

## North Carolina Housing Finance Agency: Policy Update 4.0 Housing Opportunity Through Moderation Act (HOTMA)

Effective for January 1, 2024 move-ins and annual recertifications with an effective date of April 1, 2024

### Income (inclusions, exclusions, calculations)

#### 24 CFR § 5.609 (c)

- Inclusions: HOTMA removed the sources of income listed in 24 CFR § 5.609 (b) and instead replaced by an expanded and clarified list of income exclusions found in 24 CFR § 5.609 (c)
  - Note: See Student Financial Assistance Section
  - Student employment income: Earned income of dependent full-time students is excluded in excess of the amount of the deduction for a dependent
  - Adoption Assistance: Include Adoption Assistance up to an amount equal to the current Dependent Deduction
- Exclusions:
  - 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 and other contest winnings
  - Temporary, nonrecurring, or sporadic income
    - Income that will not be repeated in the coming year (12 months following) based on information provided by the family (example: Census takers)
    - Day laborers, independent contractors, and seasonal workers are NOT considered temporary, nonrecurring, or sporadic and are all specifically included in family income
  - Workman's Compensation 24 CFR § 5.609 (c)(5)
  - Earned income of children under the age of 18 years
- Verifications:
  - New Requirement (except HOME/NHTF): Only required to obtain TWO consecutive paystubs, no matter how often individual is paid
    - HOME/NHTF requirement remains unchanged: two MONTHS worth of pay stubs
  - NCHFA will not accept annual income determined by another administrator, regardless if that verification meets all the HUD requirements

### Assets (exclusions, verifications, calculations)

#### 24 CFR § 5.659 (e)

- Asset Exclusions 24 CFR § 5.609 (b)(3)
  - Necessary personal property
    - Items essential to the household for day-to-day employment, education, health & wellness
    - Examples: furniture, clothing, medical equipment, common electronics
  - Non-necessary personal property with a combined value less than \$50,000 is excluded
    - Items not essential to the household for day-to-day employment, education, health & wellness
    - Examples: recreational vehicles, bank accounts, collectibles
  - Retirement plans recognized as such by the IRS ([www.irs.gov](http://www.irs.gov))
    - Annuities, Stocks, Bonds, CDs, etc. that are part of a retirement account are also excluded
    - If receiving a distribution, the distribution is considered income
  - Federal & state tax refunds
    - If total net family assets exceed \$50,000 the value of the tax returns must be verified
- Real Property in NC:
  - Land/building or structure/permanent fixture: Always counted as an asset 24 CFR § 5.100
  - A single/double wide home: if local office deems it personal property, it is not included as an asset and not listed on TIC
  - Real property where the household does not have the legal authority to sell is excluded
- Asset Verification:
  - Asset Self Certification – Under \$50k Form:
    - HOME/NHTF must continue third party verification of ALL assets at move-in
    - When total household assets are below \$50,000, certify using the Under \$50,000 form
    - When total household assets exceed \$50,000, all assets must be 3<sup>rd</sup> party verified
  - For ALL funding sources, the Under \$50,000 form is permissible at annual recert
  - Checking Accounts: 6-month average is no longer required. New requirement is the current balance, just as a savings account
  - Joint Assets: Total cash value of the asset is counted (no matter the % of ownership to the household member), unless the asset is otherwise excluded or unless the household can demonstrate the asset is inaccessible

- Asset Income:
  - Impute assets only when total assets exceed \$50,000
  - Impute ONLY those where asset income is not verifiable
    - Impute using current HUD passbook rate
    - Never impute ALL asset value (unless ALL do not have verifiable income)
    - Example of imputed assets: Land does not have a verifiable asset income because it does not produce income (land will always be imputed)
- No changes in disposed of assets
- Actual income from assets is always counted, regardless if the asset itself is excluded (i.e. interest on a checking account)
- Note: Guidance, particularly related to assets, is constantly changing, more information on asset requirements to come in the future

### **Student Financial Assistance**

24 CFR § 5.609(b)(9)

Applies to ALL households, not just those receiving Section 8 assistance

- All student financial assistance over covered cost of education is included in income, except HEA Title IV Assistance
  - Actual Covered Costs: Tuition, Fees, Books & Supplies, Room & Board
  - Example of HEA Title IV Assistance: Federal Pell Grants
  - Applies to both full-time and part-time students

### **Child Support**

24 CFR § 5.609(a)(1)-(a)(2)

- Annual income includes “all amounts received”, not the amount that a family may be legally entitled to receive but which they do not receive
  - If Child Support Enforcement is not involved and no CSE printout is available, NCHFA will allow the use of the Child Support Certification to be used as a self-affidavit
  - When calculating income: only the actual amount received is to be calculated

### **Foster Adult & Child**

24 CFR § 5.609(b)(8)

To be considered a foster adult/child; that adult/child must be placed with the family by an authorized placement agency (e.g. public child welfare agency)

- ALL income received by fosters is excluded from income
- Any assets held by fosters must be excluded
- Fosters must not be included when determining household size for income limits
  - Are included when determining bedroom size

### **Form Changes**

- Asset Verification
- Child Support Certification
- Recertification Questionnaire
- Rental Application
- Student Financial Assistance Calculation Worksheet (New Form)
- Student Status – Assistance Verification (New Form)
- Tenant Income Certification (Required Form)
- Asset Self Certification – Under \$50k Form (Required Form)

### **Additional Guidance**

- Published PIH/MFH housing notices, webinars, and other implementation assistance
  - Refer to the HOTMA MFH Webpage [https://www.hud.gov/program\\_offices/housing/mfh/hotma](https://www.hud.gov/program_offices/housing/mfh/hotma)

### **Disclaimer**

NCHFA recognizes that HOTMA guidance is changing rapidly and there are discrepancies between national trainers on this subject. Further, software companies will need to make changes to their software to comply with the new rules. NCHFA’s Rental Compliance Reporting System (RCRS) must also be updated to accommodate the regulation changes. The required software changes will likely not be available on 1/1/2024.

Failure to follow published guidance will be cited as a concern in 2024. This will give ample time to learn the regulations, adapt the state guidance to changes in federal guidance, and make the required software changes. Failure to follow the guidance, including subsequent revisions, will be cited as noncompliance beginning 1/1/2025.