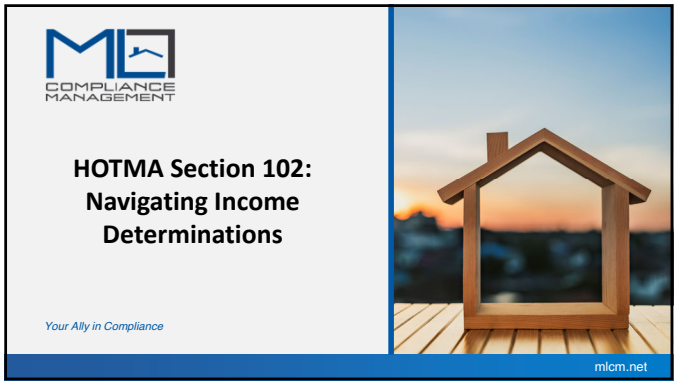
COMPLIANCE MANAGEMENT
HOTMA Section 102: Navigating Income Determinations
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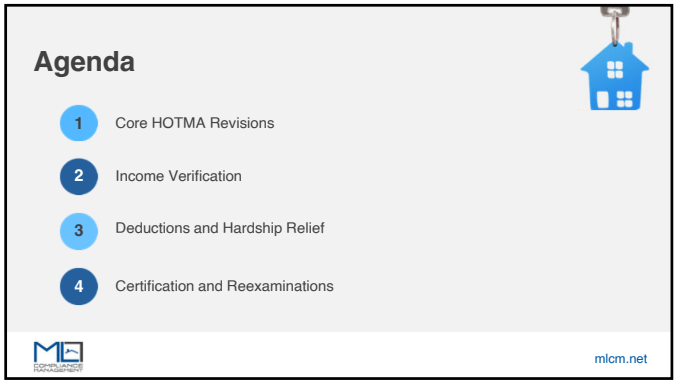
Agenda
1 Core HOTMA Revisions
2 Income Verification
3 Deductions and Hardship Relief
4 Certification and Reexaminations
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1- Core HOTMA Revisions

- Program applicability
  - Annual amounts
- Household definitions

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What HOTMA Changes

- Definitions of annual income
- Income exclusions
- Deductions and hardship relief
- Annual and interim reexamination procedures for covered PHA programs

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Implementation Status for PHAs

- Non-MTW, non-FRS PHAs: full Section 102 compliance begins January 1, 2027.
- Selected PHA provisions were already mandatory by July 1, 2025:
  - Use the current HUD-9886-A consent form (February 1, 2025)
  - Apply new HOTMA income exclusions and required definitions adopted under PIH 2024-38
  - Apply de minimis error rules
  - Cease new Earned Income Disallowance enrollments
  - Update revocation-of-consent procedures after using HUD-9886-A
  - Maintain current EIV and SAVE procedures
  - Section 103 (to be included in ACOP by June 14, 2023)

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Income Inclusion/Exclusion Guide

- Use the current HUD income resource sheets.
- Confirm whether the program has adopted the HOTMA definition.
- Separate an income exclusion from an asset exclusion.
- Document the reason an item was counted, excluded, or deferred.

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Use the Right Amount for the Effective Date

- HUD publishes annual HOTMA amounts and the passbook rate.
- Use the amount for the calendar year in which the certification is effective.
- Programs that have not implemented full HOTMA do not automatically use the HOTMA table.
- January 2027 PHA and HCV actions require the 2027 values.

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2027 HUD Inflationary Adjusted Amounts

- Section 104 net family asset eligibility limit
  - 2027: $109,797
- Imputation, asset self-certification, and NNPP threshold
  - 2027: $54,898
- Passbook savings rate
  - 2027: 0.38%
- Dependent student earned-income cap and adoption assistance cap
  - 2027: $525
- Dependent deduction
  - 2027: $525
- Elderly/Disabled family deduction
  - 2027: $575

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Family Member vs. Household Member

- Family generally means the person or group of persons with the right to occupy the assisted unit.
- Household is broader and may include approved individuals who live in the unit but are not family members for income eligibility purposes.
- Family members are used for income eligibility, income limits, deductions, and many rent calculations.
- Household members may affect occupancy size even when their income and assets are not counted.

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Foster Adults and Foster Children

- Their income and assets are excluded from family income and net family assets.
- Payments for their care are excluded from annual income.
- They may be counted for occupancy size.
- Their status must be supported in the file.

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Live-In Aides

- A live-in aide may live in the unit to provide necessary supportive services to a family member with a disability.
- The live-in aide is not considered a family member and generally has no right to remain if the assisted family leaves.
- Do not count the aide's income or assets for family eligibility or rent.
- Live-in aides may affect occupancy size and must be approved under PHA policy.

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2- Verification

- Verification hierarchy
- Program-specific source-document rules
- Fixed income and employment
- Asset self-certification

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Verification Hierarchy – Highest Levels

- **Level 6:** HUD EIV upfront income verification when the program has access.
- **Level 5:** Non-EIV upfront verification, such as The Work Number or a state benefits system.
- **Level 4:** Written third-party documents provided by the family or generated by the source.

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Verification Hierarchy – Lower Levels

- **Level 3:** Written third-party verification form.
- **Level 2:** Oral third-party verification documented by staff.
- **Level 1:** Family self-certification when allowed or after required attempts fail.
- Document why a lower level was necessary unless self-certification is expressly permitted.
- Date-stamp

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Employment Documentation

- PHA/HCV HOTMA: two current, consecutive paystubs may satisfy source-document verification.
- Pay stubs should identify the employee, employer, pay period, pay date, and gross earnings.
- Ask whether the current pay pattern is expected to continue.
- Document known or anticipated changes such as raises, overtime, bonuses, shift differential, commissions, tips, or schedule changes.

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Social Security and SSI Documentation

- Use EIV where required and available for the assisted program.
- Otherwise obtain a current benefit verification or award letter for the applicable benefit year.
- Date-stamp the document when received.
- Apply an announced COLA to certifications effective after the increase.
- Review SSI carefully because the amount may change.

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Pensions, Retirement Accounts, and Life Insurance

- Pension and annuity payments received periodically are generally unearned income.
- Recognized retirement-account balances are excluded from net family assets while held.
- Periodic retirement distributions remain income when received.
- Whole-life cash surrender value may be an asset; term life with no cash value is not.
- Verify the account type before deciding.

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3- Annual Income

- What counts
- Who counts
- What is excluded
- How to project and document income

19

Annual Income – Core Rule

- Count earned and unearned income unless a specific exclusion applies.
- Count earned income of adult family members.
- Count unearned income of all family members, including amounts paid on behalf of minors.
- Add actual or imputed asset income when required.
- Use the certification method required by the applicable program.

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Nonrecurring Income

- Exclude income that will not repeat in the coming year based on available information.
- Examples may include tax refunds, one-time milestone gifts, and qualifying stimulus payments.
- Lump-sum lottery or contest winnings are excluded as income when received and may become assets if retained.
- Day labor, seasonal work, gig work, and independent contracting are not excluded merely because they vary.

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Income Commonly Excluded

- Earned income of minors, unless the minor is the head or spouse.
- Income of live-in aides, foster adults, and foster children.
- Foster care, qualifying kinship care, and guardianship care payments.
- Insurance payments and settlements for personal or property losses.
  This includes workers' compensation payments.
- Veterans Aid and Attendance payments.
- Qualifying training-program payments.
- Nonrecurring income and other specific exclusions at 24 CFR 5.609(b).

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Whose Income Counts?

- Adult family members: earned and unearned income, subject to exclusions.
- Adult dependent full-time students: earned income capped at the annual HUD amount.
- Minors: earned income excluded; unearned income generally counted.
- Temporarily absent family members: count when they remain part of the family under program policy.
- Live-in aides, foster adults, and foster children: income excluded.

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Ranges of Hours or Pay

- When reliable information provides a range, use the average of the range.
  - If an employer provides a range of hours (35-40) or a range of pay ($10.00/hour- $15.00/hour, use the average.
  - In the above you would use 37.5 hours/week x $12.50/hour.
- Resolve conflicts with pay history, employer statements, or known future changes.

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Calculating Income: Core Rules

- Use gross income unless the category requires net income.
- Anticipate the next 12 months from the certification effective date.
- Use cents during the calculation.
- Include known and verifiable changes.
- Do not round until the final required entry.
- Show the math in the file.

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Child Support, Alimony and Recurring Support

- Count child support or alimony actually received, not simply the ordered amount.
- Use payment records and required affidavits to document actual receipt.
- Count recurring cash or in-kind support expected to continue.
- Exclude nonrecurring gifts and qualifying non-monetary donations.
- Document source, value, frequency, and duration.

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Training Programs and Resident Stipends

- Exclude income from qualifying HUD or federal, state, tribal, or local employment training programs.
- The exclusion applies only while the person participates in the qualifying training program.
- Qualifying resident-management training payments may be excluded.
- Ordinary wages paid during employment are not excluded merely because training occurs.
- Verify the program and payment purpose.

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Student Financial Assistance - Overview

- Rules apply to full-time and part-time students.
- Identify the source and type of every award.
- Verify actual covered costs charged by the institution.
- Fee-for-service payments, teaching fellowships, non-federal work study, and gifts from family/friends are not treated as student financial assistance; evaluate them under the applicable income rule.

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Actual Covered Costs

- Tuition
- Books and supplies, including disability-related educational equipment
- Room and board
- Other required fees charged by the institution
- For certain students not living in the assisted unit, allowable actual housing costs

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HEA Section 479B Assistance

- Examples include Pell Grants, TEACH Grants, federal work-study, and qualifying federal or tribal aid.
- Section 479B assistance is excluded from annual income.
- Excess Section 479B assistance remains excluded.
- Identify the program before classifying the award.

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Other Student Financial Assistance

- May include qualifying grants or scholarships from government, nonprofit, business, or educational sources.
- Exclude only the portion used for remaining actual covered costs.
- Count the portion that exceeds remaining actual covered costs.
- Gifts and fee-for-service payments are analyzed under other income rules.

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Student Assistance Calculation Order

- **Step 1:** Determine actual covered costs.
- **Step 2:** Subtract Section 479B assistance from covered costs.
- **Step 3:** Apply other student financial assistance to the remaining costs.
- **Step 4:** Count only excess other student financial assistance.
- **Step 5:** Analyze gifts and fee-for-service payments separately.

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Student Aid Example 1 – HEA Exceeds Costs

- Actual covered costs: $22,000
- Section 479B assistance: $25,000
- Other student financial assistance: $0
- Excess HEA assistance: $3,000

- Amount included in income: $0

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Student Aid Example 2 – No Excess Assistance

- Actual covered costs: $22,000
- Section 479B assistance: $15,000
- Remaining covered costs: $7,000
- Other student financial assistance: $5,000

- Amount included in income: $0

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Student Aid Example – Excess Other Assistance

- Actual covered costs: $25,000
- Section 479B assistance: $20,000
- Remaining covered costs: $5,000
- Other student financial assistance: $10,000

- Amount included in income: $5,000

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Student Aid Example – Mixed Sources

- Actual covered costs: $18,000
- Pell Grant: $12,000
- Private scholarship: $9,000
- Remaining costs after Pell: $6,000

- Excess private scholarship included in income: $3,000

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Zero-Income Review

- Confirm that all income questions were answered.
- Ask how rent, food, transportation, phone, utilities, and other expenses are paid.
- Identify recurring contributions, assets, reimbursements, or undisclosed work.
- Do not count support without determining whether it is recurring and countable.
- Document the explanation and follow-up.

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Unemployed and Zero-Income Certifications

- Unemployed certification: confirms the adult is not currently working.
- Zero-income certification: confirms no earned or unearned income is being received.
- An adult may need to complete both forms.
- Every adult reporting no income must complete the required PHA forms.
- Reverify according to written policy.

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Safe Harbor Income Determination Overview

- A permitted income determination from another means-tested program may establish total annual income.
- The determination must have been made within the prior 12 months.
- It includes income from assets before deductions.
- Safe Harbor is discretionary and must be described in policy.
- If the documentation is unacceptable or disputed, complete the regular income determination.

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Safe Harbor Policy Rules

- State which source programs will be accepted.
- State whether Safe Harbor is accepted at admission, reexamination, or both.
- Define how multiple determinations are handled.
- Use the source program's total annual income only.
- Do not mix Safe Harbor income with separate verification of individual income sources.

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Eligible Means-Tested Source Programs

- TANF, Medicaid, SNAP, & LIHTC
- Other HUD-administered programs
- Other federal means-tested programs approved by HUD
- The source must provide a family-wide annual income determination.
- Program participation alone is not enough.

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Safe Harbor Documentation Checklist

- Family size and matching family composition
- Total annual family income
- A qualifying date within 12 months before receipt
- Source program and administrator
- Resolution of missing or conflicting information

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4- Deductions and Hardship Relief

- Dependent and childcare deductions
- Elderly/disabled family deduction
- Health, medical care, and disability assistance expenses
- Phase-in and hardship relief
- Program applicability

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Dependent and Childcare Deductions

- Dependent deduction: 2027 $525 per qualifying dependent
- Reasonable childcare expenses may be deducted when needed for work or education.
- The child must be under 13 years of age.
- The family must pay the cost and receive no reimbursement.
- Foster-child expenses may qualify when paid from family income.

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Childcare Hardship Exemption

- Available when loss of the childcare deduction creates an inability to pay rent.
- Initial relief lasts up to 90 days or until the hardship ends.
- Additional 90-day periods may be approved under written policy.
- Verify the hardship and notify the family of the decision.
- State qualification, renewal, and termination procedures in policy.

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Elderly/Disabled Family Deduction

- The family definition remains unchanged.
- Deduction: 2027 $575 per qualifying family.
- The amount is adjusted annually by HUD.
- Apply the deduction once per family, not per elderly or disabled member.
- Use the amount for the certification effective year.

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Health, Medical Care, and Disability Assistance Expenses

- Elderly/disabled families may deduct qualifying unreimbursed health and medical care expenses.
- Families may deduct qualifying disability assistance expenses that enable a family member to work.
- Apply the earned-income cap where required.
- Under full HOTMA, deduct only the qualifying amount above the applicable percentage of annual income.
- Verify expense, payment, purpose, and reimbursement.

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Medical/Disability Deduction Phase-In by Program

- PHA: deduction at the most recent income review before the PHA's HOTMA compliance date; phase starts automatically at the first annual or interim after compliance.
- First 12 months: 5%; next 12 months: 7.5%; after 24 months: 10%.
- For a PHA, a non-interim action before the first annual or interim does not start the phase-in; the threshold remains 3%.
- New admissions use 10% unless general hardship relief applies.

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Phase-In Example for January 2027 Implementation

- PHA complies January 1, 2027; the family's July 1, 2026, review included the deduction.
- July 1, 2027, is the first annual or interim after compliance: use 5% through June 30, 2028.
- An October 2027 interim still uses 5% because the first phase lasts 12 months.
- July 1, 2028: use 7.5%; July 1, 2029: use 10%.
- A non-interim action before July 1, 2027, would leave the threshold at 3%.

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24 Month Phase-In Example

- First 12 Months
  - Sum of expenses that exceeds 5% of annual income
- Next 12 Months
  - Sum of expenses that exceeds 7.5% of annual income
- After 24 Months
  - Hardship exemption expires and sum of expenses that exceed 10% of annual income will be used.
  - This will remain at 10% for the life of the household.

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General Medical/Disability Hardship Relief

- A family may request relief when qualifying expenses rise or hardship results from a change that would not otherwise trigger an interim.
- Examples include a pending assistance decision, job loss, death, a declared disaster, or another policy-defined circumstance.
- If approved, deduct eligible expenses above 5% of annual income for up to 90 days.
- Renew only in additional 90-day periods while the qualifying hardship continues.
- Send the decision and ending notice; document the request, verification, effective date, and review date.

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5- Certifications and Reexaminations

- New admissions
- PHA annual reviews
- Interim and non-interim transactions
- Earned Income Disallowance closeout
- De Minimis errors

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New Admissions Use Anticipated Income

- Estimate income expected during the upcoming 12 months.
- Include known changes that will occur during the certification period.
- Verify family composition, income, assets, and deductions under the applicable program.
- Apply Section 104 asset eligibility.
- Use current forms and annual amounts.

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PHA Annuals – Start with Prior-Year Income

- Applies when full HOTMA is implemented.
- Begin with income received during the previous 12 months.
- Review the last annual action and all interim actions since then.
- Use EIV and permitted documents as required.

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Annuals – Apply Interim Changes

- If an interim was completed, begin with the annual income from the most recent applicable interim.
- Reuse valid verification from that action when HUD permits.
- Identify changes that occurred after the interim.
- Do not duplicate a change already reflected in the current certification.
- Keep a clear certification timeline in the file.

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Annuals – Adjust for Current Changes

- Adjust prior-year income for changes not already processed.
- Use current income when the family reports a changed source or amount.
- Resolve conflicts between EIV, family statements, and source documents.
- Include known COLAs and other legally scheduled changes.
- Document why prior-year or current income was used for each source.

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Annual Recertification- Annual Effective Date: 1/1/27

Step	What Staff Do	Example
1. Prior 12 Months	Determine income for the 12 months before the annual.	2026 income = **$48,200**
2. Check for Interim	Determine whether an interim was completed since the last annual.	**No interim** was completed.
3. Check for Changes	Determine whether income changed since the last annual.	Tenant left Employer B in October and started Employer C in November.
4. Adjust Income	If the change was not processed through an interim, adjust the annual calculation for the current income.	Do **not** automatically use $48,200. Replace the outdated Employer B income with the appropriate current income from Employer C.

Key Point:
Start with prior 12-month income → check for interims → identify unprocessed changes → adjust when required.

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Case Study — Jobs During the Lookback

- Marcus receives $14,400 annually in Social Security.
- During the prior 12 months he worked three short-term jobs and earned $12,000 total.
- Each job ended before the annual reexamination. He currently has no employment.
- No interim reexamination was processed for those jobs.

What income should staff use for the new annual reexamination? What must be documented?

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Case Study — Discussion

- Do not automatically add the $12,000 of ended wages to the new annual income merely because it appears in the lookback.
- Apply the HOTMA annual-reexamination methodology and adjust for current circumstances as required.
- If Marcus currently receives only Social Security and the prior employment has ended, document the ended employment and the basis for the income determination.
- A recurring pattern or suspected nonreporting is a separate compliance/enforcement issue; it does not authorize staff to invent prospective income.

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Interim Reexaminations – Income Increases by Program

- PHA: conduct an interim when annual adjusted income increases by 10% or more, subject to HUD exceptions.
- PHA: apply the earned-income and permitted final-three-month exceptions.
- Track reported changes under the threshold that applies to the unit.

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Interim Reexaminations – Income Decreases by Program

- PHA: conduct an interim when annual adjusted income decreases by 10% or more.
- PHA: policy may adopt a lower percentage, but not a dollar threshold.
- Record reported decreases even when no interim is triggered.

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Household Composition Changes Require an Interim

- Additions or removals of family members require an interim reexamination.
- The rule also covers foster adults, foster children, and live-in aides.
- Process the interim even when adjusted income does not change.
- A final-three-month exception may apply when the change would increase adjusted income and written policy meets HUD's rule.
- If the exception applies, hold the change for the upcoming annual; do not process a non-interim transaction.

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Required Composition Interim – Income Treatment

- Add the new member and any applicable deductions through the required interim.
- Add the new member's unearned income regardless of whether the income reaches 10%.
- Process decreases caused by the composition change regardless of the ordinary decrease threshold.
- Generally, do not add an earned-income increase unless policy allows it after an earlier earned-income decrease in the same reexamination cycle.
- Document every reported change, including changes that do not otherwise produce an interim adjustment.

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Household Change Example

Jenny Jones got married and her spouse works part-time and collects an SSI benefit.

- The spouse would be considered a family member.
- Both earned and unearned income would apply; assets would apply; deductions would apply.
  - **Process the interim to add the spouse to the household; apply deduction, determine if there was decrease in income prior to adding the earned income (if not then add earned income at AR) and add the unearned income to the certification, regardless of the amount.**

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PHA Non-Interim Transactions and EID Cleanup

- Use a non-interim transaction for permitted hardship, SSN, citizenship/eligible-status, and EID coding updates.
- Do not use it for a required household-composition interim.
- No family could begin EID after January 1, 2024; all remaining EID periods ended by December 31, 2025.
- Remove obsolete EID language and correct remaining system coding.
- If using the 2020 HUD-50058, follow PIH 2026-15 alternative reporting instructions for these mid-cycle updates.

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De Minimis Errors – Program Matters

- PHA/HUD Multifamily: de minimis means adjusted income is inexact by $30 or less per month.
- Correct the error even when it is de minimis.
- Refund or credit tenant overcharges under HUD rules.
- Do not recover an owner/PHA-caused undercharge from the family where HUD prohibits it.

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Questions?

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