Income Verification for HOME

10/2/2019
NCDA KNOXVILLE, TN
Introduction

• Trainer
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• Questions – Please hold until the end
Agenda

- Basics
- HOME Income Limits
- Program Eligibility
- Household Composition
- Income
- Application and Interview
- Rental Monitoring
- Examples
- Resources
Basics

- Income Certification must occur **before** HOME assistance
- Determine eligibility for each project
  - Homeowner Rehab
  - Homebuyer
  - Rental
- 100% of households served must be low income
  - 80% or below Area Median Income (AMI)
  - More restrictions on rental projects
Basics

• Income Definitions
  • 24 CFR Part 5 (Section 8) or IRS Form 1040 Adjusted Gross Income
    • 24 CFR Part 5: Gross amount of income of all household members that is anticipated to be received during the coming 12 month period
    • IRS Form 1040 Adjusted Gross Income: Gross amount of income from this IRS form with specific deductions to arrive at an adjusted gross income
  • Income definition should be in your policies and procedures and written agreements with sub-recipients or housing partners
HOME Income Limits for Knoxville

- Income Categories
  - Low – 80% AMI
  - Very Low – 50% AMI
  - Extremely Low – 30% AMI
- Updated annually
- By geographic area
- By household size
### HOME Income Limits for Knoxville

<table>
<thead>
<tr>
<th></th>
<th>1 Person</th>
<th>2 Person</th>
<th>3 Person</th>
<th>4 Person</th>
<th>5 Person</th>
<th>6 Person</th>
<th>7 Person</th>
<th>8 Person</th>
</tr>
</thead>
<tbody>
<tr>
<td>30% of median</td>
<td>$14,700</td>
<td>$16,800</td>
<td>$18,900</td>
<td>$20,950</td>
<td>$22,650</td>
<td>$24,350</td>
<td>$26,000</td>
<td>$27,700</td>
</tr>
<tr>
<td>50% of median</td>
<td>$24,500</td>
<td>$28,000</td>
<td>$31,500</td>
<td>$34,950</td>
<td>$37,750</td>
<td>$40,550</td>
<td>$43,350</td>
<td>$46,150</td>
</tr>
<tr>
<td>60% of median</td>
<td>$29,400</td>
<td>$33,600</td>
<td>$37,800</td>
<td>$41,940</td>
<td>$45,300</td>
<td>$48,660</td>
<td>$52,020</td>
<td>$55,380</td>
</tr>
<tr>
<td>80% of median</td>
<td>$39,150</td>
<td>$44,750</td>
<td>$50,350</td>
<td>$55,900</td>
<td>$60,400</td>
<td>$64,850</td>
<td>$69,350</td>
<td>$73,800</td>
</tr>
</tbody>
</table>
Program Eligibility

- Homeowner Rehab and Homebuyer
  - 100% of households must be low income
- Rental
  - Initial Occupancy: Tenants must be at 60% AMI
  - Program Rule: 90% of total households assisted through your program must have an annual gross income of 60% AMI. The remaining 10% must still be under 80% AMI
  - Project Rule: Projects of 5 or more HOME assisted units, at least 20% must be occupied by families at or below 50% AMI and are subject to the Low HOME rent limit
Household Composition

- Include
  - Adults, children, non-family members
  - Temporarily Absent Family Members, e.g. seasonal workers, short-term incarceration, deployment (with exceptions)
  - Permanently Absent Family Members, e.g. spouse in a nursing home, students at school
    - Head of household has a choice of either counting that person as a member and using their income or specifying that person is no longer a member
  - Shared Custody
    - Count as a member if the time spent in the residence is at least 50%.
Household Composition

• Include (cont.)
  • Unborn children or children in the process of being adopted
  • Boyfriend/girlfriend
    • If not counting, document they have a lease, utility bills, etc. at another address

• Do Not Include
  • Foster children/adults
  • Live in aides or their children
Income

Use a snapshot of current circumstances with an assumption that there are no changes in the next 12 months
Income

- Must be determined within 6 months of receipt of assistance
  - Homeowner Rehab – 6 months of signed agreement
  - Homebuyer – 6 months of purchase or signed lease-purchase agreement
  - Rental – 6 months of completion of project
- Gross Income (without deductions)
- 2 months of documentation: paystubs, bank statements, etc.
Income

- Paystubs
  - Use year-to-date (YTD) gross income and number of pay periods to calculate income for the year
  - If using year-to-date, verify they have worked there all year
  - Things to consider:
    - Overtime: Will it continue? What can be documented?
    - Bonuses/Longevity: Subtract these from YTD gross wages then add back in the total

- Social Security Benefit Statement
  - Current year without deductions
Income

- Pension Statement
  - Dated within 6 months

- Child Support History
  - Use an average if it is not consistent
  - Question if it is court ordered
  - Back Pay: How much longer will it continue?

- Unemployment
  - How much longer will it continue?
Income

• Tax Returns
  • Self-Employed
    • 2-3 years of tax returns – Schedule C
    • Average
      • YTD profit and loss statement may be needed
  • May be helpful for seasonal employees

• Cash
  • Be watchful of cash deposits in bank statements
  • Question and document
Income

- Zero Income
  - Self-certification form
  - Tax returns to verify
- Full Time Student Not Head of Household
  - First $480 of income is counted
  - Document school enrollment
Income

• Assets
  • Cash or non-cash items that can be converted to cash
    • Checking/savings accounts
    • Retirement accounts: CD, IRA, 401(k), etc.
    • Stocks
  • Documentation
    • Bank statements – 2 months minimum
    • Investment account statements
Income

- Actual and Imputed Income
  - Actual Income
    - Interest on checking/savings accounts
    - Dividend Payments on stocks
  - Imputed Income
    - Only applies if ALL assets are more than $5,000
    - Calculated on a Passbook Rate
    - Use whichever is higher
- There is no cash limit for HOME but the agency can have their own policy
Application and Interview

- Application - Starting point of information gathering
- Ask questions about the future:
  - Expected household changes in next 12 months
  - Anticipated increase or decrease in income
  - Start or stop of child support
- People like to talk, let them!
- Third Party Verification
  - Signed release form
  - Uncooperative 3rd Parties
Rental Monitoring

- Source documentation at initial occupancy
- Review annually for qualification
  - Source documentation for new tenant
  - Self-certification from household
- Review source documentation every 6th year of affordability
University of Tennessee Employee with Longevity Pay

- Paystub dated 08/30/2019
- Paid monthly
- YTD Gross Pay: $27,574.66
- Longevity Pay: $3,000

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\text{YTD Gross Pay} - \text{Longevity Pay} = \text{Gross Pay after Longevity Pay} \\
\text{Gross Pay after Longevity Pay} / \text{Number of Months} = \text{Monthly Gross Income} \\
\text{Monthly Gross Income} \times \text{Number of Months in Year} = \text{Yearly Gross Income}
\]

\[
\begin{align*}
\text{Gross Pay after Longevity Pay} &= $27,574.66 - $3,000 = $24,574.66 \\
\text{Monthly Gross Income} &= \frac{$24,574.66}{8} = $3,071.83 \\
\text{Yearly Gross Income} &= $3,071.83 \times 12 = $36,861.96 \\
\text{Yearly Gross Income} + \text{Longevity Pay} &= $36,861.96 + $3,000 = $39,861.96
\end{align*}
\]
Examples

Documenting Overtime

• Job went from temporary to permanent
• Amount of overtime on temporary paystubs would have put the applicant under the income limit
• New paystubs indicated overtime frequency was higher and put the applicant over the income limit and not eligible
• No one would confirm overtime would be lower now that the applicant was permanent
• Used *anticipated* income and the applicant was not eligible
Resources

HUD Technical Guide for Determining Income and Allowances for the HOME Program
https://files.hudexchange.info/resources/documents/HOMEGuideForIncomeAndAllowances.pdf

CPD Income Eligibility Calculator
https://www.hudexchange.info/incomecalculator/

CPD Income Eligibility Calculator User Manual
Questions?