HOTMA
Effective 1/1/2024

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Announcements

Schedule:

- The training will run from 9:00 am until approximately 12:00 pm
- We will take a break mid-morning, if needed
- 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, usually within 24-hours in an email from the GoTo Platform, please check your “junk” folders as we cannot reissue certificates
  - If you did not use your emailed link for the training from your registration you will not receive a certificate or show as having attended the webinar
- 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 to 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 Housing Opportunity Through Modernization Act of 2016 (HOTMA). HUD has indicated that additional guidance would be released sometime in the 4th quarter of 2023 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.

New guidance was released on September 29, 2023 and can be found online at https://www.hud.gov/sites/dfiles/OCHCO/documents/2023-10hsgn.pdf. This training encompasses updates based on the information in the newly released guidance.

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HOTMA: Foster Persons

Foster children and foster adults, <u>as defined by state law</u>, 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.

- 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 will be considered when determining the appropriate sized unit – only monitored for 811 households
- 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: 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.

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

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: Excluded Income

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- Employment Income for Students*
- Payments to keep family members with disabilities living at home**
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- In
- Ass
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If the application in use at the development asks for any excluded income it should be updated for 2024.

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: 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
  - See examples on following slides with the impact of this requirement on student financial assistance

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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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Income: Financial Aid in 2024

If the household is:

- Not receiving Section 8 Assistance and the student **<u>is part of the household</u>**
- Is receiving Section 8 Assistance and the student **<u>is</u>**
  - The Head, Spouse or Co-head
  - 24 years of age or older **<u>with</u>** dependent children
- **All assistance provided through Title IV HEA must be excluded from income**

If the household is:

- Is receiving Section 8 Assistance and the student **<u>is</u>**
  - The Head, Spouse or Co-head
  - 23 years old or younger OR
  - **<u>Without</u>** dependent children
- **All assistance provided through Title IV HEA must be included in income**
- *If an appropriations act comes out that does not include this limitation or any other limitation student income will ALL be treated as if the household did not receive Section 8 assistance*

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HOTMA: Excluded Income – Student Example 1

Calculation of Income from Student Financial Assistance – Non-Section 8 Household

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, amount leftover is excluded by statute

How much should count as regular income?

$5,000

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. Had a balance been left, the other financial assistance would have been applied and anything leftover would be counted as income.

HOTMA: Excluded Income – Student Example 2

Calculation of Income from Student Financial Assistance – Section 8 Household, Head of Household (25 years old) with dependent children is the student

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 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.

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
Persons outside the household:	$25,000
Total of Financial Assistance:	$33,000

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

$8,000

How much should count as regular income?

$25,000; amounts received from persons outside the household as a gift 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 (the gift) was left, the financial assistance has been applied and anything additional will be counted as income.

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HOTMA: Excluded Income – Student Example 1 with Section 8

Calculation of Income from Student Financial Assistance for a 22 year old without dependent children

Qualified Education Expenses:	$27,000
Title IV HEA Assistance:	$12,000
Other Financial Assistance:	$25,000
Total of Financial Assistance:	$37,000

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

$27,000, Total Qualified Education Expenses

How much should count as regular income?

$10,000 ($37,000 Total Assistance MINUS $27,000 Qualified Education Expenses)

*Subtract total student financial assistance from all sources from total tuition plus required fees and charges to arrive at excess amount. If the excess amount of student financial assistance is a positive number, then **include** that amount in annual income. If the excess amount is zero or negative, then do not include that amount in annual income.*

If the total tuition plus required fees and charges is zero or exceeds the amount of total financial assistance from all sources, then no excess amounts of student financial assistance will be included in annual income. Any amount of student financial assistance that exceeds the total tuition plus required fees and charges must be included in annual income.

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HOTMA: Excluded Income – Student Example 2 with Section 8

Calculation of Income from Student Financial Assistance for a 28 year old with a dependent child

Qualified Education Expenses: $26,000

Title IV HEA Assistance: $11,000
Other Financial Assistance: $6,000

Total of Financial Assistance: $17,000

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

$17,000

How much should count as regular income?

$0 (There are more expenses than there is financial assistance)

Subtract total student financial assistance from all sources from total tuition plus required fees and charges to arrive at excess amount of student financial assistance.

If the total tuition plus required fees and charges is zero or exceeds the amount of total financial assistance from all sources, then no excess amounts of student financial assistance will be included in annual income. Any amount of student financial assistance that exceeds the total tuition plus required fees and charges must be included in annual income.

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HOTMA: Excluded Income – Student Example 3 with Section 8

Calculation of Income from Student Financial Assistance of a 38 year old without dependent children

Qualified Education Expenses: $6,200

Title IV HEA Assistance: $8,000

Total of Financial Assistance: $8,000

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

$6,200 (Assistance is higher than the qualified expenses)

How much should count as regular income?

$1,800 ($8,000 Financial Assistance MINUS $6,200 Qualified Education Expenses)

Subtract total student financial assistance from all sources from total tuition plus required fees and charges to arrive at excess amount of student financial assistance.

If the excess amount of student financial assistance is a positive number, then include that amount in annual income. If the excess amount of student financial assistance is zero or negative, then do not include that amount in annual 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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Income: Child Support/Alimony Starting 1/1/2024

Court Ordered	Child support or alimony income must be based on payments received, not the amounts to which the family is entitled by court or agency orders
	A printout of payments received
	Include amounts awarded if received as ordered
	Include any Arrearage amounts
	DO NOT include Cash Medical Support

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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: 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 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 811 households must have their assets fully verified during the 2024 certification
- Actual Income ONLY will be included when household assets are UNDER $50,000
- Imputed Income when household assets are OVER $50,000 will only be calculated if the actual rate of return cannot be determined for the asset

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HOTMA: Assets; Changes to Verification Requirements

- Retirement accounts (as defined by the IRS) are no longer included in household assets.
- All assets can be verified using one (1) statement from the financial institution.
  - When verification of assets is required, Owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts. Owners were previously required to average the balance of six checking account statements to determine the cash value of a checking account.
- All assets are categorized as either **real property** (e.g., land, a home) or personal property. Personal property includes tangible items, like boats, as well as intangible items, like bank accounts.
  - **Necessary** personal property is excluded from net family assets.
  - **Non-necessary** personal property with a combined value greater than $50,000, as adjusted by inflation, is considered part of net family assets.
- For example, a family could have non-necessary personal property with a combined value that does not exceed $50,000 but also own real property such as a parcel of land. Even though the non-necessary personal property would be excluded from net family assets, the real property would be included in net family assets regardless of its value unless the real property meets a different exclusion under 24 CFR § 5.603.

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HOTMA: Assets; Necessary versus Non-Necessary

Table F1: Examples of Necessary and Non-Necessary Personal Property

Necessary Personal Property	Non-Necessary Personal Property
• Car(s)/vehicle(s) that a family relies on for transportation for personal or business use (e.g., bike, motorcycle, skateboard, scooter) • Furniture, carpets, linens, kitchenware • Common appliances • Common electronics (e.g., radio, television, DVD player, gaming system) • Clothing • Personal effects that are not luxury items (e.g., toys, books) • Wedding and engagement rings • Jewelry used in religious/cultural celebrations and ceremonies • Religious and cultural items • Medical equipment and supplies • Health care–related supplies • Musical instruments used by the family • Personal computers, phones, tablets, and related equipment • Professional tools of trade of the family, for example professional books • Educational materials and equipment used by the family, including equipment to accommodate persons with disabilities • Equipment used for exercising (e.g., treadmill, stationary bike, kayak, paddleboard, ski equipment)	• Recreational car/vehicle not needed for day-to-day transportation (campers, motorhomes, travel trailers, all-terrain vehicles (ATVs)) • Bank accounts or other financial investments (e.g., checking account, savings account, stocks/bonds) • Recreational boat/watercraft • Expensive jewelry without religious or cultural value, or which does not hold family significance • Collectibles (e.g., coins/stamps) • Equipment/machinery that is not used to generate income for a business • Items such as gems/precious metals, antique cars, artwork, etc.

Examples of Necessary and Non-Necessary Personal Property from
Notice H 2023–10
Notice PIH 2023–27

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HOTMA: Assets Under $50,000

Assets Post HOTMA

Checking account with no interest:	$180 – non-necessary personal property
Savings account with 2% interest rate:	$8,000 – non-necessary personal property
Land with no determined rate of return:	$25,000 – real property

HTC Program requires household assets over $5,000 be verified by 1st hand or 3rd party

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?

No imputed income will be included, household assets are less than $50,000, only actual income from assets will be included

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

For the ALL programs: $0 checking (actual); $160 savings (actual); $0 land

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HOTMA: Assets Over $50,000

Assets Post HOTMA

Checking account with no interest:	$18,000 – non-necessary personal property
Savings account with 2% interest rate:	$ 8,000 – non-necessary personal property
Land with no determined rate of return:	$25,000 – real property

HTC Program requires household assets over $5,000 be verified by 1st hand or 3rd party

How much is the actual income from assets?

$0 from Checking; $160 from Savings ($8,000 x 2%) and $0 from the Land

How much is the imputed income from the assets?

Imputed Income is not required because the net family assets are under $50,000

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

For the ALL programs: $0 checking (actual); $160 savings (actual); $0 land (net family assets are under $50,000)

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HOTMA: Assets at Layered Properties on the Income Certification

Putting it on the Income Certification:

Checking account with no interest:	$0	Income: $0.00 (actual)
Savings account with 2% interest rate:	$0	Income: $160.00 (actual)
Land with no determined rate of return:	$25,000	Income: $0 (under $50,000)
Total of Household Assets:	$25,000	

PART IV. INCOME FROM ASSETS

HH Mbr #	(F) Type of Asset	(G) C/D	(H) Cash Value of Asset	(I) A/I	(J) Annual Income from Asset
1	Checking	C	$0	A	$0.00
1	Savings	C	$0	A	$160
1	Land (Real Property)	C	$25,000	n/a	$0
		TOTALS:	$25,000		$160

TOTAL INCOME FROM ASSETS (K) $160

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HOTMA: Net Family Assets Over $50,000

2024 Passbook Savings Rate will be .40%

Assets Post HOTMA

Checking account with no interest:	$18,000
Savings account with 2% interest rate:	$35,000
Land with no determined rate of return:	$25,000
Total of Household Assets:	$78,000

HTC Program requires household assets over $5,000 be verified by 1st hand or 3rd party

How much is the actual income from assets?

$0 from Checking; $700 from Savings ($35,000 x 2%) and $0 from the Land

How much is the imputed income from the assets?

For the Land: $100 ($25,000 x .40%)

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

For the ALL programs: $0 checking (actual); $700 savings (actual); $100 land (imputed)

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HOTMA: Assets on the Income Certification

Putting it on the Income Certification:

Checking account with no interest:	$18,000	Income: $0.00 (actual)
Savings account with 2% interest rate:	$35,000	Income: $700.00 (actual)
Land with no determined rate of return:	$25,000	Income: $100.00 (imputed)
Total of Household Assets:	$78,000	

PART IV. INCOME FROM ASSETS

HH Mbr #	(F) Type of Asset	(G) C/D	(H) Cash Value of Asset	(I) A/I	(J) Annual Income from Asset
1	Checking	C	$18,000	A	$0.00
1	Savings	C	$35,000	A	$700
1	Land (Real Property)	C	$25,000	I	$100
		TOTALS:	$78,000		$800

TOTAL INCOME FROM ASSETS (K) $800

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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
  - **Income for assets will be calculated as required under HOTMA as outlined on previous slides**
- **I have properties with 811 and Housing Tax Credit…**
  - 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: Asset Exclusions Do Not Impact Department Programs

HOTMA does have an asset exclusion for households that have assets totaling more than $100,000 and for households owning real estate.

These exclusions do not apply to the Department programs, they are a Public Housing and Section 8 requirement that do not impact our programs.

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HOTMA: Deductions for Adjusted Income

Annually, HUD will issue an Adjustment for Inflation to be used for deductions

- 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
- 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 unless the child care is paid for with the household's income and not the foster care payments received from the welfare agency
- Elderly/Disabled Deduction is being increased to $525 and will be updated annually based on inflation
- 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
    - (e.g., work, look for work, or further their education (academic or vocational))
  - 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
  - Foster children are eligible for the childcare deduction as long as the unreimbursed child-care expenses are paid from the family's annual income and not from another source, such as a stipend from the child welfare agency
- There is a hardship exemption for this deduction; the tenant selection plan must include the hardship, it can be extended for 90 days and then an additional 90 days if circumstances require the deduction for the household to be able to pay rent

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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

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 811 Program Units and HOME units where the household was over 80% prior to HOTMA
- 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 the deduction 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

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

The Health & Medical Care Expense Deduction <u>Hardship</u> Allowance

- This hardship allowance is only applicable to the 811 Program Units and HOME units where the household was over 80% prior to HOTMA
- The disallowed amount is changing from 3% to 10% of the annual income
  - There is a hardship allowance for this deduction, in 2024 the deduction will be 5%, in 2025 it will be 7.5% and the full 10% in 2026
  - 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: Section 811 Hardship Phase-In Examples

Household moved in March 1, 2023 and receives the Health and Medical deductions:

March 1, 2024 – Deduction goes to 5%

March 1, 2025 – Deduction goes to 7.5%

March 1, 2026 – Deduction meets the 10% threshold as required by HOTMA

Household moved in March 1, 2023 and receives the Health and Medical deductions:

January 1, 2024 – Interim Reexamination done, Deduction goes to 5%

March 1, 2024 – Annual Certification, deduction remains at 5%

January 1, 2025 – Non-Interim Reexamination Transaction done to bring deduction to 7.5%

March 1, 2025 – Annual Certification, deduction remains at 7.5%

January 1, 2026 – Non-Interim Reexamination Transaction done to bring deduction to the 10% threshold as required by HOTMA

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HOTMA: 811; General Hardship Relief

General Hardship Relief

- Affects both health and medical care as well as attendant care and auxiliary apparatus expense deductions; however, once a family takes the general hardship they are no longer eligible for the phase-in hardship allowances
- A deduction for the sum of the eligible expenses that exceed 5% of Annual Income
- Family is eligible
  - When increase to these expenses
  - Regardless:
    - If received previously those deductions
    - Even if receiving currently the phased-in relief
    - Were eligible previously for general or phased-in relief
- Ends when the earlier occurs:
  - Family's hardship ends or 90 days
  - May be extended
- Needs to be in Tenant Selection Plan
  - Providing details on criteria to qualify for:
    - General hardship deduction and
    - Criteria and process to extend an additional 90 days

Examples include:

- Family is awaiting eligibility determination for a federal, state, or local assistance program, such as unemployment or disability benefits
- Family's income decreased because of a loss of employment, death of a family member, or due to natural or federal/state declared disaster

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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
  - If the household self-certifies the total household income is over 80% and/or the net family assets are over $50,000 a full certification must be completed
- **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), 2 months (60 days) of documentation are required, this has not changed with HOTMA
- 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
  - If the household self-certifies the total household income is over 80% and/or the net family assets are over $50,000 a full certification must be completed
- **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), 2 months (60 days) of documentation are required, this has not changed with HOTMA

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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 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 received 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; Asset Verifications

What this looks like in an existing program unit:

- 2024 – Verify all assets by first-hand documentation or third party verification
- 2025 and 2026 – Self-certify all assets if under $50,000
- 2027 – Verify all assets by first-hand documentation or third party verification
- 2028 and 2029 – Self-certify all assets if under $50,000
- 2030 – Verify all assets by first-hand documentation or third party verification

What this looks like in a new move-in:

- Household moves in 5/1/2025 – Verify all assets by third party or first-hand
- 2026 and 2027 – Self-certify all assets if under $50,000
- 2028 – Verify all assets by first-hand documentation or third party verification
- 2029 and 2030 – Self-certify all assets if under $50,000
- 2031 – Verify all assets by first-hand documentation or third party verification

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HOTMA: 811; Changes to Interim Recertifications

Changes to Interim Recertifications

- Effective January 1, 2024, the amount to trigger an Interim Recertification (IR) is changing
- From $200/month ($2,400/year) to 10% change in Adjusted Income (AI)
- In general, this should decrease the number of IRs
- Developments with 811 will need to update their Tenant Selection Plans (TSP) to reflect the elections
- HUD will review HUD-50059 and other forms to reflect changes

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HOTMA: 811; Reported Decrease of Adjusted Income

Reported Decrease of More than 10% of Adjusted Income (AI)

- Tenant reports a decrease of more than 10% of their AI
- Onsite staff estimates whether or not this change meets the threshold of 10%
  - Can be done using HUD's Income Estimate Tool found here: https://www.hudexchange.info/resource/6879/hotma-income-estimation-tool-and-directions/
  - Or can use owner-generated form
- If the decrease is estimated to be greater than 10%, an IR is required
- If the decrease is estimated to be less than 10%, onsite staff documents the file with the tool or form and an IR is NOT required
  - Obtaining verifications is not necessary unless the tenant disputes the estimate
  - If the tenant disputes and the verifications indicate the threshold is met, an IR is required
- Type of income (earned vs. unearned) not a factor
- Owner can elect to have lower threshold of 10%, but not higher threshold (i.e. 20%), which must be in the TSP

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HOTMA: 811; Reported Increase of Adjusted Income, Unearned

Reported Increase of More than 10% of Adjusted Income Due to Unearned Income

- Tenant reports an increase of more than 10% of their AI
- Onsite staff estimates whether or not this change meets the threshold of 10%
  - Can be done using HUD's Income Estimate Tool found here: https://www.hudexchange.info/resource/6879/hotma-income-estimation-tool-and-directions/
  - Or can use owner-generated form
- If the increase is greater than 10% due to unearned income, an IR is required
  - Unless the TSP for the property indicates it will not conduct an IR within 3 months of an upcoming AR
  - Examples of unearned income include child support, Social Security income, etc.
- If the increase is less than 10% due to unearned income, an IR is NOT required
  - Obtaining verifications is not necessary unless the tenant disputes the estimate
  - If the tenant disputes the estimate and verifications indicate the threshold is met, an IR is required

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HOTMA: 811; Reported Increase of Adjusted Income, Earned

Reported Increase of More than 10% of Adjusted Income Due to Earned Income

- Tenant reports an increase of more than 10% of their AI
- Onsite staff estimates whether or not this change meets the threshold of 10%
  - Can be done using HUD's Income Estimate Tool found here: https://www.hudexchange.info/resource/6879/hotma-income-estimation-tool-and-directions/
  - Or can use owner-generated form
- If the increase is greater than 10% due to earned income, an IR is NOT required
  - Unless the TSP indicates that it will conduct an IR when there is an increase due to earned income after an earlier in the year decrease due to earned income, which triggers an IR
- If the increase is less than 10% due to earned income, an IR is NOT required
  - Obtaining verifications is not necessary unless the tenant disputes the estimate
  - If the tenant disputes the estimate and verifications indicate the threshold is met, an IR is required

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HOTMA: 811; Required Changes to Tenant Selection Plan

Required Changes to Tenant Selection Plan

- Effective January 1, 2024, the TSP must reflect these changes due to HOTMA
  - Notifies tenants of expectations
  - Documents compliance with new requirements and optional elections
  - Helps TDHCA know elections made
- Keep language as simple as possible
- Describe policy and process
- Must state mandatory changes
  - Such as always conduct IR after 10% decrease in AI
- Must state explicitly whether or not electing optional elections
  - Such as IR not required when 10% increase due to earned income
- Policies and procedures, including Tenant Selection Plan, must be updated by March 31, 2024 and include pre-HOTMA and post-HOTMA requirements

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HOTMA: 811; Resources for Interim Changes

Resources for Interim Changes

- HUD's HOTMA Interim Income Reexamination Resource Sheet:
  - https://files.hudexchange.info/resources/documents/Interim-Income-Reexaminations-Resource-Sheet.pdf
- HUD's HOTMA Income Estimation Tool:
  - https://files.hudexchange.info/resources/documents/Income-Estimation-Tool.pdf
- HUD's HOTMA Income Estimation Tool Directions:
  - https://files.hudexchange.info/resources/documents/Income-Estimation-Tool-Directions.pdf
- TDHCA's LISTSERV Email: Found within left-hand column under "Join Our Email List" here:
  - https://www.tdhca.state.tx.us

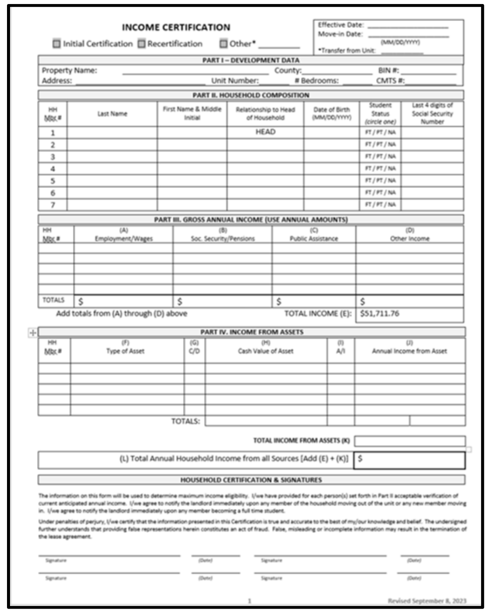
HOTMA: Section 811 continued

- 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, the Tenant Selection Plan must outline how tenant credits will be handled
- EIV is no longer required on Interim Recertifications unless the policies and procedures require them
- Tenants must be notified of the new lease with a 60-day notice

HOTMA: Updated Forms

Updated forms are online:
https://www.tdhca.state.tx.us/pmcomp/forms.htm

These forms should not be used on certifications other than those effective January 1, 2024 and later.



INCOME CERTIFICATION

☐ Initial Certification ☐ Recertification ☐ Other* ________

Effective Date: ________
Move-in Date: ________
(MM/DD/YYYY)
*Transfer from Unit: ________

PART I – DEVELOPMENT DATA

Property Name: ________ County: ________ BIN #: ________
Address: ________ Unit Number: ________ # Bedrooms: ________ CMTS #: ________

PART II. HOUSEHOLD COMPOSITION

HH Mbr #	Last Name	First Name & Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	Student Status (circle one)	Last 4 digits of Social Security Number
1			HEAD		FT / PT / NA	
2					FT / PT / NA	
3					FT / PT / NA	
4					FT / PT / NA	
5					FT / PT / NA	
6					FT / PT / NA	
7					FT / PT / NA	

PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment/Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income
TOTALS	$	$	$	$

Add totals from (A) through (D) above TOTAL INCOME (E): $51,711.76

PART IV. INCOME FROM ASSETS

HH Mbr #	(F) Type of Asset	(G) C/D	(H) Cash Value of Asset	(I) A/I	(J) Annual Income from Asset
	TOTALS:				

TOTAL INCOME FROM ASSETS (K)

(L) Total Annual Household Income from all Sources [Add (E) + (K)] $

HOUSEHOLD CERTIFICATION & SIGNATURES

The information on this form will be used to determine maximum income eligibility. I/we have provided for each person(s) set forth in Part II acceptable verification of current anticipated annual income. I/we agree to notify the landlord immediately upon any member of the household moving out of the unit or any new member moving in. I/we agree to notify the landlord immediately upon any member becoming a full time student.

Under penalties of perjury, I/we certify that the information presented in this Certification is true and accurate to the best of my/our knowledge and belief. The undersigned further understands that providing false representations herein constitutes an act of fraud. False, misleading or incomplete information may result in the termination of the lease agreement.

Signature (Date) Signature (Date)
Signature (Date) Signature (Date)

1 Revised September 8, 2023

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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
- **The date of January 1, 2024 is the start date; the requirements of HOTMA will apply to all certifications going forward after that date. This will impact the 2024 certifications for low-income households.**

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THANK YOU!

TEXAS DEPARTMENT OF HOUSING AND COMMUNITY AFFAIRS
221 EAST 11TH STREET
AUSTIN, TX 78701

MAILING: PO BOX 13941, AUSTIN, TX 78711

MAIN NUMBER: (512) 475-3800

TOLL FREE: (800) 525-0657

Health and Medical Expenses & Child Care Expenses

Hardship Exemptions Resource Sheet

This resource is meant for both PHAs and families participating in public housing and the Housing Choice Voucher program (Section 8).

Health and Medical Expense Deduction

New HUD rules allow health and medical expenses exceeding 10% of a family's annual income to be deducted from the amount of a family's income to determine the **adjusted** income which is then used to calculate the rent.

Qualifying expenses are the sum of:

- Unreimbursed health and medical care expenses of any elderly or disabled family; and
- Unreimbursed reasonable attendant care and auxiliary apparatus expenses for each member of the family who is a person with a disability, in order to enable any member of the family, including the person with a disability, to be employed.
  - This deduction may not exceed the combined earned income of the adult family members who are able to work due to the attendant care or auxiliary apparatus.

Note: *The full text of the rule can be found in the Code of Federal Regulations in section 24 CFR 5.611(a)(3).*

Estimating Qualifying Expenses

HUD has an Income Estimation Tool which may be used by the public housing agency (PHA) and families to estimate at what amount of expenses a family would begin to receive a deduction for health and medical expenses.

In the following example, the family earns $20,000 per year. The tool shows that qualified expenses over $2000, which is 10% of the family's income, could be deducted in determining the family's adjusted income.

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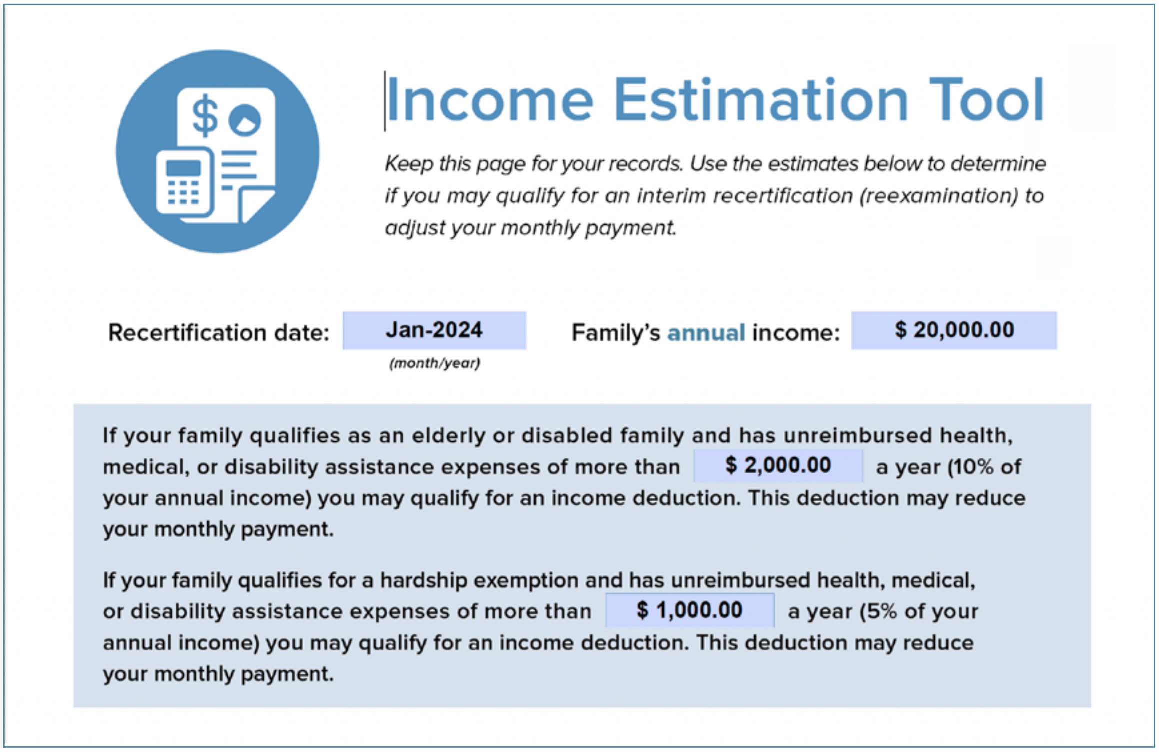
Hardship Exemptions Resource Sheet



Income Estimation Tool

Keep this page for your records. Use the estimates below to determine if you may qualify for an interim recertification (reexamination) to adjust your monthly payment.

Recertification date: Jan-2024 *(month/year)* **Family's annual income:** $ 20,000.00

If your family qualifies as an elderly or disabled family and has unreimbursed health, medical, or disability assistance expenses of more than $ 2,000.00 a year (10% of your annual income) you may qualify for an income deduction. This deduction may reduce your monthly payment.

If your family qualifies for a hardship exemption and has unreimbursed health, medical, or disability assistance expenses of more than $ 1,000.00 a year (5% of your annual income) you may qualify for an income deduction. This deduction may reduce your monthly payment.

Hardship Exemptions to the Health and Medical Expenses Deduction

HUD has also created two categories of hardship exemptions to the new 10% threshold for unreimbursed medical expenses. The exemptions allow for more expenses to be deducted from the family's adjusted income for a limited period of time.

Category 1: Phased In relief for families already receiving a health and medical deduction

The new rule increases the health and medical expense deduction to the amount by which those expenses exceed 10% of the family's annual income. This is an increase from the previous threshold of 3%. Families previously receiving the deduction may see an increase in their non-deductible health and medical expenses, which could result in an increase in their adjusted income and their rent. However, this may be offset by the increased deduction for elderly and disabled families from $400 to $525. This hardship exemption phases in the new deduction amount over two years.

Eligibility: As of January 1, 2024, the family must have been receiving a deduction from annual income of qualified health and medical expenses exceeding 3 percent of annual income.

Form and duration of the exemption: Those families experiencing a hardship will have a phase in to the new deduction amount over two years:

- 1st year: PHA deducts eligible expenses exceeding 5% of the family's income.
- 2nd year: PHA deducts eligible expenses exceeding 7.5% of the family's income.

Hardship Exemptions Resource Sheet

- After 24 months this hardship exemption expires. The PHA will deduct expenses exceeding 10% of the family's annual income, unless the family requests and qualifies for a new exemption under category 2.

Category 2: General Financial Hardships

This exemption is for families who can demonstrate a financial hardship due to an increase in their qualified expenses or because of a change that would not otherwise trigger an interim reexamination. For example, a decrease in income or a change in family composition.

Eligibility: A family must demonstrate that their applicable expenses increased or the hardship is a result of a change in circumstances, as defined by the PHA, that would not otherwise trigger an interim reexamination.

This relief is available regardless of whether the family previously received health and medical deductions or is currently receiving, or previously received, a hardship exemption under the first category.

Form and duration:

- The family may receive a deduction of all eligible expenses exceeding 5% of their annual income.
- The exemption ends when the circumstances that made the family eligible for the exemption no longer apply or after 90 days, whichever comes earlier.
- The PHA may, at their discretion, extend the relief for one or more additional 90-day periods while the family's hardship continues.

Category 2 may also include families that qualified under Category 1 but:

- Exhausted that relief (after 24 months), or
- Chose to apply for relief under this category in the 2nd year of receiving a Category 1 deduction. The family would then receive a deduction for their qualifying expenses over 5% of their income instead of those exceeding 7.5% of their income.
- The family will no longer be eligible for a hardship exemption under the first category, even if they had not finished the 24 month period.

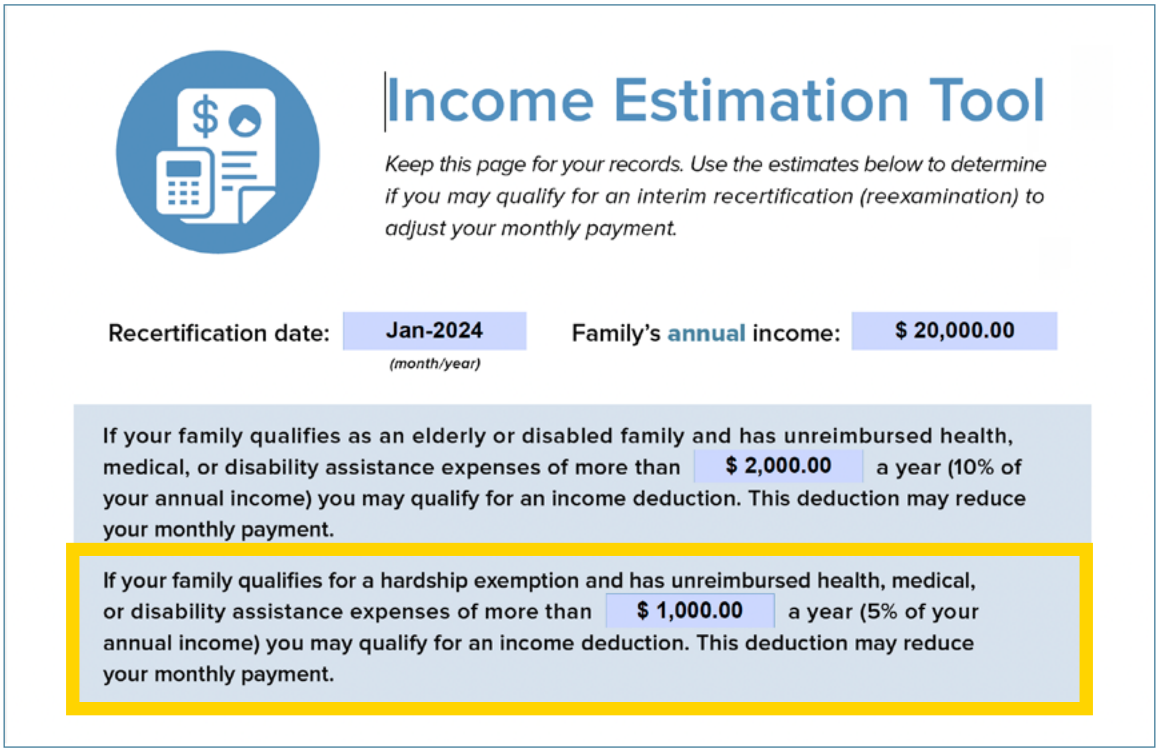
Note: The full text of the rule related to these hardship exemptions can be found in the Code of Federal Regulations in section 24 CFR 5.611(c).

Estimating if a family qualifies for a hardship exemption

The Income Estimation Tool can also be used to see if a family may be eligible for a hardship deduction. The tool shows the amount of qualified expenses over 5% of the family's income. If the family has a financial hardship making it unable for them to pay the rent and has qualified health and medical expenses over 5% they should speak to the PHA to see if they qualify for a hardship exemption.

Hardship Exemptions Resource Sheet

In this same example, the tool shows that the family would have to have qualified expenses over $1000, which is 5% of the family's income, to potentially qualify for a hardship exemption.



Income Estimation Tool

Keep this page for your records. Use the estimates below to determine if you may qualify for an interim recertification (reexamination) to adjust your monthly payment.

Recertification date: **Jan-2024** *(month/year)* Family's **annual** income: **$ 20,000.00**

If your family qualifies as an elderly or disabled family and has unreimbursed health, medical, or disability assistance expenses of more than **$ 2,000.00** a year (10% of your annual income) you may qualify for an income deduction. This deduction may reduce your monthly payment.

If your family qualifies for a hardship exemption and has unreimbursed health, medical, or disability assistance expenses of more than **$ 1,000.00** a year (5% of your annual income) you may qualify for an income deduction. This deduction may reduce your monthly payment.

Child Care Expense Deduction

Any reasonable child care expenses necessary to enable a member of the family to be employed or to further his or her education may be deducted from income.

This means that the amount of child care expenses may be deducted from the family's annual income in determining their adjusted annual income and therefore their rent. The expenses that can be deducted cannot exceed the amount of income earned by the person who is able to work due to the childcare.

For example, if childcare costs are $6000 for the year and the parent who is able to work due to childcare earns $5000 annually, then $5000 would be deducted in determining the family's adjusted income.

Note: *The full text of the rule can be found in the Code of Federal Regulations in section 24 CFR 5.611(a)(4).*

Hardship Exemptions Resource Sheet

Exemption to Continue the Child Care Expense Deduction

A family whose eligibility for the child care expense deduction is ending may request a financial hardship exemption to continue the deduction.

Eligibility: The family must demonstrate that they are unable to pay their rent because of loss of this deduction, and the child care expense is still necessary even though the family member is no longer employed or furthering education.

For example, the parent who was working due to the child care had to leave their job to care for a sick family member. In order to provide this unpaid care they continue to need childcare.

Form and duration of relief:

- Up to 90 days.
- The exemption may be extended, at the PHA's discretion, for additional 90-day periods based on family circumstances.
- The PHA may terminate the hardship exemption if they determine that the family no longer needs it.

PHA Policy: The PHA must have an established policy for determining a family's inability to pay the rent if they request a child care hardship exemption.

Family notification: The family must receive prompt notification in writing of the change in adjusted income and the rent due to the child care hardship exemption, and dates for when the hardship exemption will begin and expire.

Note: The full text of the rule related to these hardship exemptions can be found in the Code of Federal Regulations in section 24 CFR 5.611(d).

Related Resources

- Income Estimation Tool and Directions
- HOTMA Income and Assets Trainings Series

HOTMA Sections 102 and 104: Income and Assets Fact Sheet

This sheet provides an overview of the changes related to income reviews and asset limitations from the implementation of HOTMA Sections 102 and 104.

Income Definitions—24 CFR 5.609 (a): Income is now defined broadly with an expanded and clarified list of income exclusions. Annual income includes all amounts received from all sources by each adult family member 18 years or older or the head of household or their spouse, plus unearned income by or on behalf of each dependent under 18 years, plus income from assets.

- **Income Exclusions—24 CFR 5.609(b):** See the Income and Exclusions Resource Sheet for the list of all excluded amounts.
- **Student Financial Assistance—24 CFR 5.609(b)(9):** See the Student Financial Assistance Resource Sheet for information on deductions, exclusions, and calculating exclusions.

Income from Assets—24 CFR 5.609(a): In general, income from assets is considered income. If it is possible to calculate actual returns from an asset, the PHA should use that amount. If it is not possible to calculate an actual return on an asset, the PHA must impute income from assets based on the current passbook savings rate as determined by HUD when the family has net assets over $50,000 (adjusted annually by CPI-W). See the Asset Resource Sheet for the list of all excluded amounts.

Calculation of Income—24 CFR 5.609(c): For initial occupancy/assistance and interim reexaminations, the PHA must estimate the family income for the upcoming 12-month period using current income. For all annual reexaminations, the PHA must determine the family income for the previous 12-months **unless** using a streamlined income determination, taking into account any redetermination from an interim reexamination and any unaccounted for income changes.

Interim Income Reexaminations—24 CFR 960.257(b), 982.516(c), and 882.515(b): A family may request an interim reexamination because of family income or composition changes since the last examination. An interim reexamination should be conducted when a family's adjusted income decreases by 10% or more (or lower threshold per HUD or PHA policy). An interim reexamination should also be conducted when a family's adjusted income increases by 10% or more; however, the PHA may not consider any increase in the *earned* income of the family when estimating or calculating whether the family's adjusted income has increased, unless the family has previously received an interim reduction during the certification period. See the Interim Reexaminations Fact Sheet.

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HOTMA Sections 102 and 104: Income and Assets Fact Sheet

Safe Harbor: Income Determinations from Other Programs — 24 CFR 5.609(c)(3): The PHA may determine a family's pre-deduction income based on income determinations made by other means-tested federal public assistance programs within the previous 12-months. PHAs are not required to use this method.

Eliminates the Earned Income Disregard: Only families already participating in EID on the effective date of the final rule may continue receiving the benefits up to 2 years from that date. Families receiving the Jobs Plus Earned Income Disregard pursuant to the FY2022 NOFO or earlier may continue to receive the EID under the terms of the NOFO.

Mandatory Deductions — 24 CFR 5.611 (a)(1)-(a)(2): Changes the mandatory deduction amounts to $480 per dependent and $525 per elderly and disabled family. These amounts are 2024 figures, adjusted annually for inflation and rounded to the next lowest multiple of $25.

Health and Medical Expense Deduction — 24 CFR 5.611(a)(3): Increases the threshold for the deduction of unreimbursed health and medical care expenses plus unreimbursed reasonable attendant care and auxiliary apparatus expenses that enable employment to 10% of annual income.

Permissive Deductions — 24 CFR 5.611(b): A PHA may adopt, through written policies, additional deductions from annual income. PHAs will not be eligible for additional HUD funding based on application of these deductions.

Hardship Exemptions to the Health and Medical Expenses Deduction — 24 CFR 5.611(c)(1)-(c)(2): There are two categories of hardship exemptions to the new 10% threshold for unreimbursed health and medical expenses: a phase-in for families already receiving a deduction for expenses over 3% of their income and a general hardship exemption.

Exemption to Continue the Child Care Expense Deduction — 24 CFR 5.611(d): A family whose eligibility for the child care expense deduction is ending may request a financial hardship exemption to continue the deduction.

Limitation on Assets — 25 CFR 5.618(a): The new rule restricts families from receiving public housing or Section 8 benefits if their net family assets exceed $100,000 (as adjusted annually) or if the family owns real property deemed suitable for the family to live in.

Exclusion from Assets — 24 CFR 5.603(b)(3): There are new exclusions from assets, including related to necessary items of personal property, non-necessary items of personal property when the total value does not exceed $50,000 (as adjusted), and real property that the family does not have the legal authority to sell.

See the Assets, Asset Exclusions, and Limitation on Assets Resource Sheet for a complete list and more information on exclusions and real property.

Additional Resources on HOTMA Sections 102/ 104

- HUD Exchange: HOTMA Income and Assets Training Series

Income and Income Exclusions Resource Sheet

For more information refer to the full HOTMA Income and Assets Training Series, including the Income Fact Sheet.

Annual Income 24 CFR 5.609(a)

Annual income includes, with respect to the family:

- All amounts, not specifically excluded below, received from all sources by each member of the family 18 years or older or is the head of household or spouse of the head of household, plus
- Unearned income by or on behalf of each dependent who is under 18 years of age, and
- Imputed returns on net family assets exceeding $50,000 (adjusted annually using the CPI-W) when the value of the actual returns from a given asset cannot be calculated. Imputed returns are based on the current passbook savings rate, as determined by HUD. (***Note:*** *if it is possible to calculate actual returns from an asset, the PHA should use that amount as income).*

EXCLUSIONS

Federally Mandated Income Exclusions 24 CFR 5.609(b)(22)

Amounts that HUD is required by federal statute to exclude as income for determining eligibility or benefits. HUD will publish an updated notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary.

- Mandatory Income exclusions related to ABLE accounts will be detailed here. PHAs can refer to Notice PIH 2019-09/H-2019-06, or any subsequent notice on the subject, for details on when ABLE account income is excluded.

Assets 24 CFR 5.609(b)(1)

Imputed returns: Any imputed return on an asset when net family assets total $50,000 or less (adjusted by HUD annually per CPI-W) and no actual income from the net family assets can be determined. *(**Note that:** Actual returns from assets are included in income.)*

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Income and Income Exclusions Resource Sheet

Non-recurring income 24 CFR 5.609(b)(24)

Income that will not be repeated in the coming year based on information provided by the family. Some examples of non-recurring income include:

- U.S. Census Bureau for employment income (relating to decennial census or the American Community Survey) lasting no longer than 180 days and not resulting in permanent employment.
- Direct federal or state payments for economic stimulus or recovery.
- State or federal refundable tax credits or state or federal tax refunds received directly at the time they are received directly by the family.
- Gifts for significant life events or milestones (e.g., holidays, birthdays, wedding gifts, baby showers, anniversaries).
- Non-monetary, in-kind donations, such as food, clothing, or toiletries, received from a food bank or similar organization.
- Lump-sum additions to net family assets, including but not limited to **lottery** or other contest winnings.

Note that: *Income received as an independent contractor, day laborer, or seasonal worker is not excluded from income, even if the source, date, or amount of the income varies.*

Self-employment Income 24 CFR 5.609(b)(28)

Gross income received through self-employment or operation of a business; with the exception of the following which **shall be considered income**:

- Net income from the operation of a business or profession. Expenditures for business expansion 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 IRS regulations; and
- Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.

Note: *gross income is the total income that a business brings in and is not reflective of the costs of operating a business or of being self-employed*

Minors Earned Income 24 CFR 5.609(b)(3)

All earned income of all children under the age of 18, including foster children.

Income and Income Exclusions Resource Sheet

Adoption assistance payments 24 CFR 5.609(b)(15)

Earned income in excess of the amount of the deduction for a dependent in § 5.611.

- Deduction is currently $480* per child. The end result is that all adoption assistance payments will be excluded.

Earned Income of Dependent Students 24 CFR 5.609(b)(14)

Earned income of dependent full-time students in excess of the amount of the deduction for a dependent.

- Deduction is currently $480* per dependent. The end result is that these payments will not be counted.

See the **Student Aid and Financial Assistance Resource Sheet** for more information on how to calculate the exclusion, particularly when the student receives funds from both types of sources.

Title IV HEA Assistance 24 CFR 5.609(9)(i)

Any assistance that section **479B of the Higher Education Act of 1965**, as amended (20 U.S.C. 1087uu), requires to be excluded from a family's income including Bureau of Indian Affairs or Department of Education student assistance programs. These amounts are only excluded up to the cost that covers tuition and other required fees in Section 8 households if the student is the head of household or that person's spouse.

Other Student Financial Assistance 24 CFR 5.609(9)(ii)

Student financial assistance, not excluded under the HEA for "actual covered costs" of higher education paid directly to the student or to the educational institution on the student's behalf.

Educational Savings Account 24 CFR 5.609(b)(10)

Income and distributions from any Coverdell educational savings account of or any qualified tuition program under IRS sections 529 and 530.

Baby bonds 24 CFR 5.609(b)(10)

Income earned by government contributions to, or distributions from, 'baby bond' accounts created, authorized, or funded by federal, state, or local government.

Foster Children / Adults Payments 24 CFR 5.609(b)(4)

Payments received for the care of foster children or adults, including state kinship, guardianship care payments, or tribal kinship payments.

** As adjusted annually by CPI-W and rounded to the next lowest multiple of $25.*

Income and Income Exclusions Resource Sheet

Foster Children/ Adults Income 24 CFR 5.609(b)(8)

Income of foster child or adult (as defined in 24 CFR 5.403 and 5.603).

Live-in Aide 24 CFR 5.609(b)(8)

Income of a live-in aide.

Note on Foster Children/Adults and Live-in Aides: *Foster adults and foster children are members of the household and therefore considered when determining appropriate unit size and utility allowance. However, they are not considered members of the "assisted family" in determining annual and adjusted income or net family assets; nor are the assets of foster adults or children taken into consideration for purposes of asset limitations. A live-in aide is treated similarly for purposes of income and assets.*

State Payments to Allow Individuals with Disabilities to Live at Home 24 CFR 5.609(b)(19)

These payments must be made:

- by or authorized by a state Medicaid managed care system or other state agency
  - Includes: state Medicaid-managed care system, other state agency, or authorized entity
- to a family to enable a family member who has a disability to reside in the family's assisted unit.

Note on HOTMA changes to State Payments to Allow Individuals with Disabilities to Live at Home:

- HOTMA expands the exclusion to cover all payments by the state Medicaid-managed care system, other state agency, or authorized entity, for caregiving services to enable a family member with a disability to live in the assisted unit.
- No change if the family already received such payment that was excluded from income
- Previous requirement that these payments offset the cost of services or equipment has been eliminated.

Plan to Attain Self-Sufficiency (PASS) 24 CFR 5.609(b)(12)(i)

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 to Attain Self-Sufficiency (PASS).

Income and Income Exclusions Resource Sheet

Trust distributions 24 CFR 5.609(b)(2)

Irrevocable trust or revocable trust outside of family or household control, excluded from the definition of net family assets under § 5.603(b),

- Distributions of the principal, or corpus, of the trust, and
- Distributions of income from the trust used to pay the costs of health and medical care expenses for a minor.

Revocable trust or a trust under the control of the family or household: any distributions from the trust are excluded from income.

- Except that any actual income earned by the trust, regardless of whether it is distributed, shall be considered income to the family at the time it is received by the trust.

Note: *given that the corpus (or principal) of a trust is not new money coming in for the family, any distributions of a trust's principal, regardless of the form of the trust, are excluded. As a general rule, PHAs and owners must count any distributions of income from an irrevocable trust or a trust not under the control of the family (e.g., distributions of earned interest) as income to the family with the exception of distributions used to pay the health and medical care expenses of a minor.*

Reimbursements for Health and Medical Care Expenses 24 CFR 5.609(b)(6)

Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.

Insurance payments and settlements for personal or property loss 24 CFR 5.609(b)(5)

Including, but not limited to: payments through health insurance, motor vehicle insurance, and workers' compensation.

Retirement plan 24 CFR 5.609(b)(26)

Income received from any account under an IRS-recognized retirement plan. However, any distribution of **periodic payments** from these accounts shall be income at the time they are received by the family. Retirement accounts include:

- Individual retirement arrangements (IRAs)
- Employer retirement plans, and
- Retirement plans for self-employed individual

Military 24 CFR 5.609(b)(11)

The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

Income and Income Exclusions Resource Sheet

Veterans 24 CFR 5.609(b)(17)

Payments related to aid and attendance for veterans under 38 U.S.C. 1521.

Lawsuit Settlements 24 CFR 5.609(b)(7)

Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, that resulted in a member of the family having a **disability**.

Reparations for Persecution 24 CFR 5.609(b)(13)

Reparation payments paid by a foreign government for claims by people persecuted during the Nazi era.

Tribal Claims Payments 24 CFR 5.609(b)(21)

Payments received by tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States. This includes payments from tribal trust settlements. Payments must be excluded from gross income under the Internal Revenue Code or other federal law.

Civil Rights Settlements and Judgements 24 CFR 5.609(b)(25)

Civil rights settlements or judgments, including settlements or judgments for back pay.

Reimbursements from other publicly assisted programs 24 CFR 5.609(b)(12)(ii)

Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (e.g., special equipment, clothing, transportation, child care, etc.) to allow participation in a specific program.

Resident Services Stipend 24 CFR 5.609(b)(12)(iii)

Resident service stipends not to exceed $200 per month. This is a modest amount provided to a resident for performing a service for the PHA, on a part-time basis, that enhances the quality of life in the development.

Employment training programs 24 CFR 5.609(b)(12)(iv)

Incremental earnings and benefits from training programs funded by HUD or qualifying federal, state, tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff.

- Excluded amounts must be received under employment training programs with clearly defined goals and objectives and only excluded during participation in the program unless the amounts are excluded as Federal Financial Aid (§ 5.609(b)(9)(i)).

Income and Income Exclusions Resource Sheet

Family Self Sufficiency Account 24 CFR 5.609(b)(27)

Income earned on amounts placed in a family's FSS.

Housing "gap" payments 24 CFR 5.609(b)(23)

Replacement housing "gap" payments that offset increased rent and utility costs to families that are displaced from one federally subsidized housing unit and move into another federally subsidized housing unit (49 CFR part 24).

If the gap is reduced or eliminated because of a subsequent move by the tenant or change in the subsidy, and the tenant continues to receive the payment, the payment that is no longer needed to close the gap should be counted as income.

Deferred Supplemental Security Income, Social Security benefits, or Department of Veterans Affairs disability benefits 24 CFR 5.609(b)(16)

Deferred periodic amounts from:

- Supplemental Security Income and Social Security benefits that are received as a lump sum or in prospective monthly amounts, or
- Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.

Property Tax Rebates 24 CFR 5.609(b)(18)

Refunds or rebates under state or local law for property taxes paid on the dwelling unit.

Loan Proceeds 24 CFR 5.609(b)(20)

The net amount disbursed by a lender to a borrower, under the loan terms. Funds may be received by the family or a third party (e.g., educational institution or car dealership).

Income and Income Exclusions Resource Sheet

Annual Income Exclusions 24 CFR 5.609(b)

Income Exclusions Table

Category	Exclusion	CFR	Description
Other	Federally Mandated Income Exclusions	24 CFR 5.609(b)(22)	Amounts that must be excluded by federal statute. HUD will publish a Federal Register notice that includes the qualifying benefits.
Assets	Imputed Income from Assets	24 CFR 5.609(b)(1)	Any imputed return on an asset when net family assets total $50,000 (adjusted annually) or less and no actual income from the net family assets can be determined.
Non-recurring income	Non-recurring income	24 CFR 5.609(b)(24)	Income that will not be repeated in the coming year based on information provided by the family.
Self-employment	Gross Self-employment Income	24 CFR 5.609(b)(28)	Gross income received through self-employment or operation of a business
Dependents	Minors (children under the age of 18 years)	24 CFR 5.609(b)(3)	All earned income of all children under the age of 18, including foster children.
Dependents	Adoption assistance payments	24 CFR 5.609(b)(15)	Adoption assistance payments for a child in excess of the amount of the dependent deduction.
Students	Earned Income of Dependent Students	24 CFR 5.609(b)(14)	Earned income of dependent full-time students in excess of the amount of the dependent deduction.
Students	Title IV HEA Assistance	24 CFR 5.609(b)(9)(i)	Any assistance that Section 479B of the Higher Education Act (HEA) of 1965, as amended, requires to be excluded from a family's income.
Students	Other Student Financial Assistance	24 CFR 5.609(b)(9)(ii)	Student financial assistance, not excluded under the HEA, for actual covered costs of higher education.
Students	Educational Savings Account	24 CFR 5.609(b)(10)	Income and distributions from any Coverdell educational savings account of or any qualified tuition program under IRS section 530 or any qualified tuition program under section 529.
Baby bonds	Baby bonds	24 CFR 5.609(b)(10)	Income earned by government contributions to, or distributions from, 'baby bond' accounts created, authorized or funded by federal, state or local government.
Foster children / adults	Payments for Foster Children / Adults	24 CFR 5.609(b)(4)	Payments received for the care of foster children or adults, including State kinship, guardianship care payments, or tribal kinship payments.
Foster children / adults	Income of foster children / adults	24 CFR 5.609(b)(8)	Income of a live-in aide, foster child, or foster adult as defined in 24 CFR 5.403 and 5.603.
Live-in Aide	Income of a Live-in Aide	24 CFR 5.609(b)(8)	Income of a live-in aide, foster child, or foster adult.
People with Disabilities	ABLE accounts	24 CFR 5.609(b)(22)	Will be included in federally mandated excluded amounts. Notice PIH 2019-09/H-2019-06 details when ABLE account income is excluded.
People with Disabilities	State Payments to Allow Individuals with Disabilities to Live at Home	24 CFR 5.609(b)(19)	Payment made by an authorized by a state Medicaid managed care system or other state agency to a family to enable a family member to live in the family's assisted unit.
People with Disabilities	Plan to Attain Self-Sufficiency (PASS)	24 CFR 5.609(b)(12)(i)	Amounts set aside for use under a Plan to Attain Self-Sufficiency (PASS).
People with Disabilities	Reimbursements for Health and Medical Care Expenses	24 CFR 5.609(b)(6)	Amounts for, or in reimbursement of, health and medical care expenses for any family member.

(continued)

Income and Income Exclusions Resource Sheet

Category	Exclusion	CFR	Description
Trusts	Trust distributions	24 CFR 5.609(b)(2)	Any distributions of a trust's principal are excluded. PHAs and owners must count any distributions of income from an irrevocable trust or a trust not under the control of the family (e.g., distributions of earned interest) as income to the family with the expectation of distributions used to pay the health and medical care expenses of a minor.
Insurance	Insurance payments and settlements for personal or property loss	24 CFR 5.609(b)(5)	Insurance payments and settlements for personal or property loss including, but not limited to: payments through health insurance, motor vehicle insurance, and workers' compensation.
Retirement	Retirement plan	24 CFR 5.609(b)(26)	Income received from any account under an IRS-recognized retirement plan. However, periodic payments are income at the time of receipt.
Military	Hostile fire special payment	24 CFR 5.609(b)(11)	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
Veterans	Veterans aid and attendance payments	24 CFR 5.609(b)(17)	Payments related to aid and attendance for veterans under 38 U.S.C. 1521.
Lawsuits	Lawsuit Settlements	24 CFR 5.609(b)(7)	Amounts recovered in a civil action or settlement based on malpractice, negligence and other breach of duty claim resulting in a family member becoming disabled.
Lawsuits	Reparations for Persecution	24 CFR 5.609(b)(13)	Reparation payments paid by a foreign government for claims by people persecuted during the Nazi era.
Lawsuits	Tribal Claims Payments	24 CFR 5.609(b)(21)	Payments received by tribal members from claims relating to the mismanagement of assets held in trust by the United States.
Lawsuits	Lawsuits related to civil rights	24 CFR 5.609(b)(25)	Civil rights settlements or judgments, including settlements or judgments for back pay.
Reimbursements	Reimbursements from publicly assisted programs	24 CFR 5.609(b)(12)(ii)	Amounts received by a participant in other publicly assisted programs for or in reimbursement of expenses to allow program participation (e.g., special equipment, clothing, transportation, child care, etc.).
Resident Services Stipend	Resident Services Stipend	24 CFR 5.609(b)(12)(iii)	Resident service stipends of $200 or less per month for performing a part-time service for the PHA that enhances the quality of life in the development.
Employment training programs	Employment training programs	24 CFR 5.609(b)(12)(iv)	Incremental earnings and benefits from training programs HUD and qualifying employment training programs and training of a family member as resident management staff.
FSS	Family Self Sufficiency Account	24 CFR 5.609(b)(27)	Income earned on amounts placed in a family's FSS account.
Housing gap payments	Housing "gap" payments	24 CFR 5.609(b)(23)	Replacement housing "gap" payments to offset increased rent and utility costs to families displaced from one federally subsidized housing unit and another.
Benefits	Deferred Supplemental Security Income, SS income and benefits, or VA disability benefits	24 CFR 5.609(b)(16)	Deferred periodic amounts from: SSI, Supplemental Security Income and benefits or VA disability benefits that are received in a lump sum or prospective monthly amounts.
Property tax rebates	Property Tax Rebates	24 CFR 5.609(b)(18)	Refunds or rebates under state or local law for property taxes paid on the dwelling unit.
Loans	Loan Proceeds	24 CFR 5.609(b)(20)	The net amount disbursed by a lender to a borrower or a third party (e.g., educational institution or car dealership).

Student Aid and Financial Assistance Resource Sheet

HOTMA mandates the exclusion of earned income for full-time dependent students and the exclusion of certain financial aid for both full and part-time students.

Mandatory Deduction for Full-time Students 24 CFR 5.609(b)(14)

The earned income of dependent full-time students in excess of the amount of the deduction for a dependent is excluded from income. Since there is a mandatory $480 deduction* for dependents, the result is that all earned income of dependent students will either be excluded or deducted from income. *(*The deduction amount will be adjusted annually for inflation and rounded to the next lowest multiple of $25.)*

Educational Savings Account 24 CFR 5.609(b)(10)

Any amount in or from, or any benefits, income, or distributions from, any Coverdell educational savings account of or any qualified tuition program under IRS sections 529 and 530 shall be excluded from income.

Student Financial Assistance 24 CFR 5.609(b)(9)

The new rules create two categories of student financial aid. The first category, is any assistance that section 479B of the Higher Education Act of 1965, as amended, requires to be excluded from a family's income, referred to here as, "Title IV HEA Assistance." For public housing residents, all assistance in this category must be excluded from income. See the exception for some Housing Choice Voucher participants below in the final section.

The second category is any other grant-in-aid, scholarship, or other assistance amounts an individual receives for the actual covered costs charged by the institute of higher education.

Exclusion in both categories apply equally to full and part-time students.

Title IV HEA Assistance 24 CFR 5.609(b)(9)(i)

Title IV HEA Assistance refers to any assistance that section 479B of the Higher Education Act of 1965, as amended (20 U.S.C. 1087uu), requires to be excluded from a family's income. This includes:

- Bureau of Indian Affairs/ Education student assistance programs. Current examples include:
  - » The Higher Education Tribal Grant, and
  - » The Tribally Controlled Colleges or Universities Grant Program.

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- Student assistance received under Title IV of HEA currently includes, but is not limited to:
  - Federal Pell Grants
  - Teach Grants
  - Federal Work-Study Programs
  - Federal Perkins Loans

Beginning January 1, 2024, PHAs shall exclude from income amounts received for the forms of assistance listed in the revised version of Section 479B of the HEA. This will expand the forms of excluded income to include:

- Income earned in employment and training programs under section 134 of the Workforce Innovation and Opportunity Act (WIOA), including: **workforce investment activities for adults and workers dislocated** as a result of permanent closure or mass layoff at a plant, facility, or enterprise, or a natural or other disaster that results in mass job dislocation, in order to assist such adults or workers in obtaining reemployment as soon as possible.

Section 479B of the HEA requires that all assistance under Title IV of the HEA as well as Bureau of Indian Affairs student financial assistance, even assistance provided to students in excess of tuition and required fees or charges, be excluded from HUD income calculations. (See the exception for some Housing Choice Voucher participants below.)

Work Study: Amounts received under work study may only be excluded if provided pursuant to Title IV of the HEA or deducted as earned income if performed by a dependent full-time student (24 CFR 5.609(9)(ii)(B)(2)).

Loans: Loan proceeds for educational expenses, though considered student financial assistance if provided under a loan program in Title IV of the HEA, are not considered student financial assistance in the second category (Student Financial Assistance) but are already excluded from income as a loan (24 CFR 5.609(b)(20)).

Other Student Financial Assistance

24 CFR 5.609(b)(9)(ii)

This category of excluded student financial assistance recognizes that student aid can take a variety of forms and come from a variety of sources. It seeks to cover student financial assistance, for both full and part-time students, that is **not** included under Title IV of the HEA or under Bureau of Indian Affairs student assistance programs.

To qualify as excluded student financial assistance under this category, the aid must be:

- Used for “actual covered costs”
- Expressly to assist the a student with the costs of higher education; or
- Expressly to assist a student who is not the head of household or spouse, with the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit;
- A grant or scholarship received from:
  - The federal government;
  - A State, Tribe, or local government;
  - A private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3);

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- » A business entity (such as corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity); or
- » An institution of higher education.

The aid may be paid directly to the student or to the educational institution on the student's behalf. However, any student financial assistance paid to the student must be verified by the PHA as consistent with this section (24 CFR 5.609 (b)(9)(ii)).

Student financial assistance, excluded here, does **not** include:

- Any assistance that is already excluded under Title IV of the HEA
- Financial support provided to the student in the form of a fee for services performed (e.g., a work study or teaching fellowship that is not excluded as Title IV HEA Assistance).
- Gifts, including gifts from family or friends; or
- Any amount of the scholarship or grant that, either by itself or in combination with HEA assistance exceeds the actual covered costs of the student.

Employer Grants: A grant includes a qualified tuition remission, reduction, waiver, or reimbursement (i.e., for costs of tuition, books, and fees, etc. paid for by the student) by the educational institution, such as for an employee of the institution of higher education or an eligible family member of that employee. A grant would also include assistance provided by an employer as part of an employee educational assistance program or tuition reimbursement program.

Actual covered costs of the student are the actual costs of: tuition, books and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, or other fees required and charged to a student by the education institution, and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit. The educational institution must meet the definition of an institution of higher education (as defined under section 102 of the Higher Education Act of 1965 (20 U.S.C. 1002)).

Calculating Exclusions from Both Categories

When the student is receiving assistance that is excluded under both categories, the Title IV HEA Assistance must be applied first. Student Financial Assistance can then be applied to any remaining actual covered costs. Once actual costs are covered, any remaining Student Financial Assistance would be considered income.

Steps:

1. Calculate the "actual covered costs."
2. Apply the Title IV HEA Assistance.
3. Subtract the actual covered costs from the total amount of Title IV HEA Assistance.
    a. If the amount of assistance excluded as Title IV HEA Assistance is equal to or exceeds the actual covered costs, none of the assistance included under "Student Financial Assistance"

would be excluded from income. This is because this assistance would no longer be needed to cover actual costs and therefore would not meet the definition of Student Financial Assistance.

b. If the amount of Title IV HEA Assistance is less than the actual covered costs, go to the next step.

4. Exclude the amount of Student Financial Assistance up to the amount of the remaining actual covered costs (those not covered by Title IV HEA Assistance).

Example 1

Title IV HEA Assistance:	$26,000
Other Student Financial Assistance:	$5,000
Actual covered costs:	$25,000
Excluded income:	$26,000

Explanation: All assistance under Title IV HEA Assistance must be excluded from income. This exclusion must be taken first. Student Financial Assistance could then cover any remaining actual covered costs. However, since there were no remaining actual covered costs, this assistance would be counted as income.

Example 2

Title IV HEA Assistance:	$15,000
Other Student Financial Assistance:	$5,000
Actual covered costs:	$22,000
Excluded income:	$20,000

Explanation: All financial assistance ($20,000) is still less than the student's actual covered costs ($22,000). Therefore, all financial assistance should be applied.

Example 3

Title IV HEA Assistance:	$15,000
Student Financial Assistance:	$5,000
Actual covered costs:	$18,000
Excluded income:	$20,000

Explanation: In this case, the student's actual covered costs are only $18,000. The amount of the scholarship that is considered Student Financial Assistance and excluded from income would be $3,000. This is because

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$3,000 is the amount by which actual covered costs exceed the assistance excluded as Title IV HEA assistance ($18,000 - $15,000). The amount of the scholarship that is in excess of the student's actual covered costs ($2,000) is not student financial assistance and is not excluded under § 5.609(b)(9)(ii).

Another way to explain this is that, Student Financial Assistance (§ 5.609(b)(9)(ii)) excluded from income is the lower of either:

1. the total amount of scholarships and grants the student received that are not covered by 479B of the of the HEA or
2. the amount by which the student's actual covered costs exceeds the assistance the student received that is excluded under section 479B of the HEA.

HCV Limitation for Student Assistance in Excess of Covered Costs

Section 479B of the HEA requires that all assistance under Title IV of the HEA and Bureau of Indian Affairs student financial assistance, even assistance provided to students in excess of tuition and required fees or charges, be excluded from HUD income calculations. However, for over 10 years through FY 2022, HUD appropriations have included a provision that for Section 8 students who are age 23 and under or without dependent children any amounts received in excess of tuition and any other required fees and charges shall be considered income. This limitation has been interpreted to apply when the student is the head of household or spouse, but not when the student resides with parents in a Section 8 unit (71 FR 18146). For any funds from a year where HUD's appropriations acts include this limitation, it will apply with respect to Section 8 participants. HUD will notify PHAs if this requirement is removed from the appropriations act.

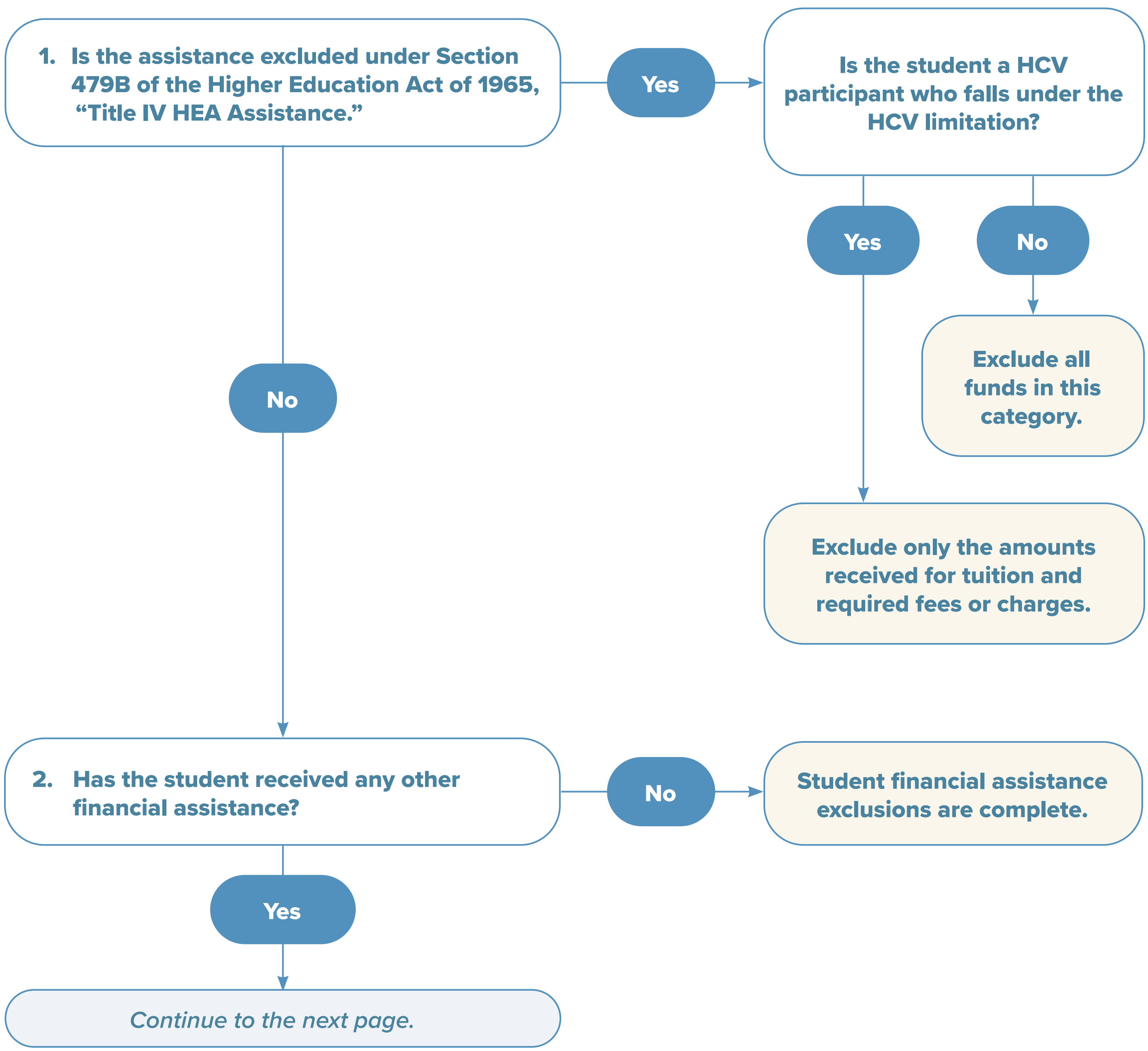
Student Financial Assistance Exclusion Decision Tree

Before going through the decision tree, determine:

Title IV HEA Assistance:

Other Student Financial Assistance:

Actual covered costs:



Student Aid and Financial Assistance Resource Sheet

3. After applying the Title IV HEA Assistance, does the student still have "actual covered costs" that were not met?

No → Student financial assistance exclusions are complete.

Yes ↓

4. Was the assistance received as a fee for service (ex: work study)?

Yes → Amounts received under work study may only be excluded under if provided pursuant to Title IV of the HEA or deducted as earned income if performed by a dependent full-time student.

No ↓

5. Was the assistance received a gift including from family or friends?

Yes → This amount may not be excluded.

No ↓

6. Was the assistance received a loan?

Yes → May only be excluded if provided under a loan program in Title IV of the HEA. It may otherwise be excluded from income as a loan (24 CFR 5.609(b)(20)).

No ↓

Continue to the next page.

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7. Does the aid meet the following requirements:

- Expressly to assist a student with the costs of higher education; or
- Expressly to assist a student who is not the head of household or spouse, with the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit;
- A grant or scholarship received from:
  - » The federal government; a State, Tribe, or local government; a private foundation registered as a nonprofit under 26 U.S.C. 501(c)(3); a business entity (such as corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, public benefit corporation, or nonprofit entity); or an institution of higher education.

Yes

Exclude the amount of Other Student Financial Assistance up to the amount of the remaining actual covered costs (those not covered by Title IV HEA Assistance). After making this exclusion, any remaining funds are considered income.

No

Student financial assistance exclusions are complete.