



Proficiency in Income Part 2

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FLORIDA HOUSING FINANCE CORPORATION

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Florida Housing Coalition

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Income Qualification Process

Pre-Application Steps

Step 1: Application

Step 2: Income Verification

Step 3: Asset Verification

Step 4: Calculation

Step 5: Certification

Step 6: Award



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Asset-Related HOTMA Changes in 2024



- Educational savings accounts will no longer be counted. **Examples: Tax deferred accounts 529, Coverdell and Florida Prepaid. HUD says also ABLE accounts and "baby bond" accounts**
- Retirement accounts will not be counted as part of family assets
 - For retirement age applicants, still count income received periodically from a retirement account

Certificate of Deposit (CD)

Individual Retirement Accounts (IRA)

Checking and Savings Accounts

Pension Account

Stocks and Bonds

Revocable Trusts

Roth IRAs

Secondary Home (Vacation Property)

Educational Savings

Whole life insurance

Annuities

Personal Property as Investment
(Jewelry, Antique car)

**Highlighted Assets
Are Not Counted**

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Asset Description: Best Practice

Make sure you accurately identify the asset:

- Bank name, last 4 digits of the account and type of account

Example: Bank of America, #1234,
checking



Three Step Process for Calculating Income from Assets

Step # 1: Calculate Cash Value

Cash Value = Market value of asset *minus* reasonable costs incurred to convert it to cash.

Examples:

- Early Withdrawal Penalty
- Broker/legal fees assessed to sell or convert the asset to cash
- **HOTMA Change: For Checking and Savings accounts use *current end balance***

Example of Calculating Property Value

Market value	\$100,000
Less mortgage	- \$30,000
Less sales costs	
Closing, realtor...	- \$4,000
Total cash value	<hr/> \$66,000

Calculating Income from Assets (continued)

Step # 2: Calculate Actual Income

Savings Account or CD example:

\$125.00 most current balance

Interest rate 3%

Cash Value of the asset is \$125.00

Income from the asset is $\$125.00 \times 3\% = \3.75

Example of Income from An Asset Property

\$7,200/year	\$600 of Monthly Rent
- \$2,000/year	Subtract expenses, such as taxes, insurance, and maintenance
<hr/>	
\$5,200/year	Actual asset income

Calculating Income from Assets

Step # 3: Calculate Imputed Income

If total assets exceed **\$50,000**, “*impute*” income with a calculation involving the passbook rate, currently **.40%**, specified by HUD

Source: HUD Handbook 4350.3, Chapter 5, Section 5-7 (F)

POPULAR QUESTION about Asset Income

QUESTION: We don't report 'income from assets' if the total asset value is less than \$50,000, right?

ANSWER: Wrong. You must still identify assets that generate an actual income. Add this alongside other income on Page 2 of the Income Certification Form.

The only change is that you no longer calculate imputed income for assets unless total assets are \$50,000 or more.

Still Identify Assets that Generate an Actual Income

D. **Assets:** All household members including assets owned by minors

Member	Asset Description	Cash Value	Income from Assets
1	Savings Account	2,000	40
2	Certificate of Deposit	3,000	75
3			
4			
5			
6			
7			
8			
Total Cash Value of Assets		D(a) \$5,000	\$115
Total Income from Assets		D(b)	\$
If line D(a) is greater than \$ _____, multiply that amount by the rate specified by HUD (applicable rate _____) and enter results in D(c), otherwise leave blank.		D(c)	\$

EXERCISE: Asset Income Calculation

Checking Account - \$4000 end balance, \$3200 six month average balance, no rate of return

Savings Account - \$3500 end balance, 2% rate of return

Rental Property - \$160,000 Market value, \$67,000 remaining mortgage, \$6000 sales costs/closing. \$1500 Monthly Rent and \$4000 of annual expenses like taxes, insurance, and maintenance

Asset Calculations

Savings Account:
 $\$3500 \times .02 = \70

Market value	\$160,000
Less mortgage	- \$67,000
Less sales costs	
Closing, realtor...	- \$6,000
Total cash value	<hr/> \$87,000

\$18,000/year
- \$4,000/year
<hr/> \$14,000/year

\$1500 of Monthly Rent
Subtract expenses, such as taxes, insurance, and maintenance
<hr/> Actual asset income

Asset Exercise Answer

D. **Assets:** All household members including assets owned by minors

Member	Asset Description	Cash Value	Income from Assets
1	██████ Checking Account	4,000 ██████	0 ██████
2	██████ Savings Account	3,500 ██████	70 ██████
3	██████ Rental Property	87,000 ██████	14,000 ██████
4	██████	██████	██████
5	██████	██████	██████
6	██████	██████	██████
7	██████	██████	██████
8	██████	██████	██████
Total Cash Value of Assets		D(a) \$ 94,500 ██████	
Total Income from Assets		D(b)	\$ 14,070 ██████
If line D(a) is greater than \$ _____, multiply that amount by the rate specified by HUD (applicable rate _____) and enter results in D(c), otherwise leave blank.		D(c)	\$ ██████

FREQUENTLY ASKED QUESTION

- **QUESTION:** If a financial institution informs us that the interest rate for a bank account is “0%” or “N/A”, do we need to calculate the imputed income for that particular asset when the total value of assets exceeds \$50,000.00?
- **ANSWER:** No, imputed income does not need to be calculated for such an asset. Actual income can be \$0. When asset income can be calculated but is \$0, such as a bank account with 0% interest, that is not the same as an asset where income cannot be calculated. If the asset is a financial asset and there is no income generated (for example, a bank account with a 0 percent interest rate or a stock that does not issue cash dividends), then the asset generates zero actual asset income, and imputed income is not calculated.

FREQUENTLY ASKED QUESTION

QUESTION: Could you confirm if it is mandatory to use only the most recent checking account or if we can still follow our local jurisdiction's rules of using the last 6 months of statements and taking the average from those statements?

ANSWER: It is allowable for a local government to establish a more complex system for calculating checking account assets. While HOTMA now allows staff to calculate the value of a checking account as the end balance of the most recent bank account statement, you could instead require the collection of 6 months of bank statements. Or consider 3 months of statements as an alternative.

FREQUENTLY ASKED QUESTION

QUESTION: I have a question regarding retirement interest. My understanding is that while we no longer include retirement accounts as an asset, any interest earned on the retirement account is counted as income, correct?

ANSWER: No, you do not account for any interest earned on the retirement account. I understand why you are asking, however, because we mentioned another type of retirement account interest that should be counted. Some retirement accounts provide a monthly or quarterly payment to retirement-age individuals. This is a significantly larger amount of income than the interest earned that you ask about. You must count monthly payments from a retirement account even though the retirement account is not listed among the assets on page 1 of the income certification form.

Virtual Currency

A coinbase account should be treated as an asset and should be included on the RIC

Subtract from the cash value any costs that would be incurred cashing the asset (any fees for example).

- Determine the “cash out” of applicant’s “wallet” (the place where virtual currency can safely be stored) using a crypto exchange.
- Convert crypto currency amount to real dollars using an exchange rate.

Debit Cards

Many agencies are using debit or EBT cards to issue benefits such as SS/SSI, MFIP, child support or unemployment. We recommend adding a question to your application regarding these cards as they are assets.

When interviewing a household who receives benefits but does not list any assets, follow up with a question such as, “Do you receive your benefits on a debit card?”

Income from a Social Security Debit Card

First, income topic: count social security benefit as household income

Second, asset topic: HUD 2015 guidance: Handle a Direct Express Debit Card as a savings account. Current balance is the cash value





More about Social Security Debit Card

- Applicant provides an account balance no more than 120 days old from an ATM, through the online account service, or a paper statement.
- Verification document must identify the account and the account holder
- There is no actual income from this asset.

Source: HUD Archives Multifamily Housing 2013 website

Questions?



Income Qualification Process

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Step 4: Calculation Methodologies

Always use gross, Do not round up or down.

- Verification shows range of hours:
 - take the high end
- To annualize full-time employment, multiply:
 - hourly wages by 2,080 hours
 - weekly wages by 52
 - bi-weekly amounts by 26
 - semi-monthly amounts by 24
 - monthly amounts by 12

HOTMA Employment Income Calculation

You may now accept a minimum of two current and consecutive pay stubs



EXAMPLE: Cleo is paid weekly.

Her most recent earnings are \$673.40 and \$675.14

The \$674.27 average times 52 is \$35,062.04

- Best Practice: Establish a local policy for the length of time for pay stubs. For example, 'collect the most recent 2 months of paystubs'

Verification of Employment Form Still Has Advantages

- Learn about Pay Raises and Overtime Pay by communicating with an Employer
- Ask about commissions, end of the year bonuses, and other income
- Possibly learn about ‘end of employment’ date



Big HOTMA Change!

Child Support or Alimony

Page 42 of the HOTMA Implementation Guide:

“Annual income includes “all amounts received,” not the amount that a family may be legally entitled to receive but which they do not receive.”

- Count only the child support that the applicant is currently receiving.
- Collect written deposit notices they receive from deposits into Bank Accounts or Prepaid Cards
- Still encourage applicant to start a file with the Department of Revenue’s Child Support Enforcement office: 1 (800) 622-5437

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Cash App Cards

FIRST: Identify new annual Sources of Income

- Applicant fills out 'explanation of deposits' form for each deposit of \$100+
- If it is business income, then applicant must provide profit and loss for the business

SECOND: Research Cash App as an Asset

- Treat these virtual accounts like savings accounts
- This has no rate of return, so the 'income from the asset' is \$0.

Obtain screenshots of:

- Applicant's account profile page which provides account identification.
- Transactions within the most recent month (equivalent of a current statement)

Social Security Income: Include Any Cents Shown

Information About ~~Current~~ Social Security Benefits

Beginning December 2021, the full monthly Social Security benefit before any deductions is \$1,282.30.

We deduct \$0.00 for medical insurance premiums each month.

The regular monthly Social Security payment is \$1,282.00.
(We must round down to the whole dollar.)

When a SSA award letter is used to calculate income, the amount shown on the award letter should be used to calculate income, including any cents that are shown.

Source: “HUD Provides Guidance Regarding The Counting Of Cents In Income” June 2011 Publication

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EXERCISE: Calculate this Household's Income

Daniel Roberts

- Full-time work at a local manufacturing plant at a rate of \$17.00/hour

Kendra Roberts

- Operates an in-home day care business for a small number of neighborhood children. Net business income is \$12,000 per year

Marsha Roberts, age 13

- No assets or income

Roberts Household Assets

- Non-interest-bearing checking account: \$950 end balance
- Savings account \$5,000 end balance and 3% rate of return
- Certificates of deposit \$5,000 at 3% rate of return
- The Roberts plan to use the savings account and CDs for the home purchase down payment
- Additional Information: Daniel Roberts pays \$200 per month in alimony to his ex-wife



Exercise – Asset Calculation

Exercise 1

F.Assets: All household members including minors.

Household Member	Asset Description	Total Cash Value	Income from Assets
Kendra and Daniel	Checking account Chase #1234	\$950	0
Kendra and Daniel	Savings Chase #4321	\$5,000	\$150
Kendra and Daniel	Certificate of deposit Chase #1111	\$5,000	\$250
Total Net Value of Assets		F(a) \$10,950	
Total Actual Asset Income			F(b) \$400

Chase #4321 $\$5,000 \times 3\% = \150

Chase CD #1111 $\$5,000 \times 5\% = \250

The Roberts plan to use the savings account and CDs for home purchase

Daniel's payments to ex-wife

Exercise – Income Calculation

Exercise 1

G. Anticipated Annual Income: Earned income and support paid on behalf of minors.

Household Member	Wages/ Salaries	Benefits/ Pensions	Public Assistance	Other Income (include bonus, tips, overtime, and commissions)	Asset Income
(1)	\$35,360				
(2)	\$12,000				
Totals	(a) \$47,360	(b)	(c)	(d)	(e) \$400
This is <u>Annual Income</u>					\$47,760

Daniel - $\$17.00 \times 40 = \$680.00 \times 52 = \$35,360.00$

Kendra - \$12,000

Income Qualification Process

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Step 5: Income Certification

- Review of Steps 1- 4
- Re-check and document Computations
- All household members over 18 sign. Housing Provider Signs last.
- Effective Date: Date last person signs
- Allocation Year: SHIP funding Year
- Issue award letter
- No white out

RESIDENT INCOME CERTIFICATION – Homeownership/DPA
 Florida Housing Finance Corporation
 State Housing Initiatives Partnership (SHIP) Program

Effective Date: I Allocation Year: I

A. Recipient Information (select one)

- a. I Current homeowner
 b. I Home buyer I Existing Dwelling I Newly Constructed Dwelling

B. Subsidy Use (check all that apply)

- I Down Payment Assistance I Principal Buy Down
 I Closing Costs I Rehabilitation
 I Interest Subsidy I Emergency Repair
 I Loan Guarantee I Other

C. Household Information: Include all household members

Member	Full Name	Relationship to Head	Age
1	<u> I </u>	HEAD	<u> I </u>
2	<u> I </u>	<u> I </u>	<u> I </u>
3	<u> I </u>	<u> I </u>	<u> I </u>
4	<u> I </u>	<u> I </u>	<u> I </u>
5	<u> I </u>	<u> I </u>	<u> I </u>
6	<u> I </u>	<u> I </u>	<u> I </u>
7	<u> I </u>	<u> I </u>	<u> I </u>
8	<u> I </u>	<u> I </u>	<u> I </u>

D. Assets: All household members including assets owned by minors

Member	Asset Description	Cash Value	Income from Assets
1	<u> I </u>	<u> I </u>	<u> I </u>
2	<u> I </u>	<u> I </u>	<u> I </u>
3	<u> I </u>	<u> I </u>	<u> I </u>
4	<u> I </u>	<u> I </u>	<u> I </u>
5	<u> I </u>	<u> I </u>	<u> I </u>
6	<u> I </u>	<u> I </u>	<u> I </u>
7	<u> I </u>	<u> I </u>	<u> I </u>
8	<u> I </u>	<u> I </u>	<u> I </u>
Total Cash Value of Assets		D(a) \$ <u> I </u>	<u> I </u>
Total Income from Assets		D(b)	\$ <u> I </u>
If line D(a) is greater than \$50,000: Add the income from any assets for which actual income can be calculated, then calculate the imputed income for the assets where actual income cannot be calculated. To calculate imputed income, multiply the amount of assets where actual income cannot be calculated by the HUD specified rate (.40%). Combine both amounts and enter results in D(c), which must be counted on page two alongside other sources of household income.		D(c)	\$ <u> I </u>

Updates to the Resident Income Certification (RIC)

- Includes new instructions for calculating imputed income
- Includes the new passbook rate of .40%
- Protected document allows you to only enter data in relevant fields

HOT OFF THE PRESS!

HUD Announces Passbook Rate for 2025

Inflationary items are adjusted each year. HUD has just released the new amounts for 2025 that will take effect January 1, 2025:

- Passbook Savings Rate changes to 0.45%, up from 0.40%
- Imputed Threshold: \$51,600, up from \$50,000
- See Handout: “HUD Revised Amounts and Passbook Rate 2025”

Third Page of Updated RIC

- Lists the 121-140% AMI Income Category
- Indicate which year's income limits this RIC is based on
- List the Metropolitan Statistical Area (MSA) or County on the income limits that is referenced

G. **SHIP Administrator Statement:** Based on the representations herein, and upon the proofs and documentation submitted pursuant to item F, hereof, the family or individual(s) named in item C of this Resident Income Certification is/are eligible under the provisions of Chapter 420, Part V, Florida Statutes, the family or individual(s) constitute(s) a: (check one)

Extremely Low Income (ELI) Household means individuals or families whose annual income does not exceed 30% of the AMI as determined by HUD with adjustments for household size.
Maximum Income Limit: _____

Very Low Income (VLI) Household means individuals or families whose annual income does not exceed 50% of the AMI as determined by HUD with adjustments for household size.
Maximum Income Limit: _____

Low Income (LI) Household means individuals or families whose annual income does not exceed 80% of the AMI as determined by HUD with adjustments for household size.
Maximum Income Limit: _____

Moderate Income (MI) Household means individuals or families whose annual income does not exceed 120% of the AMI as determined by HUD with adjustments for household size.
Maximum Income Limit: _____

121-140% Income Household means individuals or families whose annual income does not exceed 140% of the AMI as determined by HUD with adjustments for household size.
Maximum Income Limit: _____

Based upon the _____ (year)
Income Limits for _____ (MSA or County)

Signature of the SHIP Administrator or His/Her Designated Representative:

Signature	_____	Date	_____
Name (print or type)	_____	Title	_____

Income Certification Quiz: When to Use Which Income Limits

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227 North Bronough Street, Suite 5000, Tallahassee, Florida 32301-1329; (850) 488-4197; Fax (850) 488-9809

RESIDENT INCOME CERTIFICATION - RENTAL HOUSING State Housing Initiatives Partnership (SHIP) Program

A. Certification Information (select one)

<input type="checkbox"/>	Initial Certification (IC)	Effective Date:	<input type="text"/>
<input type="checkbox"/>	Annual Recertification (AR)	Effective Date:	<input type="text"/>

B. Subsidy Use (check all that apply)

<input type="checkbox"/>	Multifamily Rental	<input type="checkbox"/>	Other
<input type="checkbox"/>	Transitional Housing		

C. Household Information: Include all household members

Member	Full Name	Relationship to Head	Age
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QUIZ: When to Use Which Income Limits

March 6, 2023	2023 Income Limits Posted
January 27, 2024	Completed application
March 18, 2024	All verifications received
March 28, 2024	2024 Income Limits Posted
April 8, 2024	Administrator Signed Certification
April 9, 2024	Adult HH members Signed Cert
April 9, 2024	Award Letter issued

Effective Date on the Certification Form?

Use 2023 or 2024 Income Limits?

Any activity completed “Out of Order?”

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Denial Letter

“You’re not eligible”!

What should a denial letter include?



SORRY
CHARLIE

Income Qualification Process

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Step 6. Award

- Award letter or written commitment
- State the terms/conditions of the award
- Execute Lease
- Specifies an “expiration” date
- Provides “next steps”

Timing

Verifications shall be dated no more than **120 days** from each other.

- Re-verify those out of compliance

“Stop The Clock”

- Issue Award Letter
- Contract for Lease, Purchase or New Construction
- **Or** Fully provide assistance



120 Day Clock Example

- Received first verification on February 1.
- Receive 2nd verification March 1.
- Received last verification on June 1 (the 121st day).
- The first verification is outside the 120-day clock.
- Update first verification. March 1 starts a new 120 day clock.



Avoid Common Administrative Mistakes

- Income Calculations
- Exceeding 120-day clock
- Inaccurate or Incomplete Verifications
- Missing or incomplete Income Certification



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Income and Assets Exercise

Four in the House: Mr. & Ms. Robinson, Dr. Bunsen Honeydew, and Beaker

The Robinsons have provided the signed lease for \$500 monthly total showing that Honeydew & Beaker rent a room in the house. The value of the Robinson house is \$235,000 with a \$125,000 mortgage balance

Mr. Robinson works at a factory where his most recent monthly paystubs show \$3,275 and \$3,025

Ms. Robinson is a W2 employee at Dr. Bunsen Honeydew's company marketing his scientific inventions. Her salary exactly matches her husband's, paycheck for paycheck





More Household Information

Applicant's statement of asset values and income:

- Rent a second house for \$11,400 annually
 - Rental expenses total \$2400 annually
 - The rental house value is \$250,000 with a \$210,000 mortgage balance
- Ms. Robinson's 401K provides \$400 monthly
 - \$300,000 cash value, no guaranteed rate of return
- Mr. Robinson's antique cuckoo clock is an asset held as an investment
 - A recent appraiser's report indicates that the clock has a \$50,000 value

Checking and Savings Account Verification

This SHIP Office has a policy of verifying checking and savings accounts by collecting one statement that reflects the current balance

- Mr. and Ms. Robinson have one checking account with a \$4,000 current balance
- They have one savings account with a \$7,000 current balance and a 2% rate of return
- The applicant's asset statement says that the income generated from the savings bank account is "about \$100"



Income ANSWERS

Household Member	Wages/Salary	Benefit/Pension	Rent collected	Asset Income	Total
Mr. Robinson	\$37,800		\$6,000	\$9,340	\$
Ms. Robinson	\$37,800	\$4,800	\$9,000		\$
TOTAL					\$104,740

Mr. Robinson's Salary = $\$3,275 + \$3,025/2 = \$3150$ monthly x 12 = **\$37,800**

Ms. Robinson's Salary = $\$3,275 + \$3,025/2 = \$3150$ monthly x 12 = **\$37,800**

Ms. Robinson's Pension = $\$400 \times 12 = \mathbf{\$4,800}$

Honeydew & Beaker Rent = $\$500$ monthly x 12 = **\$6,000**

Savings Account = $\$7,000 \times .02 = \mathbf{\$140}$

Rental House = **\$9,000**

Rental: $\$250,000 - \$210,000$ mortgage = **\$40,000 asset value**

Asset with Imputed Income is in Blue

D. **Assets:** All household members including assets owned by minors

Member	Asset Description	Cash Value	Income from Assets
1	Checking Account	4,000	0
2	Savings Account	7,000	140
3			
4	Rental Property	40,000	9,000
5	Antique Cuckoo Clock Investment	50,000	
6			
7			
8			
Total Cash Value of Assets D(a)		\$ 101,000	
Total Income from Assets		D(b)	\$ 9,140
If line D(a) is greater than \$ _____, multiply that amount by the rate specified by HUD (applicable rate <u>.06 %</u>) a _____ ter results in D(c), otherwise leave blank.		D(c)	\$ 9,340

Clock \$50,000
x .004 =
\$200 imputed

9,140
plus 200 =
\$9,340

Questions?



Please complete the evaluation!



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Technical Assistance Hotline:1-800-677-4548