grantee will submit the 1st request for written TPV directly to each source.
If not returned by source within 14 days, a 2nd request for written TPV is made.
Allow source 7 days to respond to 2nd request for written TPV – for a total of 21 days.

Use the “Third Party Verification (TPV) Monitoring” form to document.

In order to be considered written TPV, the verification must come directly from the source, all required data is present, and the following:

Mailed verifications – When possible include the envelope as proof that the verification was received from the TPV source. If more than one verification is received in an envelope, Grantee should notate date, and sign on each verification form that it was received with other verifications from the source. Date stamps are acceptable.

Faxed verifications must identify the source's name encoded on the faxed documents or the cover sheet showing the source's name must be stapled to the document.

E-mail verifications must identify the source's name or notate, date and sign on the form that the verification came from source by e-mail.

Other verifications – for example, the Grantee stopped by a source's place of business and picked up verification directly from source. Grantee must notate on form that verification was picked up directly from the source by the Grantee, date and sign.

Refer to the Exceptions noted below for acceptable reasons to skip either 1st and/or 2nd written TPV attempts.

4. Third Party Verification – Verbal

If UIV method is not available or original source documents are not provided by applicant or accepted by Grantee, and written TPV form is not obtained, Grantee must initiate verbal contact with the source identified on the Checklist (i.e. supervisor, personnel department, etc.) to obtain the necessary verification.

The name of contact person, required data (including overtime, premium and pay increases), date and time contacted, and Grantee signature must be notated.

5. Family Certification (Notarized Statement)

If the above verifications were unsuccessful and the family did not have original documents to provide, then Family Certification is required.

Family certification is a notarized statement signed under penalty of perjury in the presence of a witness. Grantee may accept a notarized statement or affidavit from the family that declares the family's total monthly or annual income and assets verification. Grantee must document why this party verification was not available.

This method should be used only as a last resort when unable to obtain any type of third party verification.

Third Party Verification - EXCEPTIONS

Fee Requests from TPV Source. MSHDA does not require Grantee or applicants to pay a fee for verifications to the TPV source. If a service request fee is charged by the TPV source to complete a verification form, keep a copy of the fee request document or an e-mail from the source identifying the source name, address, phone number, and fee amount. Notate on

document “MSHDA will not pay fees” and place a copy of the fee request and/or e-mail in the file. Go to the next level of TPV hierarchy.

Letters of Refusal to Provide Verification from TPV Source. When a TPV source refuses to provide requested information, the letter of refusal will be reviewed by the Grantee and, if approved as an exception, will be retained in the project file. This will allow the Grantee to move to the next level of TPV hierarchy.

Third Party Verification (TPV) Monitoring – Form

In order to monitor the TPV process, HUD recommends the use of the “Third Party Verification (TPV) Monitoring” form which tracks the attempts to obtain TPV. This form, when well documented, verifies the TPV process – it does not excuse inadequate verification(s).

Use one form to document the entire family’s verifications. The first column corresponds with the item number on the Checklist. Enter different account types on separate lines (i.e., B-1 Checking and B-1 Savings). Write the name of the family member. Grantee staff completing the form places their initials in second column. All income and/or asset items checked “Yes” on the Checklist must be documented.

Annual Household Income Worksheet

The “Annual Household Income Worksheet – HO and RR” should be completed and used as a cover sheet for the income verification documentation packet.

Submitting Income Documentation to MSHDA

All Grantees must **submit** hard copies of the income packet in the following submission order

- Annual Household Income Worksheet – HO and RR
- Family Composition
- Authorization for Release of Information and Privacy Act Notice
- Declaration of Section 214 Status
- Checklist(s)
- Copies of source documents and/or written verification forms
- Third Party Verification (TPV) Monitoring Log

to their CD Specialist when

- the gross annual income falls within \$5,000 or 10% of the upper income limit for an CD program, or
- applicant is self-employed, or
- upon request by CD Specialist.

For all applicants, calculate annual income for program eligibility and file all documentation and worksheets in the project file to be reviewed on-site by the CDS during a monitoring visit. After May 1, 2009, the new 2-page Annual Household Income Worksheet – HO and RR must be in each project file in lieu of the Income Computation Worksheet.

INCOME INCLUDE

Annual income refers to all gross amounts received (before taxes or other deductions), monetary or not, which are:

- Received by, or paid on behalf of, the family head of household, co-head, or spouse (even if temporarily absent), or to any other family member over 18 years of age; and/or
- Acquired through assets owned by dependent family members; and/or
- Anticipated to be received from a source outside the family during the 12-month period following application; and/or
- Derived during the 12-month period from accessible assets; and/or
- Not specifically excluded by HUD.

1. **Adoption Assistance Payments.** Include only the first \$480 per year for *each* adopted child.
2. **Alimony.** 24 CFR 5.609(b)(7). Alimony generally qualifies as “irregular income” because arrearages may be commonplace. Unless the Grantee can verify that payments are made at the **full** court-awarded amount on a **regular** basis, calculations must be treated as “***irregular income***”. Do **not** include court-imposed fees as income from alimony.

The Grantee **may** use the “Verification of Child Support Income” form.

3. **Annuities.** 24 CFR 5.609(b)(4). Include the full amount of periodic payments received from a written contract establishing a right to receive specified, periodic payments for life or for a term of years. If one lump sum is received, the payment is considered an asset (not income).
4. **Armed Forces.** 24 CFR 5.609(b)(8). All regular pay, special pay and allowances of a member of the Armed Forces.

Note: 24 CFR 5.609(c)(7) which states the special pay to a family member serving in the Armed Forces who is exposed to hostile fire is *not* included as income.

5. **Bonuses.** 24 CFR 5.609(b)(1). Include full amount of bonus (even if a lump sum) before any payroll deductions.
6. **Business Income.** 24 CFR 5.609(b)(2). The net income (gross income less allowable expenses) from the operation of a business or profession incorporated separately from the individual. Generally, if the business has a Federal Employer Identification Number (FEIN) (not individual Social Security Number) and has the word “corporation”, “incorporated”, “limited liability corporation (L.L.C.)”, “professional corporation (P.C.)”, etc. in its name. See “Self-Employment” for persons that are self-employed but have not formed a separate business entity.

The net loss from any business cannot be deducted from income generated from other sources to determine eligibility.

Example: In 2004, a family of 4 in Gratiot County, 80% AMI is \$39,350. Husband has yearly wage income of \$42,000. Wife has owns a business named “Acme Group, L.L.C.” and reported a loss of \$5,000. For income tax purposes, their AGI is \$37,000. However, for eligibility purposes, the wife’s income is calculated at 0 which results in a yearly household income of \$42,000.

To determine net income:

- Expenditures for business expansion, or improvement, or amortization of capital indebtedness shall *not* be used as *deductions* in determining net income.
 - An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations.
 - Any withdrawal of cash or assets from the operation of a business or profession will be included as income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family in the business operation.
7. **Child Support.** 24 CFR 5.609(b)(7). Child support is **included** as income. Child support generally qualifies as “irregular income” because arrearages are commonplace. Unless the Grantee can verify that payments are made at the **full** court-awarded amount on a **regular** basis, calculations must be treated as “**irregular income**”. Do **not** include court-imposed fees as income from child support.
8. **Commissions.** 24 CFR 5.609(b)(1). Include full amount.
9. **Contributions.** See “Gifts and Contributions”.
10. **Death Benefits.** See “Retirements Funds” and/or “Social Security, SSI, and Other SSA Benefits”.
11. **Dependent Income.** The following income must be included:
- Unearned income of minors, such as Social Security or SSI benefits.
 - Income from assets owned by minors.
 - For each full-time student age 18 or older, count earned income up to a maximum of \$480 per year. Students must provide “School Verification” and “Verification of Earnings” forms.
 - If the student is the head of household, co-head, spouse or part-time student, count all of their income.
 - Work study income is **excluded**.

- See “Earned Income Disregard” for details on when to disregard adult dependent (disabled individual’s) income.

12. Disability Compensation. 24 CFR 5.609(b)(5). Include as income.

13. Dividends. See “Interest”.

14. Earnings. See “Wages/Salary”.

15. Fees. 24 CFR 5.609(b)(1). Include full amount before any payroll deductions.

16. Gifts and Contributions. 24 CFR 5.609(b)(7). Any gift or contribution received on a regular and on-going basis is considered income. The amounts are considered income even if not monetary (food, vehicle payments, rent or utility payments, etc.). Do not include sporadic gifts or casual contributions.

17. Inheritance. See “Gifts and Contributions”.

18. Insurance Policies. 24 CFR 5.609(b)(4). Include payments received on a regular basis as a result of an insurance claim as income. If one lump sum is received, the payment is considered an asset - not income.

19. Interest and Dividends and other net income of any kind from real or personal property. 24 CFR 5.609(b)(3).

- Expenditures for amortization of capital indebtedness shall *not* be used as deductions in determining net income.
- An allowance for depreciation is permitted only as set forth in “Business Income”.
- Withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family.
- When the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived from all net family assets **or** a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD.

20. Life Insurance Proceeds. Life insurance proceeds received as a result of someone’s death is **included** as income.

21. Military Pay. The following income must be included on the

- Any military pay including Coast Guard, National Guard, and Reserve pay.
- Veterans Affairs (VA) and GI payments, which are generally received after separation of service.

- Full amount of military pay and allowances of head of household, spouse or co-head, whether or not living in the dwelling unit.
- Full amount for any family member who is identified on the “Family Composition” form and/or any subsequent documents and who is temporarily (less than 90 calendar days) away from the home.
- Special Pay to a family member serving in the Armed Forces (Special Armed Forces Pay) who is exposed to hostile fire is **excluded** income.
- Enlistment bonuses must be included in annual income. (A lump sum enlistment bonus is not specifically excluded by 24 CFR 5.609(c)(3) so therefore must be counted).

The Grantee **may** use the “Verification of Military Pay” form.

22. Other Income. Include jury duty fees; reimbursements for amounts deducted in previous years; income from the rental of property if not in the business of renting such property; and income from prizes and awards; gambling, lottery, raffle winnings, or an activity not engaged in for profit).

23. Pensions. See “Retirement Funds”.

24. Periodic Payments. See “Retirement Funds”. The Grantee **may** use “Verification of Pension or Other Income” form.

25. Rental Property Income. See also “Business Income” above or “Self-Employment”. The net income received from rental property, adjusted for changes expected during the next 12 months, is included as Actual Income. All relevant expenses (utilities, taxes, maintenance, insurance, principal and interest payments, etc.) paid by the family must be verified and deducted from gross rental income. For properties not producing income during the course of an entire year, income and expenses shall be determined as allowable by the IRS.

The following documentations are acceptable to verify rent and expenses:

Gross Rent

- Copy of the Lease Agreement
- Lessee’s notarized statement identifying monthly payments
- Copy of three months of canceled checks or money orders, rent receipts, etc

Utilities

- Copy of Schedule E of Federal 1040 tax return from the most recent year.
- Third party verification from utility company
- Estimated monthly expense calculated from the MSHDA utility chart (see Policy Bulletin #25, Attachment B, Utility Schedule).
- Actual utility bills for a one-year period (compute monthly average).

Insurance

- Copy of insurance statement
- Schedule E of Federal 1040 tax return from the most recent year.

Escrow statement

Maintenance and/or Other Expenses

Paid receipts
Schedule E of Federal 1040 tax return from the most current year.

Taxes

Copy of tax receipt from governing municipality
Canceled check verifying same
Bank statement evidencing payment of taxes
Schedule E of Federal 1040 tax return from the most recent year.

Principal and interest payments

Copy of financial institution statement evidencing payment history
Amortization schedule identifying outstanding debt and monthly principal and interest payments

Example of calculating ACTUAL INCOME FROM RENTAL PROPERTY:

Gross Rent from Rental Property (annual)		\$ 7,200
Utilities	\$	1,000
Insurance	\$	500
Taxes	\$	2,000
Maintenance and/or Other Expenses	\$	300
Less: Total Expense Deduction		3,800 (\$3,800)
Equals: Actual Income from Rental Property		\$3,400

26. Retirement Funds, Pensions, Periodic Payments, Disability or Death Benefits, and Veteran's Payments. 24 CFR 5.609(b)(4). On-going income from these sources is included as income. Grantee **may** use "Verification of Pension or Other Income" and/or "Verification of Veteran Benefits" forms.

27. Salary. See "Wages/Salary".

28. Self-Employment. Use the **Self-Employment Calculation Worksheet (part of the Annual Household Income Worksheet)** to assist in computation. Only the net income, also called Adjusted Gross Income (AGI), less expenses from a business is included in annual income for a self-employed person. **CD requires a two year average for self-employment income.** See "Business Income" for those persons who have formed a business/corporate entity and are using an Employer ID Number (EIN).

If reviewing income during the first half of the year, use the last two years of Schedule C forms to determine average self-employment income.

If reviewing income during the second half of the year, applicant must provide monthly statements for current year **to calculate current year self-employment income** and previous year Schedule C to determine average self-employment income.

When Federal Income Taxes have been or will be filed:

- Obtain a photocopy of a signed U.S. Individual Income Tax Return (Form 1040) filed by the applicant for the previous year.
- Review all appropriate schedules
 - Schedule C, Profit or Loss from Business
 - Schedule E, Supplemental Income and Loss
 - Schedule F, Profit or Loss from Farming

When Federal Income Taxes have **not** or will not be filed:

- If monthly statements are maintained, the four most recent monthly statements are required, at a minimum. The statements must identify profits, losses, and net income, and be signed and dated by applicant and notarized.
- If monthly statements are not maintained, a notarized self-employment certification or statement is required. It must cover at least a four-month period and be signed and dated by applicant.

The net loss from any business **cannot** be deducted from income generated from other sources to determine eligibility.

Example: In 2004, a family of 4, Gratiot County, 80% AMI is \$39,350. Husband has yearly wage income of \$42,000. Wife has a self employment net loss of \$5,000. For income tax purposes, their AGI is \$37,000. However, for eligibility purposes, the net loss is calculated at \$0 which results in a yearly household income of \$42,000.

Non-eligible deductions. The following are eligible IRS deductions and will appear on Federal Form 1040, Schedule C or other appropriate schedules; however, for purposes of calculating income, they are non-eligible deductions and must be added back into the AGI

- Depreciation, as identified on Schedule C, in Part II. Depreciation is allowed by the IRS, but is not an out-of-pocket expense; this must be considered as income.
- Payments on loans, including principal and interest.
- Expenses and/or outlays for business expansion and capital improvements, including interest on business indebtedness.
- A few minor costs identified on Schedule C, such as legal and professional services, etc.

Cash or assets withdrawn by any family member are counted as income, except when the withdrawal is for reimbursement of amounts the family has invested in the business.

If the applicant is operating a business from the assisted unit, and an amount is indicated on Schedule C (line 30), the following deductions must be *added back* into the AGI, see IRS Form 8829:

- Rent on business property
- Utilities (telephone, electric, gas, etc)

If the applicant is operating a business from a separate office or business space, expenses for rent or ownership are eligible tax deductions (as allowed and defined by the IRS).

29. Severance Pay. 24 CFR 5.609(b)(5). Include payments received.

30. Social Security (SS), Supplemental Security Income (SSI), and Other Social Security Administration (SSA) Benefits. 24 CFR 5.609(b)(4). Grantee **may** use the “Verification of Social Security and Federal Supplemental Security Income (SSI)” and “Verification of Public Assistance and State Supplemental Security Income (SSI)” forms.

SS beneficiaries can request a Proof of Income letter from SSA by calling 1-800-772-1213, a local office, or online at <https://secure.ssa.gov/apps6z/BEVE/main.html> click Start> at bottom of page. If benefits are applied for on or after May 1, 2011, payments must be received electronically either by direct deposit into a bank or credit union account or onto a Direct Express® debit card.

Social Security (SS) is a social insurance program primarily funded through payroll FICA taxes. Retirement benefit amounts depend upon earnings record and age at which retiree chooses to receive benefits. When calculating annual SS income, **always use the gross benefit received**, even if Medicare premiums have been deducted.

- SS payments are **rounded down** to the next whole dollar before converting to an annual figure.
- January of each year, SS recipients receive a cost of living adjustment (COLA) which results in an increase of benefits. Grantees will be notified of the upcoming effective date and percentage increase and must include the prorated increase when projecting income.
- If SS payments are reduced to make up for an overpayment, use the adjusted amount to calculate. Note the number of payments the adjustment covers and calculate accordingly.

Supplemental Security Income (SSI) - Federal and State (not to be confused with Social Security Disability Insurance. SSI is a government program that provides benefits to low-income people who are either 65 or older, blind or disabled. SSI is funded from US Treasury general funds.

- Almost all recipients receiving Federal SSI benefits also receive the State SSI benefit. Grantee must verify whether applicant receives the corresponding State SSI, even if the Checklist indicates otherwise.
- The State SSI payment is usually \$168 annually and paid quarterly (\$14 per month)
- Do not round SSI payments.
- January of each year, SSI recipients receive a cost of living adjustment (COLA) which results in an increase of benefits. Grantees will be notified of the upcoming effective date and percentage increase and must include the prorated increase when projecting income.
- Lump sum payments of SSI are **not** added to income; however, they should be included as an asset.
- Fluctuations in SSI benefits may occur if the recipient or a household member is employed. When this occurs, use an average of SSI payments received (3 month minimum, 12 month maximum).
- If SS payments are reduced to make up for an overpayment, use the adjusted amount to calculate. Note the number of payments the adjustment covers and calculate accordingly.

Social Security Disability Insurance (SSDI) pays benefits to adults who have a disability that began before they became 22 years old. It is considered a “child’s” benefit because it is paid on a parent’s Social Security earnings record. SSDI is included as income.

Retirement, Survivors and Disability Income (RSDI) is a form of SS benefits for disabled individuals administered by DHS and is included as income.

State Disability Assistance (SDA) is included as income. SDA provides benefits for single people or married couples who have an independent living arrangement or who live in some type of custodial environment (i.e. adult foster care, nursing home).

31. Temporary Assistance to Needy Families (TANF). 24 CFR 5.609(b)(6). TANF is commonly known as “Welfare”, “Aid for Dependent Children” or “Family Independence Program (FIP)” grant, and is received through Department of Human Services (DHS) - formerly Family Independence Agency (FIA).

TANF grants include cash, payments, vouchers, and other forms of benefits designed to meet a family’s ongoing basic needs (i.e. food, clothing, shelter, utilities, household goods). Benefits also include payments made on behalf of DHS or as a condition of employment or community service and may include child care, transportation assistance, and other supportive services. Child care payments directly from DHS to the child care provider are **excluded** from income.

Benefit Reduction/Sanction (Imputed Welfare)

Imputed welfare income is used in calculating annual income when welfare benefits are reduced, or sanctioned, for the following reasons:

- Applicant is found by DHS to have engaged in fraud; or
- Applicant failed to participate in an economic self-sufficiency program (i.e. Work First); or
- Applicant failed to comply with work activity requirement(s).

Imputed welfare income is the amount of annual income not actually received by the family due to a welfare benefit reduction, or sanction.

If a TANF grant is reduced or closed for refusal to work, include the imputed welfare amount until employment begins or the applicant receives TANF again.

The applicant must not be penalized when welfare benefits are reduced, or sanctioned, for the following reasons:

- Expiration of the lifetime limit on receipt of benefits;
- Family complied with DHS program requirements but could not obtain employment;
- The family voluntarily forfeits DHS benefits;
- A reduction in benefits resulting from DHS sanctions.

If imputed welfare income is used in calculating annual income, the Grantee must obtain written verification from DHS of reduction and/or sanction of benefits.

An applicant may request an informal hearing to review the Grantee determination of the amount of imputed welfare income.

If the family claims that the imputed welfare income has not been correctly calculated and the Grantee denies the family's request to modify the imputed welfare income amount, the family must receive written notice of such denial and explain the basis for the determined amount of imputed welfare income. The family may request an informal hearing on the determination (CFR 5.615 (d)).

When a TANF grant reflects imputed welfare income, it is offset by the amount of any earned income the family receives after the sanction is imposed.

If the family's other income is equal to or greater than sanctioned amounts, the imputed welfare income is reduced to zero.

Chart of Examples					
	Before Sanction	Sanction Occurred	Earned Income Began	Earned Income Equal to Sanction	Earned Income Greater than Sanction
TANF	500	200	200	200	0
Sanction Amount	0	300	300	300	0
Imputed Welfare Amount	0	300	100	0	0
Earned Income	0	0	200	300	500
Total Income	500	500	500	500	500

The amount of imputed welfare income is offset by the amount of other income beginning after the date welfare benefits were first reduced or sanctioned. During the term of welfare sanction, the amount of imputed welfare income changes when other income increases.

32. Tips. 24 CFR 5.609(b)(1). Include full amount before any payroll deductions.

33. Unemployment Benefits. 24 CFR 5.609(b)(5).

- Include lump sum payments caused by a delay in processing (including benefits for an “exempt” job); and
- Multiply gross weekly benefit by the number of weeks remaining in the eligibility period. Grantees must be sure to consult with employers for the possibility of a return to employment and/or check with unemployment office on the possibility of an extension of benefits.

34. Veteran’s Administration Benefits. Benefits received under the VA’s Incentive Therapy (IT) and Compensated Work Therapy (CWT) programs are included in the calculation of annual income.

35. Veteran’s Benefits. See “Retirement Funds”.

36. Wages/Salary. 24 CFR 5.609(b)(1). Anticipated gross amounts prior to payroll deductions or garnishments, including:

- All employment sources;
- Overtime pay;
- Commissions;
- Fees;
- Bonuses;
- Tips;
- Other compensation for personal services; and
- Projected pay increases and/or raises.

The Grantee **may** use the “Verifications of Earnings” form.

For any exempt earned income, refer to the section of this chapter on “Income Exclusions”.

For annual recertification of Rental Rehabilitation projects, see “Earned Income Disregard for Persons with Disabilities” in the Income Excludes section for information on disabled family members being allowed a percentage of their earned income as disregarded for a specified period of time.

37. Welfare Assistance Payments. See “Temporary Assistance for Needy Families”.

38. Worker’s Compensation. 24 CFR 5.609(b)(5). Include as income regular worker’s compensation payments. Lump sum Worker’s Compensation payments are not added to income; but should be included as an asset. This includes benefits for an “exempt” job.

INCOME EXCLUDE

1. **Adoption Assistance Payments.** 24 CFR 5.609(c)(12). Amounts in excess of \$480 per adopted child are excluded. Include only the first \$480 received per year as annual income.
2. **Agent Orange Settlements.** 24 CFR 5.609(c)(17). M.D.L. No. 381 (E.D.N.Y.). Payments received after January 1, 1989 from the Agent Orange Settlement Fund or any other fund established in the “In Re Agent Orange” product liability litigation are excluded.
3. **Alaska Native Claim Settlement Act.** See “Indian Settlements/Trusts”.
4. **American Association of Retired Persons (AARP).** See “Title V of the Older American’s Act of 1965”.
5. **AmeriCorps.** See “Training Programs”.
6. **Apache Tribe of Mescalero Reservation.** See “Indian Settlements/Trusts”.
7. **Armed Forces Pay.** See “Military Pay”.
8. **Census Takers Earned Income** is excluded. The terms of employment cannot exceed 180 days.
9. **Child Care and Development Block Grant Act of 1990.** 24 CFR 5.609(c)(17). 42 U.S.C. 9858(q). The value of any child care provided or arranged (or reimbursement for costs incurred) under this Act is excluded.
10. **Child Support.** 24 CFR 5.609(b)(7). Child support is included as income. Child support generally qualifies as “irregular income” because arrearages are commonplace. Unless the Grantee can verify that payments are made at the **full** court-awarded amount on a **regular** basis, calculations must be treated as “**irregular income**”. Do **not** include court-imposed fees as income from child support.
11. **Comprehensive Improvement Assistance Program (CIAP).** See “Training Programs”.
12. **Crime Victim Compensation.** 24 CFR 5.609(c)(17). 42 U.S.C. 10602. Any amount of compensation under the Victims of Crime Act received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victim of Crime Act because of the commission of a crime is excluded.
13. **Dependent Income.** 24 CFR 5.609(c)(1). Exclude all earned income of family members and/or foster children under age 18. See “Earned Income Disregard” for details on when to disregard adult dependent (disabled individual’s) income.
14. **Domestic Volunteer Services Act of 1973.** 24 CFR 5.609(c)(17). 42 U.S.C. 5044(g), 5058. Payments under this Act include programs for seniors, national volunteer antipoverty programs, and small business administration programs such as:

- Active Corps of Executives (ACE)
- Foster Grandparents
- National Volunteer Program to Assist Small Business and Promote Volunteer Services to Persons with Business Experience
- Older American Committee Service Program
- Peace Corps
- RSVP - Retired Senior Volunteer Program
- Senior Companions Programs
- Service Corps of Retired Executives (SCORE)
- Service Learning Program
- Special Volunteer Programs
- VISTA - Volunteers in Service to America

15. **Earned Income Disregard For Persons With Disabilities.** 24 CFR 5.617. During the annual recertification for Rental Rehabilitation projects, Grantees are required to exclude from annual income certain increases in the income of a disabled member of qualified families residing in assisted housing or receiving rental assistance.

24 CFR 5.617(a) outlines the eligible increases in income. These exclusions from annual income are of a limited duration. The full amount (100%) of increase to a qualified family's annual income is excluded for the cumulative 12-month period beginning on the date the disabled family member is first employed or the family first experiences an increase in annual income attributable to the employment.

During the second cumulative 12-month period, the Grantee is required to exclude from annual income 50% of any increase in income.

The disallowance of increased income of an individual family member who is a person with disabilities is limited to a lifetime 48-month period.

Call your CD Specialist for further instruction on how to complete the "Earned Income Disregard (EID) Worksheet" form.

16. **Earned Income Tax Credit.** 24 CFR 5.609(c)(17). 26 U.S.C. 32(j). The Internal Revenue Service (IRS) provides the Earned Income Tax Credit to low-income workers with children. Low-income workers must apply for the credit and will receive it in advance, in their regular paycheck, or in a single lump sum when filing their income tax return. This amount is excluded as income.

17. **Educational Assistance.** 24 CFR 5.609(c)(6). Exclude the full amount of student financial assistance paid directly to the student or to the educational institution IF the full or part-time student is living in an assisted household with his or her parent(s) and the Parent(s) are the head of household (i.e., student is considered a dependent).

- Wages and other earned income in excess of \$480 for full-time students (except the head of household, spouse or co-head) are excluded. Include the first \$480 as income.
- The full amount of scholarships funded under Title IV of the Higher Education Act of 1965.

- Federal Work Study programs
- Bureau of Indian Affairs Student Assistance
- Education entitlements
- Grants, Scholarships and all other amounts received for student financial assistance
- Student loans and loan proceeds.

18. Food Stamps. See “Supplemental Nutrition Assistance Program.”

19. **Foster Adult Care Payments.** See “Foster Children and/or Foster Adult(s) Care Payments”.

20. **Foster Children and/or Foster Adult(s) Care Payments.** 24 CFR 5.609(c)(2). Foster adults are usually unrelated individuals with disabilities who are unable to live alone. Payments received for the care of foster children and foster adults are not considered income. Also, income from employment of foster children under the age of 18 years is not included as income (24 CFR 5.609(c)(1)).

21. **Foster Grandparents.** See “Domestic Volunteer Services Act of 1973”.

22. **Grand River Band of Ottawa Indians.** See “Indian Settlements/Trusts”.

23. **Grants.** See “Educational Assistance”.

24. **Green Thumb.** See “Title V of the Older American’s Act of 1965”.

25. **Heating Assistance.** 42 U.S.C. 8624(f). Payments or allowances made under the Department of Health and Human Services Low-Income Home Energy Assistance Program (LIHEAP) are excluded from income.

26. **Holocaust Reparations.** 24 CFR 5.609(c)(10). Reparation payments made by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era are excluded.

27. **Home Care Payments.** 24 CFR 5.609(c)(16). Amounts paid by a State agency (i.e. Michigan’s Family Support Subsidy program, Home Help Services program, etc.) to a family with a member who has a development disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.

Possible uses of the subsidy include, but are not limited to:

Family counseling

Home remodeling and purchase of special equipment to accommodate the needs of the impaired child or adult (ramps, wider doors, shower chair, etc)

In-home specialized care

Respite (baby-sitting) care
Special diets
Unique transportation costs

28. Income specifically excluded by Federal statute. 24 CFR 5.609(c)(17). See applicable paragraph(s) in this section for further detail:

- Agent Orange Settlements
- Child Care and Development Block Grant Act of 1990
- Crime Victim Compensation
- Domestic Volunteer Services Act of 1973
- Earned Income Tax Credit
- Food Stamps
- Heating Assistance
- Indian Settlements/Trusts
- Title IV of the Higher Education Act of 1965
- Title V of the Older American's Act of 1965
- Spina Bifida

29. Indian Claims Commission. See "Indian Settlements/Trusts".

30. Indian Settlements/Trusts.

- Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721) are excluded.
- Payments received under the Alaska Native Claim Settlement Act (43 U.S.C. 1626c) are excluded.
- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433) are excluded.
- Income derived from certain submarginal land of the US held in trust for certain Indian Tribes (25 U.S.C. 459e) is excluded.
- Income derived from the disposition of funds of the Grand River Band of Ottawa Indians (Pub. L. 94-540, 90 Stat. 2503-04) is excluded.
- The first \$2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the US Claims Court, the interests of individual Indians in trust or restricted lands, including the first \$2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands is excluded from income ((25 U.S.C. 1407-1408).

31. Inheritances. See "Lump Sum Additions to Family Assets".

32. Insurance Payments. See "Lump Sum Additions to Family Assets".

33. Job Training Partnership Act (JTPA). See "Training Programs".

34. **Kin-GAP Payments.** Subsidies to children leaving the juvenile family court system to live with a relative or legal guardian. These subsidies are paid by states and serve as an alternative to foster care placements.
35. **Life Insurance Proceeds.** Life insurance proceeds received as a result of someone's death is **included** as income.
36. **Live-In Aide, Full-time.** See "Live-In Chore Provider".
37. **Live-in Chore Provider.** 24 CFR 5.609(c)(5). The income of a live-in aide or live-in chore provider is excluded because they are not considered a member of the household and only reside in the unit to provide services. The Grantee **may** use the "Verification of Disability and/or Special Medical Needs" form.
38. **Lump Sum Additions to Family Assets.** 24 CFR 5.609(c)(3). If the payment is expected to be received on a regular ongoing basis, it is not a "lump sum" and, therefore, is counted as income.

Note: All types of lump sum additions excluded from annual income are included as an asset unless otherwise exempt by HUD.

39. **Maine Indian Claims Settlement Act of 1980.** See "Indian Settlement/Trusts".
40. **Medical Reimbursements.** 24 CFR 5.609(c)(4). Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member are excluded.
41. **Medicare Prescription Drug Benefit Subsidy.** Exclude the low-income subsidy received by beneficiaries enrolled in the Medicare Prescription Drug Plan Part D, effective January 1, 2006. More information about this subsidy is available at 1-800-633-4227 or <http://www.medicare.gov/navigation/medicare-basics/medicare-benefits/part-d.aspx>
42. **Military Pay.** 24 CFR 5.609(c)(7). Special Pay to a family member serving in the Armed Forces (Special Armed Forces Pay) who is exposed to hostile fire is excluded income.
- Full amount of military pay of any family member (except head of household, co-head or spouse) who is permanently away (more than 90 days) from the home in the military (including Coast Guard, National Guard, and Reserve Units) is **excluded**. NOTE: The member must not be on the Family Composition form, mortgage and/or lease.
43. **National Association for the Spanish Elderly.** See "Title V of the Older American's Act of 1965".
44. **National Caucus for Black Aged.** See "Title V of the Older American's Act of 1965".
45. **National Council of Senior Citizens (aka Senior Aides).** See "Title V of the Older American's Act of 1965".
46. **National Council on Aging (NCOA).** See "Title V of the Older American's Act of 1965".

47. **Nonrecurring Income.** See “Temporary, Nonrecurring or Sporadic Income”.
48. **Plan for Achieving Self Support (PASS).** See “Training Programs”.
49. **Publicly Assisted Programs.** 24 CFR 5.609(c)(8)(iii). Amounts received by a participant in other publicly assisted programs which are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program.
50. **Resident Service Stipend.** 24 CFR 5.609(c)(8)(iv). Amounts received by a development resident for performing a service, on a part-time basis, which enhances the quality of life in the development, for the PHA, or the owner, subject to the following:
- Not to exceed \$200 per month - If the resident is paid more than \$200 per month, the entire stipend (including the \$200) is included as income.
 - Such services may include, but are not limited to:
 - Fire patrol
 - Hall monitoring
 - Lawn maintenance
 - Resident initiatives coordination
51. **Retired Senior Volunteer Program (RSVP).** See “Domestic Volunteer Services Act of 1973”.
52. **Senior Aides.** See “Title V of the Older American’s Act of 1965”.
53. **Scholarships and Grants.** See “Educational Assistance.”
54. **Senior Companions Programs.** See “Domestic Volunteer Services Act of 1973”.
55. **SNAP.** See “Supplemental Nutrition Assistance Program.”
56. **Social Security (SS).** 24 CFR 5.609(c)(14). Deferred periodic amounts from SSI and SS benefits that are received in a lump sum amount or in prospective monthly amounts are excluded. Include lump sum payments as an asset.
57. **Spina Bifida.** 24 CFR 5.609(c)(17). 38 U.S.C. 1805. Any allowance paid under the provision to a child suffering from Spina Bifida who is the child of a Vietnam veteran is excluded.
58. **Sporadic Income.** See “Temporary, Nonrecurring or Sporadic Income”.
59. **State or Local Tax Credits, Refunds and Rebates.** 24 CFR 5.609(c)(15). Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.
- Includes rebates for property taxes paid on a dwelling unit (i.e., Homestead Property Tax Refund).

- Income tax refund checks are not counted as income or assets.

60. **Student Financial Assistance.** See “Educational Assistance”.

61. **Students, Full Time.** 24 CFR 5.609(c)(11). Exclude earnings in excess of \$480 for each full-time student who is 18 years or older (excluding the head of household and spouse). See “Educational Assistance”.

62. **Submarginal Land.** See “Indian Settlements/Trusts”.

63. **Supplemental Nutrition Assistance Program (SNAP).** 24 CFR 5.609(c)(17). 7 U.S.C. 2017(b). Supplemental Nutrition Assistance Program (SNAP) formerly known as food stamps program, “cash out” payments, and/or food assistance program (FAP) benefits are excluded from income.

64. **Supplemental Security Income (SSI).** 24 CFR 5.609(c)(14). Deferred periodic amounts from SSI and SS benefits that are received in a lump sum amount or in prospective monthly amounts are excluded. Include lump sum payments as an asset.

65. **Temporary, Nonrecurring or Sporadic Income.** 24 CFR 5.609(c)(9). Gifts and cash contributions received less than every three months and/or are less than \$1200 per year are excluded.

66. **Title IV of the Higher Education Act of 1965.** 24 CFR 5.609(c)(17). 20 U.S.C. 1087uu. Scholarships funded under Title IV (including awards under the Federal Work Study Program or the Bureau of Indian Affairs Student Assistance Program) made available to cover the cost of tuition, books, equipment, supplies, transportation and miscellaneous personal expenses of a student at the financial institution IF the full or part-time student is living in an assisted household with his or her parent(s) and the parent(s) are the head of household (i.e., student is considered a dependent).

67. **Title V of the Older American’s Act of 1965.** 24 CFR 5.609(c)(17). 42 U.S.C. 3056(f). Payments received from programs funded under Title V, including the Senior Community Service in Employment Program (SCSEP) funded through the Department of Labor. The program provides grants to organizations who fund part-time employment of persons 55 years of age or older with limited income are excluded as income. Examples include, but are not limited to:

- Green Thumb
- AARP - American Association of Retired Persons
- NCOA - National Council on Aging
- National Council of Senior Citizens (a.k.a. Senior Aides)
- US Forest Services
- NCBA - National Caucus for Black Aged
- Urban League
- National Association for the Spanish Elderly

68. **Training Programs.** 24. CFR 5.609(c)(8)(i) and (v). HUD excludes earnings and benefits from employment training programs funded by HUD and incremental increases in income resulting from participation in a qualifying state or local employment-training program, including those not affiliated with a local government. Incremental refers to the increase

between the total amount of earnings and public assistance of a family member prior to enrollment in the training program, and the earnings and public assistance of the family member after enrollment in the training program. The exclusion applies only for the period during which the family member participates in the employment-training program. All other amounts, increases and decreases, are treated in the usual manner in determining annual income.

HUD defines a “Training Program” as a program which:

- Has clearly defined goals and objectives,
- Has a variety of components,
- Takes place in a series of sessions over a period of time,
- Is designed to lead to a higher level of proficiency,
- Enhances the individual’s ability to obtain employment; and
- Has a performance standard to measure proficiency.

Training may include, but is not limited to:

- Classroom training in a specific occupational skill,
- On-the-job training with wages subsidized by the program,
- Basic education.

Income derived from the following specific training programs is excluded for purposes of determining eligibility and benefits:

- Allowances, earnings and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637(d)).
- Payments received under programs funded in whole or in part under the Workforce Investment Act of 1998 - formally known as the Job Training Partnership Act (JTPA) or the AmeriCorps Living Allowance under the National and Community Service Act of 1990 (29 U.S.C. 1552(b)).
- Allowances, earnings and payments to individuals participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931).
- All amounts received under any training program funded by HUD, including the Comprehensive Improvement Assistance Program (CIAP). Trainees receive allowances to cover costs associated with participation in the program (day care, transportation, clothing, etc.). Upon completion of the training, if the trainee obtains new employment, these allowances are considered income.
- Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan for Achieving to Attain Self-Support (PASS) <http://www.socialsecurity.gov/disabilityresearch/wi/pass.htm> are excluded as income. 24 CFR 5.609(c)(8)(ii).

69. United States Forest Services. See “Title V of the Older American’s Act of 1965”.

70. **Urban League.** See “Title V of the Older American’s Act of 1965”.
71. **Volunteers in Services to America (VISTA).** See “Domestic Volunteer Services Act of 1973”.
72. **Volunteer Services.** See “Domestic Volunteer Services Act of 1973”.
73. **Workforce Investment Act of 1998.** See “Training Programs”.
74. **Yakima Indian Nation.** See “Indian Settlements/Trusts”.

ASSETS

An asset is a cash or non-cash item that can be converted to cash. All assets must be considered from both the prospective of its Cash Value and its Actual Income generated from the asset. The **Cash Value** of an asset is the value of the asset less fees, costs, penalties and/or indebtedness. The **Actual Income** of an asset is the value of the asset multiplied by the interest/dividend rate.

Ex:	Certificate of Deposit	\$10,000	
	Penalty	<u>500</u>	
		\$ 9,500	Cash Value
	3.5% interest rate	\$ 350	Actual Income

Income from Assets

Grantee must obtain verifications to calculate income from assets. If any family member indicates they have assets (including savings, checking, CD's, IRA accounts, life insurance policies, etc.) obtain third party verification (TPV). Verify and include all assets owned by all family members, including those owned by family members under the age of 18.

By checking "No" and signing the Checklist, it is sufficient verification that an adult member does not have assets and further verification is not required.

Include withdrawal of cash or assets from an investment as income, **except** when the withdrawal is reimbursement for cash or assets invested by the family.

Grantee will enter the Cash Value AND Actual Income from Asset into the Annual Household Income Worksheet – HO and RR. **The Worksheet will calculate the Total Asset Income which will be the greater of the total income from assets OR the imputed asset income.** The imputed asset income is computed by the total cash value of assets (greater than \$5,000) multiplied by the HUD passbook rate of 2%.

Ex: (continued from above example)

Certificate of Deposit	\$ 9,500	Cash Value
	350	Actual Income from Asset
HUD passbook rate 2%	190	Imputed Asset Income
Cash Value x 2%		
TOTAL INCOME FROM ASSETS	350	
Greater of Actual Income OR Imputed Asset Income		

NOTE: Annual Household Income Worksheet – HO and RR will perform calculations.

ASSETS INCLUDE

1. **401k Account.** See "IRA, 401K, Keogh and Similar Retirement Accounts".
2. **Antique Cars.** See "Personal Property Held as an Investment".
3. **Assets Disposed of for Less Than Fair Market Value.** If an asset worth more than \$5,000 is sold for less than fair market value (FMV), include the difference between fair market value and the actual payment received as an imputed asset. Applies to assets disposed of during the two years preceding certification.

Does not apply to assets disposed of as a result of a divorce or separation, foreclosure, or bankruptcy (vehicles, furniture, clothing, etc.).

If the Cash Value is less than \$5,000, the asset automatically falls below MSHDA's minimum threshold and further verification is not required.

Imputed assets over \$5,000 are subject to the minimum HUD approved passbook rate for 2 years from the date of disposal.

If a balance remains on the asset (mortgage) which requires payoff, subtract the balance as an expense to determine cash value.

Acceptable verifications of the disposition of assets for less than FMV include:

- Receipts
- Appraisals
- Purchase agreements, etc.
- A notarized applicant certification
- Tax Statement

Use State Equalized Value (SEV) multiplied by two (2) to determine FMV or appraisal.

Example of Calculating an IMPUTED ASSET:

Applicant sold home to daughter on 3/1/05 for **\$5,000** and paid broker's fees and/or settlement costs of **\$1,700**. The FMV is **\$19,500**, and there were no secured loans.

Date Disposed of:	3/1/05	
Fair Market Value		\$ 19,500
Less Expenses:		
Broker Fee (7%)	\$ 1,365	
Legal Fee	0	
Settlement Costs	\$ 335	
Less Mortgage Balance	<u>0</u>	
Less Total Expenses	1,700	\$ (1,700)
Actual Payment Received		<u>\$ (5,000)</u>
Imputed Asset (cash value) *		\$ 12,800

The amount to be included as family assets is \$12,800. It is subject to a minimum HUD approved passbook rate of interest until 03/01/07, or two years from date of disposal.

4. **Bank Accounts.** See “Savings Account”, “Checking Account”, and/or “Certificate of Deposit”.
5. **Bonds.** See “US Savings Bonds”.
6. **Capital Investments.** See “Real Estate, Property Ownership, Land Contracts”.
7. **Cash.** Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. is included as assets.
8. **Certificate of Deposit (CD).** Grantee will obtain verification to determine the *cash value* by using the current amount of the CD and subtract any penalty for early withdrawal or termination. Determine the *actual income* by multiplying the current cash value of the CD by the designated interest rate.

Ex:	Certificate of Deposit	\$10,000	
	Penalty for early withdrawal	<u>500</u>	
		\$ 9,500	Cash Value
	3.5% interest rate	\$ 350	Actual Income

9. **Checking Account.** Third party completion of the “Verification of Resources” form is the preferred method of verification. If no response from the financial institution is received after 28 days, use an average of the most recent **six** (6) months of original statements provided by the applicant if the current balance and any applicable interest rate is evident.
10. **Coin Collections.** See “Personal Property Held as an Investment”.
11. **Equity in Real Property.** See “Real Estate, Property Ownership, Land Contracts”.
12. **Franchises.** A franchise that an individual owns (or is making payments on) is an asset. To determine the value of the franchise:

Obtain a local appraisal of the franchise, as provided and paid for by the applicant (the franchisee); **or**

The value of a franchise is usually 75% of gross income as identified on Federal Tax Schedule C.
13. **Gems.** See “Personal Property Held as an Investment”.
14. **IRA, 401k, Keogh, and Similar Retirement Accounts.** The cash value of each retirement plan equals the amount of money the person can currently withdraw from the plan **minus** penalties for early withdrawal. Deduct any early withdrawal penalty, but not the amount of any taxes due. Do not consider funds available if the person must quit or retire from their job to withdraw any money.

Ex:	IRA	\$50,000
	Penalty for early withdrawal	<u>5,000</u>

	\$45,000	Cash Value
4% interest rate	\$ 1,800	Actual Income

15. **Jewelry.** See “Personal Property Held as an Investment”.
16. **Joint Property Ownership.** See “Real Estate, Property Ownership, Land Contracts”.
17. **Keogh Account.** See “IRA, 401K, Keogh, and Similar Retirement Accounts”.
18. **Land Contracts.** See “Real Estate, Property Ownership, Land Contracts”.
19. **Life Insurance Policies.** Consider a life insurance policy (whole life or universal life) as an asset if it generates a cash surrender value (CSV). CSV identifies the payment the policy owner receives by canceling the policy before it matures or before the insured dies. The value may be entitled “benefits” or “cash surrender value” or “Cash Value” of the policy.

- ❖ Include the CSV as an asset, minus any penalties or fees for early withdrawal.
- ❖ Do not include Term Insurance as an asset if it does not generate a CSV.

Require a letter or statement from the life insurance company to verify the policy, current cash value, and any penalties or fees for termination or early withdrawal.

20. **Life Insurance Proceeds.** Life insurance proceeds received as a result of someone’s death is **included**.
21. **Lump Sum or One-Time Receipts.** Lump Sum payments received within the last two years are an asset. Interest accrued on lump sums is income. If the payment is received on a recurring basis, it is not a lump sum and is considered income. Deduct legal fees when an attorney assists in the recovery of lump sum compensation.
22. **Money Market Funds.** These funds are similar to a passbook savings account, except the interest rate on the money market funds usually exceeds the passbook rate. Include the Cash Value of the money market fund as an asset.
23. **Mortgages.** See “Real Estate, Property Ownership, Land Contracts”.
24. **Mutual Funds.** The *cash value* is the amount the asset currently sells for, less brokerage charges and any fees and/or penalties if the asset was sold immediately.

Document mutual fund balance (i.e. current original quarterly or monthly statement).

Determine the Cash Value using ending balances on statements. Determine the Share Balance by multiplying the number of shares by the current value of the share (minus any penalty and/or fees if funds were sold immediately).

Determine Actual Income by using ending balances on statements; multiply the number of shares by the current dividend rate.

Note: If dividends are reinvested, actual income is zero.

25. **Pension Funds.** See “Retirement and Pension Funds”.

26. Personal Property Held as an Investment. Personal property held as an investment, such as gems, jewelry, coin or stamp collections, antique cars, etc, are considered assets. A letter and/or documentation from a reliable source regarding the current cash value of the investment is required.

27. Property Ownership. See “Real Estate, Property Ownership, Land Contracts”.

28. Real Estate, Joint Ownership of Property, and Land Contracts

- **Real Estate Ownership.** The Cash Value of the property is the current market value less the indebtedness (outstanding loans) and any reasonable costs (i.e. broker fees, closing costs, etc.) necessary to sell the asset.

Use the Fair Market Value (FMV) from an appraisal dated within 12 months (preferred, if available) or use the State Equalized Value (SEV) (not assessed value) of property listed on the tax bill. The SEV multiplied by two equals the value of the property. If the property was purchased within the last 12 months, use the actual purchase price as documented by the family.

Verify the indebtedness and fees necessary to sell the asset (i.e. amortization schedule).

Example of calculating CASH VALUE OF PROPERTY:

SEV = \$50,000

FMV or SEV x 2 (equals actual market value of property)		\$100,000
Less: HUD Asset Expenses:		
Broker Fee (7%)	(\$ 7,000)	
Legal Fee	(\$ 0)	
Settlement Costs	(\$ 1,000)	
Mortgage Balance	<u>(\$ 20,000)</u>	
Total Asset Expense Deduction	28,000	<u>(\$ 28,000)</u>
Equals: Cash Value of Asset		\$ 72,000

- **Joint Ownership of Property.** Include the percentage actually owned by the household as an asset.

Obtain one of the documents identified as an acceptable verification of ownership and verify percentage of ownership using one of the following methods:

- If one name is on documentation, assume 100% as an asset
- If two names are on documentation, assume 50% as an asset
- If three names are on documentation, assume 33.33%
- If unable to determine joint ownership, assume 100% ownership.

- **Land Contracts.** The sale of property on a land contract is considered an **asset** (i.e., principal payments) since the interest paid by the buyer on the sale is considered

income to the seller. The balance of the payment (i.e. principal, taxes, insurance) is considered liquidation of an asset and is not counted as income.

Acceptable verifications of interest paid (income of seller) on land contract sale:

- Documentation from the seller's accountant, attorney, real estate broker, or financial institution, verifying the interest due for the next 12 months.
- A copy of the check paid by the buyer that shows a breakdown of amounts paid for principal and interest.
- The value of the asset includes the current principal balance less any outstanding indebtedness owed on the property.

Acceptable verification of a land contract sale:

- Copy of land contract.
- Copy of amortization schedule identifying present balance owed to the family.
- Letter, document, or form substantiating the indebtedness. A financial institution could provide documentation or the seller must provide a notarized Personal Note or Land Contract as verification.

29. Rental Property. The Cash Value of rental property must be calculated (see above example) and entered on the Annual Household Income Worksheet – HO and RR.

30. Retirement Accounts. See "IRA, 401k, Keogh, and Similar Retirement Accounts".

31. Retirement and Pension Funds.

- Include any lump sum benefits received through periodic payments, including Veterans Affairs (VA) and GI payments.
- Before retirement - Include only those amounts the family can withdraw without retiring or terminating employment.
- After retirement - Include as an asset any monies the applicant elects to receive as a lump sum after retirement or termination of employment.

32. Revocable Trusts. See "Trusts".

33. Retirement Account. See IRA, 401K, Keogh, and Similar Retirement Accounts".

34. Savings Account. Grantee will obtain verifications provided by applicant or use the "Verification of Resources" form.

35. Savings Bonds. See "US Savings Bonds".

- 36. Securities Bought on Margin.** If a security was not paid in full at the time of purchase (bought on margin), the securities firm made a loan to the buyer. Deduct the balance owed from the current price if brokerage account statement verifies the margin balance.
- 37. Stocks.** The *cash value* is the amount the asset currently sells for, less brokerage charges and any fees and/or penalties if the asset was sold immediately.

Document stock ownership (i.e. current statement).

Determine the current value of the stock(s) by checking a newspaper or other source, such as the Internet.

Determine brokerage charges by contacting a broker or obtain a statement from the broker.

Determine the cash value by using ending balances on statements; multiply the number of stocks by the current value of the stocks minus brokerage charges and/or penalties if stock was sold immediately.

Determine the actual income by using ending balances on statements; multiply the number of shares by the current dividend rate.

Note: If dividends are reinvested, actual income is zero.

Ex:	1,000	ABC Stocks
	\$20	current value per stock
	\$20,000	Total Value
	<u>3,000</u>	brokerage charges
	\$17,000	Cash Value
	\$150	Actual Income (1,000 x .15% dividend rate)

- 38. Trusts.** The cash value of trusts that are available to, and may be withdrawn by, the household. Include funds received from the trust as income. Include funds received from the trust as income, not assets. *Do not include irrevocable trusts.*
- 39. U.S. Savings Bonds.** The Cash Value of Bonds is added to household assets. Actual income always equals zero.

The U.S. Treasury Department issues Savings Bonds. They are registered (owned exclusively by the person(s) named on them) and non-marketable (may not be sold).

I-Bonds are sold at face value.

Series EE Savings Bonds are sold at half the face value (mature after 30 years). Interest is earned (accrued) monthly; interest is compounded semi-annually. Earnings are paid out when the bonds are redeemed.

Series HH Savings Bonds earn and payout interest semiannually. The face value of Series HH Bonds is paid when redeemed.

The money placed in savings bonds is available after six months; if redeemed earlier than five years from the issue date, the penalty is equal to three months of earned interest.

The Cash Value of Bonds is added to household assets. Actual income will always be zero.

The Cash Value (or current value) of a U.S. Savings Bond equals the amount the owner could get if the bond were cashed today. If the bond has not reached maturity, Cash Value is always less than the face value on the bond.

The U.S. Treasury website at www.savingsbonds.gov contains detailed information on U.S. Savings bonds and the current value can be determined using the Savings Bond Calculator at <http://www.savingsbonds.gov/BC/SBCPrice>.

The current value of a bond may also be determined by contacting a Financial Institution and requesting the day value of the bond. Document the contact and the current value of the bond.

ASSETS EXCLUDE

1. **Assets not accessible to and that provide no income for the applicant.**
2. **Assets not effectively owned by the applicant.** For example, assets held in an individual's name but the assets and income they earn accrue to the benefit of someone else who is not a member of the household; therefore, the other person is responsible for income taxes incurred on income generated by the asset.
3. **Business or farming operation assets.** Consider rental properties as personal assets held for an investment rather than business assets, unless real estate is the applicant's primary occupation.
4. **Equity** in owner-occupied cooperatives and manufactured homes in which the family resides and equity accounts in HUD homeownership programs (ie, Family Self-Sufficiency and Individual Development Accounts).
5. **Inheritances.** Money or property that was inherited, willed or gifted is included.
6. **Interest in Indian trust lands.**
7. **Life Insurance Proceeds.** Life insurance proceeds received as a result of someone's death is included.
8. **Personal Property.** Necessary personal property and day-to-day living needs, such as clothing, furniture and automobiles.
9. **Term life insurance policies** (ie, where there is no cash value).
10. **Vehicles and other specially equipped items for the disabled.**