

Income Verification for HOME

10/2/2019

NCDA KNOXVILLE, TN

Introduction

- Trainer
 - Jenny Stuart, Housing Finance Supervisor – City of Knoxville

- 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

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

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

Examples

University of Tennessee Employee with Longevity

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

$$\$27,574.66 - \$3,000 = \$24,574.66$$

$$\$24,574.66 / 8 = \$3,071.83$$

$$\$3,071.83 \times 12 = \$36,861.96$$

$$\$36,861.96 + \$3,000 = \$39,861.96 \text{ Yearly Gross Income}$$

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

https://www.hudexchange.info/resources/documents/CPDIncomeEligibilityCalculator_User_Manual.pdf

Questions?