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IHDA Conference Day 2

**HOTMA and Civil Rights
Updates**



**ILLINOIS HOUSING
DEVELOPMENT AUTHORITY**

Session Workbook



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Introduction



Build a Helpful LIHTC Library

The Law

- IRC Section 42

The Regulations

- IRS | 26 CFR 1.42-1 through -19
- HUD | 24 CFR 5.609 [income] and 5.603 [Assets]

Other Formal Guidance

- Revenue Rulings, Revenue Procedures, IRS Bulletins
- HOTMA Notice 2023-10 [rev Feb 2024]
- Important, if the above doesn't cover a topic, THEN...
- HUD Handbook 4350.3

Informal Guidance

- Section 42 Audit Technique Guide
- 8823 Guide
- LIHTC Newsletters

State Guidance

- See each state's compliance manual, online information, bulletins, or training sessions and material
-

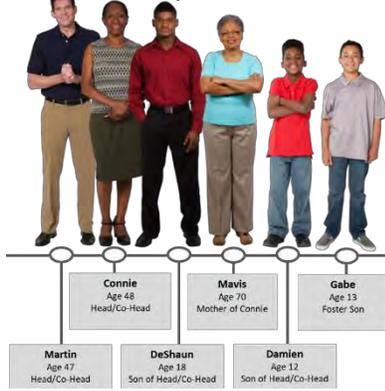


Agency Specifics Areas where state policies may differ are found in callouts like this. State compliance manuals and other documents, often mounted on an agency website, should be retained, reviewed and kept up to date.

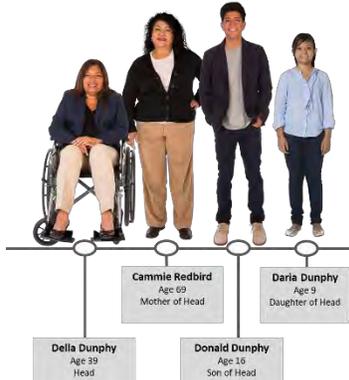
Files represent people and our work affects lives! Good housing professionals do not forget this. For instance, over the last seven years in our public courses, we have examined household compliance for 7 households that live at Golden Gates apartments. Although these were 7 files, it represents over 35 people, and their lives, and contributions to the community were changed by where they lived.

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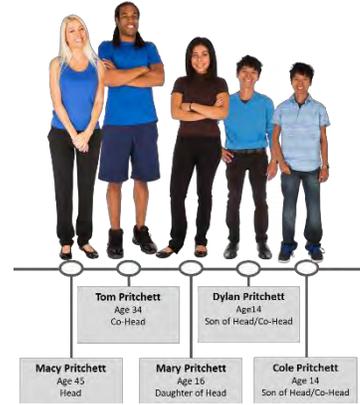
2020 | The O'Rourkes



2021 | The Dunphys



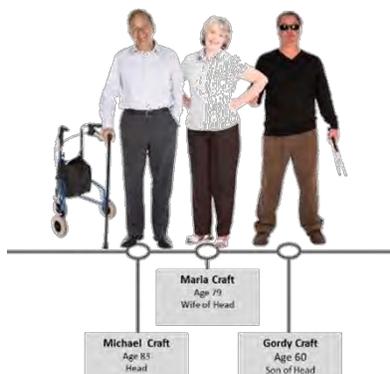
and the Pritchetts



2022 | The Dunphy-Pritchetts



2023-2024 | The Crafts



2024 | The Hott-Mas



For 2026 | The Tennants



Cara McDonald
Live-in Aid (24)
Sister of the Head
Nurse
Not a Student

This year, a couple of auditors from the state are coming out to visit Golden Gates Apartments. We will follow their progress as they examine the Tennant file, as well as excerpts from others.

Audra Tur
Senior State Auditor

Grant Ledger
Junior State Auditor

Janet Tennant
Head of Household (34)
CNA
FT Student
Samwise Tennant
Child Dependent (13)
Business Owner
FT Student
Beau McDonald
Adult Dependent (18)
Rideshare Driver
FT Student
Pierre McDonald
Child Dependent (15)
Lifeguard
FT Student
Crystal Tennant
Child Dependent (6)
FT Student



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Ready...Set...Audit | Tools Included

One goal of this workshop is to provide a full set of example “tools” to help understand and implement housing compliance. The icons below identify several of these tools.



Audit Tips

These tips can guide a compliance professional with suggestions and guide other housing professionals to help them know what an auditor will look for.



Multimedia Supplements | costellocompliance.com/blog

These boxes refer to multimedia enhancements to his course found in blog posts at the *Housing Rules Blog* on Costello Compliance website. These may include articles, infographics, videos, quizzes and other value-rich resources.



For Your Library...

In housing compliance, guidance in government documents are the most powerful tools we use. These icons indicate documents that every housing professional should have. These are all available with an internet search.



About Forms

Forms are very important to our daily process or inform us about basic principles. These callouts discuss key forms.

Introduction to the LIHTC

In 1986 Congress enacted the Low-Income Housing Tax Credit (LIHTC) Program. The LIHTC provides incentives for private investment in affordable rental housing. The LIHTC or “tax credit” program is governed by Section 42 of the Internal Revenue Code (IRC Section 42) and regulated in 26 CFR 1.42. The program also draws heavily on HUD rules found at 24 CFR 5.603 and 5.609 when qualifying families.

Each state has a designated agency to allocate and administer tax credits for its state.



Agency Specifics The monitoring agency in a state must be identified. The agency may or may not also be responsible for other federal housing programs, like HOME and National Housing Trust Fund (NHTF) programs. They also may or may not be a contract administrator for HUD programs.

LIHTC Monitoring

Each state agency has the responsibility to monitor each project allocated tax credits and ensure program compliance for at least a 30-year extended use period. The monitoring includes physical inspections and file reviews.

Each state LIHTC agency conducts monitoring for **one-third** of the total LIHTC portfolio **each year**. A random sampling of the tax credit unit files is selected for each project reviewed. **No more than 15 days’ notice** is allowed to be given for a site visit, and different units must be selected for physical and file reviews, unless the file and physical inspections are conducted on the same day.

Per IRS direction, owners may store resident files electronically if they wish and meet the requirements of Rev. Proc. 97-22. Files must be made available to a monitor during a monitoring visit. HUD Notice H-2020-10 provides further guidance that many owner/agents may use to develop paperless file policies.

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Agency Specifics States may publish guidance relating to e-documentation. These may build on or abridge policies in place per IRS and HUD standards. State and local law may also be involved in agency policy.

The state must gather an annual owner certification of program compliance each year. Specific rules and reporting timelines and deadlines vary by state. Not complying with the annual owner certification rules is noncompliance with federal LIHTC requirements.



About Forms

Form IRS 8823

As a state monitors files, physical conditions, and annual reporting, noncompliance may come to light. This noncompliance is reported to the IRS on IRS Form 8823. The form 8823 lists the categories of noncompliance that are reportable to the IRS and risk the tax credit funding. Below is the form.



Library Item

The 8823 Guide

Note: The last content revision was in 2011. The most recent formatting adjustment was in 2024. Some important footnotes were inadvertently lost with the reformat, so the 2011 edition should still be retained.

The 8823 Guide provides instructions to each state agency on how to carry out its compliance duties. Although the target audience is the state agency, it provides helpful insight to all who need to know about LIHTC compliance. It has sections on each major compliance item including the following topics.

- A discussion of each major potential noncompliant item.
- What is “in compliance”?
- What is “out of compliance”?
- When is it “back in compliance”?
- Helpful hints are provided throughout.

For example, how to verify self-employment using a blank Schedule C and annualizing using a formula provided by the Guide is a suggestion in Chapter IV that is unique to the Guide.



Audit Tip

When assessing noncompliance risk to tax credits, one of the first things new auditors learn and keep clear in mind is the difference between federal and state rules. Violations of state rules must be addressed to the degree dictated by the agency, but do not result in the loss of tax credits. ***Proper priorities should be set to meet the most urgent needs.***



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Ready...set...audit

Audra has prepared Grant for what a file should look like from the IRS' perspective. This helps him sort out management forms from the core documents needed to establish compliance. For instance, paperwork identifying the cars people drive and most daily communication from a family is not useful. Much of the remainder of this course will reference this list as a framework.

Overview | IRS required elements in a tenant file



Audit Tip

"Is it sufficient" | Checklist for IRS-required file elements

- Household application/ family income and asset questionnaire** | For compliance purposes, this is a signed household affidavit that gathers income, asset, student status, and other relevant information. The IRS tells us that this is *"a document completed by the household that the owner uses to gather information relevant to establishing all aspects of eligibility including, but not limited to, household composition, income, income from assets, and student status."*
- Verification of income and assets** | Most factors that are disclosed on the above application will be verified with paperwork provided or prepared by knowledgeable third parties. According to the IRS, *"all sources of income and assets must be verified to establish move-in eligibility. Each tenant file must contain an annual statement of income, household composition, and student status. The preferred verification method is through third parties, and such verifications must be no older than 120 days before the effective date of the Tenant Income Certification. Verification may be written documentation (mail), oral (telephone), or electronic (facsimile, e-mail, or Internet) ... documentation may be by check stubs, W-2s, bank statements, etc. Self-certification (a notarized statement or signed affidavit) may be accepted if third-party verification or other documentation cannot be obtained. Documentation of attempts to obtain verification, however, must be kept on file."*
- Student status** | *"Depending upon the student status of each household member, student verification may be required."*
- Tenant Income Certification (TIC)** | A final form is completed by management (not the family) and signed by the family and owner/agent. The TIC summarizes the data gathered in the application process and compares it to applicable student status, income, and rent limits. The TIC is state-specific, as required by the state HFA. *"Documents must be signed by all the adult members of a household prior to move-in and at the time of the annual recertification and must state the anticipated annual gross income of the household."*

IRS-Required File Element 1 | The Application Process

Application Overview



Audit Tip

"Is it sufficient" | Checklist for adequate application questionnaires

- Is it complete? Are there no unchecked boxes or blanks where there shouldn't be?
- Are the forms signed and dated by all adults?

Suggestion: Collect list of expected income and assets to check off

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IRS-Required File Element 2 | Forms and Verification

HOTMA Implementation Notice Attachment J, 4350.3 (CHG-4) 5-19, 5-13 & Appendix 3, 8823 Guide chapter 4, IRS Newsletter 54
The recent HUD regulation adjustment HOTMA adjusted the hierarchy of preferred verifications, as listed below.

Level of Acceptability

"Highest"

- Upfront Income Verification (UIV), from a source database.
 - EIV – Only for HUD properties (cannot be used for LIHTC purposes).
 - Non-EIV systems.
(i.e., The Work Number, web-based state benefits or child support systems.)

Level 6
Level 5

"High"

- Written, third-party verification from the source provided by the tenant.
 - Also known as "tenant-provided verification"
Examples | pay stubs, payroll summary reports, employer notices/letters of hire/termination, SSA benefit verification letters, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment benefit notices.
 - HUD programs include EIV with self-certification if the tenant agrees that EIV is accurate.

Level 4

"Medium"

- Written third-party verification form
 - Use if Level 5 or Level 4 verification is not available or is insufficient.
 - Oral **third-party verification**

Level 3

Level 2

"Low"

- Self-certification

Level 1

Additional Details According to HUD

UIV (WorkNumber, etc.) For non-EIV UIV, UIV is "encouraged, but not required." It is also not required if the owner/agent or family must pay for it. Many owners, however, have determined that less vacancy lost more than pays for the extra verification cost.

Fixed Income. "For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation."

Pay stubs. Owners "are required to obtain a minimum of two current and consecutive pay stubs for determining annual income from wages. Owners were previously required to collect the most recent four to six pay stubs to verify employment income."

"For new income sources or when two pay stubs are not available, the Owner should determine income based on the information from a traditional written, third-party verification form or the best available information."

"Income tax returns. Returns with corresponding official tax forms and schedules attached and including third-party receipt of transmission for income tax return filed (such as the tax preparer's transmittal receipt, a summary of transmittal from online source, etc.) are an acceptable form of written, third-party verification."



Agency Specific It is important to determine if the agency has adopted the HOTMA verification hierarchy, and if any variants are applied.

Audit Tips



Only HUD MOR auditors are authorized to view EIV reports. State LIHTC, HOME, and NHTF auditors should not be given access to EIV reports in a file during their reviews. Reports stored in a file in such a way that they can be removed (such as in an envelope) is one good option. An LIHTC/HOME/NHTF auditor should not open these envelopes if handed them.

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Asset Self-Certification

Rev. Proc. 94-65 | 24 CFR § 5.659 (e) | HOTMA Implementation Notice F.7.

According to long-standing IRS guidance, if a family attests through self-affidavit that the net value of family assets does not exceed \$5,000, the owner can use the affidavit as verification of family asset net values and income. The IRS's \$5,000 asset guidance cited the HUD regulation. With HOTMA, that rule threshold has been raised to \$50,000 (and then adjusted annually for inflation). The IRS has always allowed asset self-certification **for move-in and any required income recertification**, even though HUD programs require full asset certification every third year under HOTMA.



Agency Specific It is important to determine if the agency has implemented the HOTMA and LIHTC guidance that allows self-certification of assets that do not exceed the annual asset imputed income threshold.



About Forms

Asset Self-Certification & Worksheet

The **Asset Self-Certification** is based on an NCSHA best practice form and is commonly used in the industry. It gathers just what a family needs to supply without unnecessary details and calculations that families often get wrong. The **Worksheet** (or owner/agent software) handles calculations that require knowledge of program requirements.

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Ready...Set...Audit!

Family | **Scoggin** Topic | **Asset Self-Certification**

True False The family self-certification is sufficient to verify all family assets in this case.

Complete the worksheet and TIC excerpt on the following page.

ASSET SELF-CERTIFICATION

*For households whose combined net assets do not exceed the applicable Imputed Income Limitation.
(Complete only one form per household; including assets of children.)*

Imputed Income Limitation (see link for supporting information)

For the following asset types, include the current Cash Value of **each** asset held by any family member and the actual income that the asset earns. *Cash value is **current market value minus cost to convert** an asset to cash, such as broker's fees, settlement costs, outstanding loans, penalties for early withdrawal, etc.*

Household Name: <u>MAX SCOGGIN</u>		Unit#: <u>101</u>			
PART I. ASSETS DISPOSED OF FOR LESS THAN FAIR MARKET VALUE (FMV)					
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Within the past two (2) years, I/we have sold or given away assets for more than \$1,000 below their fair market value (FMV).			
Asset #1:	Date of Disposal:	FMV - amt received:			
Asset #2:	Date of Disposal:	FMV - amt received:			
PART II: FEDERAL TAX RETURN OR REFUNDABLE FEDERAL TAX CREDIT					
Have you received a federal tax return or refundable federal tax credit in the last 12 months?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Amount of return/credit:		\$ <u>3,879</u>			
PART III: NON-NECESSARY PERSONAL PROPERTY (NNPP)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		I/we do have non-necessary personal property			
Type of Asset	(A) Cash Value*	(B) Annual Income	Type of Asset	(A) Cash Value*	(B) Annual Income
Cash on Hand	\$ <u>0</u>	N/AP	Cryptocurrency	\$ <u>9,300</u>	\$ <u>0</u>
Pre-paid Debit Card (including Govt. Benefits)	\$ <u>0</u>	N/AP	Money Market/ CD	\$ <u>0</u>	\$ <u>0</u>
Checking/Savings	\$ <u>5,900</u>	\$ <u>1.18</u>	Annuities	\$ <u>15,400</u>	\$ <u>539</u>
Checking/Savings	\$ <u>0</u>	\$ <u>0</u>	Brokerage Account	\$ <u>0</u>	\$ <u>0</u>
Savings	\$ <u>25,300</u>	\$ <u>0</u>	Stocks/Bonds	\$ <u>0</u>	\$ <u>0</u>
Internet based assets (Cash App, Venmo, PayPal, Crowdfunding, etc.)	\$ <u>0</u>	\$ <u>0</u>	Other: _____	\$ <u>0</u>	\$ <u>0</u>
Whole Life Insurance	\$ <u>0</u>	\$ <u>0</u>	Other: _____	\$ <u>0</u>	\$ <u>0</u>
Non-Account Based					
<small>Possessions not general held in an account such as vehicles used for recreation (e.g., RVs, ATVs, and Boats), antique cars, collectibles (e.g. stamps, jewelry, coins, and artwork.), and equipment/machinery that is not used to generate income for a business</small>					
Description			(A) Cash Value *		
<u>NONE</u>			\$		
			\$		
			\$		
			\$		
PART IV. REAL PROPERTY					
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		I/we do have real property			
Description of Property		(C) Cash Value*		(D) Income	
		\$		\$	
		\$		\$	
<small>Under penalty of perjury, I/we certify that the information presented in this certification is true and accurate to the best of my/our knowledge. The undersigned further understand(s) that providing false representations herein constitutes an act of fraud. False, misleading, or incomplete information may result in the termination of a lease agreement.</small>					
<u>M. SCOGGIN</u>		<u>5-10-2016</u>			
Signature of Applicant/Tenant		Date		Signature of Applicant/Tenant	
				Date	

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ASSET SELF-CERTIFICATION WORKSHEET

(Completed by Management Agent)

This worksheet accompanies the Asset Self-Certification. Complete **either** Part I or Part II depending on the nature of the types of assets disclosed by the family on the Asset Self-Certification. When the total net family assets are less than or equal to the [applicable Imputed Income Limitation](#), then only the actual income as disclosed on the Asset Self-Certification is included on the Tenant Income Certification (TIC).

HOUSEHOLD NAME: _____		UNIT # _____
PART I: COMPLETE THIS SECTION IF THE FAMILY <i>ONLY</i> HAS NNPP AND NO REAL PROPERTY		
Determination of Total Net Family Assets		
(1)	Enter the total of all NNPP by adding the values in (A)	\$
(2)	Enter the value of any NNPP disposed of for less than FMV	\$
(3)	ADD lines (1) and (2)	\$
(4)	Enter the amount of a federal tax return or refundable federal tax credit in the last 12 months	\$
(5)	SUBTRACT line (4) from line (3)	\$
(6)	Is the value in line (5) less than or equal to \$_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
If YES , then proceed to Determination of Income from Assets		
If NO , STOP the Asset Self Certification cannot be used, and each asset must be separately verified		
Determination of Income from Assets: This information must be reflected on Part IV of the ADOH TIC		
(7)	Enter the total by adding the values in (B)	\$

PART II: COMPLETE THIS SECTION IF THE FAMILY HAS <i>BOTH</i> NNPP AND REAL PROPERTY		
Determination of Total Net Family Assets		
(1)	Enter the total of all NNPP by adding the values in (A)	\$
(2)	Enter the value of any NNPP disposed of for less than FMV	\$
(3)	ADD lines (1) and (2)	\$
(4)	Is this value less than or equal to \$_____	<input type="checkbox"/> Yes <input type="checkbox"/> No
If YES , then proceed to line (5)		
If NO , STOP the Asset Self Certification cannot be used, and each asset must be separately verified		
(5)	Enter the total of all Real Property by adding the values in (C)	\$
(6)	Enter the value of any Real Property disposed of for less than FMV	\$
(7)	ADD lines (5) thru (6)	\$
(8)	Enter the amount of a federal tax return or refundable federal tax credit in the last 12 months	\$

PART IV. ASSETS						
PART IVA. INCOME FROM ASSETS - LESS THAN OR EQUAL TO IMPUTED INCOME LIMITATION						
Total net value from Non-necessary Personal Property (NNPP), Real Property, and Federal Tax Refunds/Credits has been verified as LESS than or EQUAL to the Imputed Income Limitation						
Enter Total of ACTUAL INCOME earned from all Assets (F)						\$
PART IVB. INCOME FROM ASSETS – GREATER THAN IMPUTED INCOME LIMITATION						
Total net value from Non-necessary Personal Property (NNPP) and Real Property has been verified as GREATER than the Imputed Income Limitation.						
HH Mbr#	(G) Type of Asset	(H) C/D	(I) NNPP / Real/ Tax Relief	(J) Cash Value of Asset	(K) A/I	(L) Annual Income from Asset
Enter Total Income from all Assets (M)						\$

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PHAs and Other Means-Tested Program Determinations of Income

24 CFR §5.609(c) | Joint Implementation Notice J4

The owner may determine the family's income prior to the application of any deductions applied following §5.611 **based on income determinations made within the previous 12-month period** for purposes of the following means-tested forms of Federal public assistance:

- (A) **TANF** | The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.).
- (B) **Medicaid (42 U.S.C. 1396 et seq.)**.
- (C) **SNAP** | The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.).
- (D) **EITC** | The Earned Income Tax Credit (26 U.S.C. 32).
- (E) **LIHTC** | The Low-Income Housing Credit (26 U.S.C. 42).
- (F) **WIC** | The Special Supplemental Nutrition Program for Women, Infants, and Children (42 U.S.C. 1786).
- (G) **SSI** | Supplemental Security Income (42 U.S.C. 1381 et seq.).
- (H) **Other programs administered by the Secretary, including HOME, the NHTF, and PHA programs.**
- (I) **Other means-tested forms of Federal public assistance for which HUD has established a memorandum of understanding.**
- (J) **Other Federal benefit determinations made in other forms of means-tested Federal public assistance** that the Secretary determines to have comparable reliability and announces through the Federal Register.

Verification of Other Program Determinations

24 CFR § 5.609(c)(3)(ii) | Joint Implementation Notice J.4.

If an owner of an LIHTC property intends to use the annual income determination made by an administrator for allowable forms of Federal means-tested public assistance, the PHA or owner must obtain it using the appropriate third-party verification. The verification **must indicate the tenant's family size and composition** and **state the amount of the family's annual income**. The annual income **need not be broken down by family member or income type**. The verification must also meet all HUD requirements related to the length of time that is permitted before the third-party verification is considered out-of-date and is no longer an eligible source of income verification.

The Safe Harbor verification **may be in the form of an award letter** from the relevant federal program and must show that the family's income determination was made in the previous 12 months. HUD clarifies in this notice that the verification will be considered acceptable if the documentation meets the criteria that the income determination was made within the 12 months before the receipt of the verification by the PHA/MFH Owner. This satisfies all verification date requirements for Safe Harbor income determinations.

The Safe Harbor documentation will be considered acceptable if any of the following dates fall into the 12 months before the receipt of the documentation by the PHA/MFH Owner:

- Income determination effective date.
- Program administrator's signature date.
- Family's signature date.
- Report effective date.
- Other report-specific dates that verify the income determination date.

The only information that PHA/MFH Owners are permitted to use to determine income under this Safe Harbor is **the total** income determination made by the federal means-test program administrator. Other federal programs may provide additional information about income inclusions and exclusions in their award letters. However, these determinations and any other information must not be considered by the PHA/MFH Owner for purposes of the HOTMA Safe Harbor provision. PHAs/MFH Owners are not permitted to mix and match Safe Harbor income determinations and other income verifications.

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Agency Specifics The use of other means-tested program determinations of income may be allowed by an agency. The HUD forms 50058 (PIH Family Report) and 50059 (MFH) may often be used as verification.



Audit Tip

Checklist | "Is it sufficient" – Adequate third-party verification

- Was the document prepared by a knowledgeable third party?
- Can a date be determined? Is it within 120 days of the effective date?
For example, a signature date, the effective date on a form, a fax trail, date emailed.
- Does the form provide the needed information?
 - o If any information is missing, is it clarified?

IRS-Required File Element 3 | Students and LIHTC Eligibility



Audit Tips

It is important to understand the difference between student eligibility and student assistance income. This section deals solely with whether a family is eligible based on student status. Income that student may receive is discussed later in this workbook.

LIHTC and Students

§ 42 (i)(3)(D) & 8823 Guide Chapter XVII

The LIHTC program prohibits tax credits from being used to fund dormitories. This means the families **made up entirely of full-time students** do not qualify for the tax credit program unless they meet at least one exception.



Audit Tip

Checklist | Identifying Full-Time Students

A full-time student, as defined by the IRS meets **all** the below criteria

- attends a school with facilities, a regular student body.
- is considered "full-time" as defined by the school they attend.
- attends full-time all or parts of any 5 months of a year (does NOT have to be consecutive).
- attends elementary, junior, and senior high school or institutes of higher learning.



Audit Tip

Checklist | Full-Time Student Exceptions

A family made up entirely of full-time students, as defined above, qualify if they meet **one** of the criteria below.

- At least one family members is married and entitled to file a joint tax return.**
Verification | a tax return or a marriage certificate.
- The family contains at least one adult family member who is a single parents with minor children.**
This must include that 1) the adult single parent is not a tax dependent of any third party and 2) if claimed as a tax dependent by anyone, the child(ren) can only be claimed by a parent (this does not have to be the parent living in the unit).
Verification | This can be verified by a tax return or a signed affidavit stating the 2 items above.
- A family member receives assistance under the Title IV of the Social Security Act** (TANF, foster, or adoption assistance payments).
Verification | Proof of Title IV welfare assistance.
- A member was formerly a foster child or adult.**
Verification | Documentation from a welfare agency.
- A family member receives assistance from a Job Training Partnership Act (JTPA) or SIMILAR program.**
The program must 1) receive federal, state, or local government funding, and 2) have a mission statement like the one for the JTPA program, as follows:

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“IT IS THE PURPOSE OF THIS ACT TO ESTABLISH PROGRAMS TO PREPARE YOUTH AND ADULTS FACING SERIOUS BARRIERS TO EMPLOYMENT FOR PARTICIPATION IN THE LABOR FORCE BY PROVIDING JOB TRAINING AND OTHER SERVICES THAT WILL RESULT IN INCREASED EMPLOYMENT AND EARNINGS, INCREASED EDUCATIONAL AND OCCUPATIONAL SKILLS, AND DECREASED WELFARE DEPENDENCE, THEREBY IMPROVING THE QUALITY OF THE WORK FORCE AND ENHANCING THE PRODUCTIVITY AND COMPETITIVENESS OF THE NATION.” [JTPA AS AMENDED BY THE JOB TRAINING REFORM AMENDMENTS OF 1992 AND THE SCHOOL-TO-WORK OPPORTUNITIES ACT OF 1994, SECTION 2]

Ready...Set...Audit

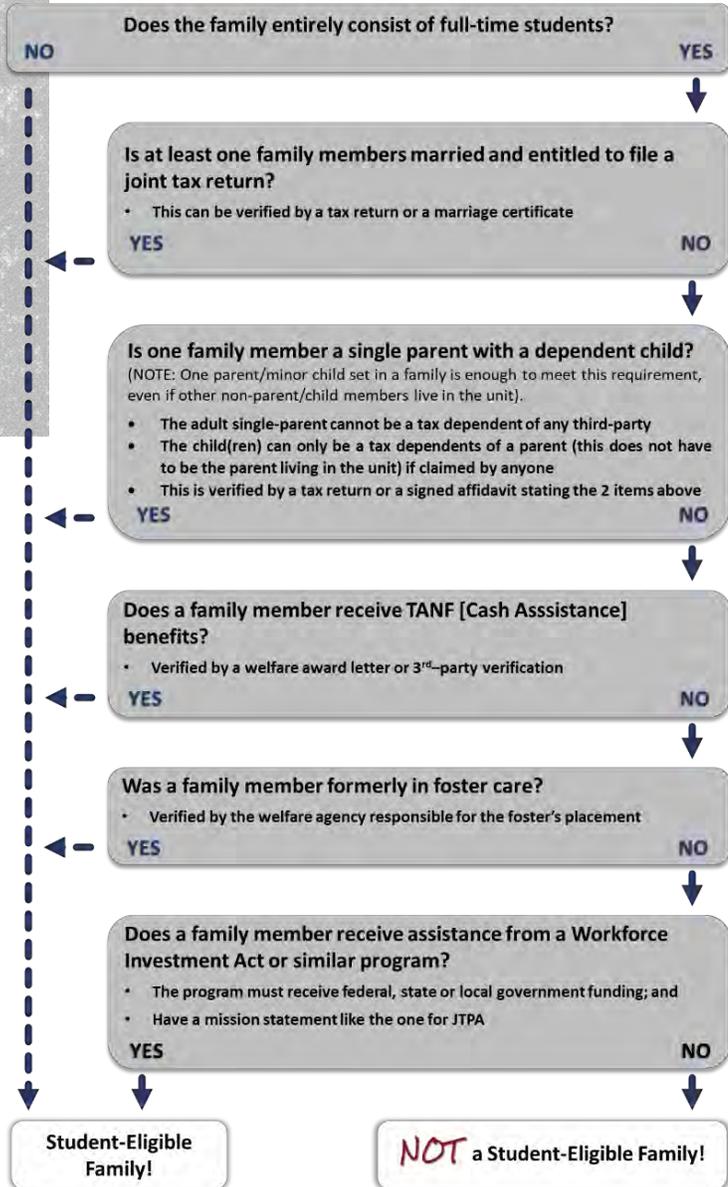
Family | Tennant Topic | Student Status

Of the Tennant household, only the live-in aid Cara is not a full-time student.

Cara qualifies the family as they are not all full-time students.

True False

Flow Chart: Tax Credit Student Eligibility



IRS-Required File Element 4 | Income Certification (A) Determining Family Income

Selecting correct income and rent limits

A very important aspect of determining whether families are eligible for affordable housing is ensuring that their family income is at or below specific income limits. These limits differ by program.

Annually, HUD publishes median income information for each county or Metropolitan Statistical Area (MSA) in each state. HUD MSAs are larger metropolitan areas that may include multiple counties in one “area”.

HOME, the NHTF, and other HUD programs use income limits referred to as *Area Median Income* (AMI) limits.

The LIHTC and tax-exempt bond programs’ income limits are labeled by HUD as *Multifamily Tax Subsidy Program* (MTSP) limits.

The MTSP income limits can be found on the HUD website. HUD datasets contain income limits separated into several categories for each MSA or county:

Holding Harmless. LIHTC income limits are said to be “*held harmless.*” This means that once a building places in service, it never has to decrease the income limits it uses from one year to the next. Being “held harmless” is beneficial to projects where income limits might fluctuate from year to year and helps the project to better achieve economic stability. For purposes of this rule, a project “places in service” when the first building in the project places in service. “Project” is defined by the election on the tax form 8609 8(b).

Question to determine if holding harmless at a prior year’s limits is appropriate:

- Has any year’s income limit since the later of 2008 or the property placed in service date been higher than current limits?

If “yes”, the property holds harmless at the prior higher limits.

Questions to determine if *HERA special* limits are applicable:

- Was any building in the project placed in service prior to January 1, 2009?
- Does HUD list the *HERA Special* option for the area?

If “yes” to both questions above, the property may use the HERA special limit.

Identifying Family and Household Members

In the past, we often referred to everyone who lived in a unit that qualified for the LIHTC as a “household.” Changes made to HUD rules now make it more important that we be precise. While a “household” is all legal occupants, the family is the set of people who determine income and student status eligibility for the LIHTC program. It is the family that determines the number of people for the income limits we use, not the entire household.

Exercise

Family or Household Members

Indicate if a person is a family or non-family household member.

- Family Household | Head of household
- Family Household | Spouse of head
- Family Household | Live-in aid
- Family Household | Child of head, present at least 50% of the year
- Family Household | Foster child
- Family Household | Adult dependent child FT student away in school 65% of the year
- Family Household | Foster adult

Exercise

How to count income - by household member.

Check the income sources that are counted for each person in a household

- Earned Unearned Asset | Head of household
- Earned Unearned Asset | Co-head
- Earned Unearned Asset | Other adult
- Earned Unearned Asset | Dependent adult [FT Student]
- Earned Unearned Asset | Dependent child
- Earned Unearned Asset | Live-in aid
- Earned Unearned Asset | Foster adult
- Earned Unearned Asset | Foster child



Audit Tip

Non-family household members are listed on the TIC and their status should be clearly documented in the file. This may include welfare placement paperwork for fosters and verification of need for a live-in aid. They are subject to criminal background screening, but not credit, income, or student status screening.

Defining Non-Family Household Members

Live-in aid

A person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who:

- Is determined to be essential to the care and well-being of the person(s)
- Is not obligated for the support of the person(s) and will not contribute materially to the household; and
- Would not be living in the unit except to provide the necessary supportive services.

Foster Members

24 CFR § 5.609(b)(8) | HOTMA Final Rule Preamble “Foster Children and Adults” | §5.100 | Joint Implementation Notice C.5. & E.2.

Foster Adult | “A member of the household who is 18 years of age or older and meets the definition of a foster adult *under State law*. In general, a foster adult is a person who is 18 years of age or older, is unable to live independently due to a debilitating physical or mental condition and is placed with the family by an authorized placement agency or by judgment, decree, or other order of any court of competent jurisdiction. **Foster child** | A member of the household who meets the definition of a foster child under State law. In general, a foster child is placed with the family by an authorized placement agency (e.g., public child welfare agency) or by judgment, decree, or other order of any court of competent jurisdiction.”

Minor Family Members

4350.3 3-6 E, Appendix 3, “Unborn Children” and 8823 Guide Chapter 4

Family members include children who are:

- temporarily absent and placed in a foster home.
- in joint custody who are present in the unit 50% or more of the time.
- away at school who live with family during school breaks.
- being adopted.
- Unborn. *

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Joint Custody of Children

4350.3 3-6 E 4 b, 8823 Guide 4-3

To be included as family members and counted toward the income limits, children subject to joint custody must physically reside in the unit at least 50% of the year. When custody is disputed between two parents in affordable housing, tax dependency can be used to determine where the child lives, although it should be only a very last resort. Physical custody and tax dependency are often different matters.

Family Members who are temporarily absent

Temporarily absent members are counted in the family.

- Members temporarily away - for example on assignment for work.
- Members in a rehab facility who will be returning home.
- A future spouse or roommate.

Family Members MIGHT Include...

Permanently Confined Family Members

4350.3 3-6 E 4 h

When a family member is permanently confined to a hospital or care facility, the family determines whether to count the absent member as a family member. If the absent member is counted as part of the family, their income is also included in family income.

Temporarily Absent Dependent Students

4350.3 5-6 A & B

Dependent students living away at school are included. This is a separate matter than joint custody and these students are not subject to the test of being present 50% of the year.



The regulation related to the Housing Opportunities Through Modernization Act (HOTMA) was legally effective 1/01/2024.

Agency Specifics To allow HUD to get software and other requirements in order, HUD has extended the date to come into compliance several times, most recently to 1/01/2027. For LIHTC and HOME properties monitored by an agency, it must be determined when the agency applied HOTMA.

Annual Adjustment Factors

When HUD rules were adjusted by HOTMA, the following factors were established that will change each year, mostly based on inflation.

Joint Implementation Notice Table H1 Note: smaller font items do not apply to the LIHTC or the NHTF, and are only applicable to HOME under very limited circumstances.

24 CFR § 5.618(a)(1)(i)

1. Eligibility restriction on net family assets
24 CFR §§ 5.609(a)(2) and (b)(1)

“The Annual Asset Threshold”

2. The threshold above which imputed income is calculated on assets
24 CFR § 5.603(b) Net family assets
 3. The threshold above which non-necessary personal property is included in net family assets
24 CFR § 5.618(b)(1) and several others, by program
 4. The amount of net assets for which the Owner may accept self-certification by the family
24 CFR § 5.611(a)(1)
 5. Mandatory deduction for a dependent
24 CFR § 5.611(a)(2)
 6. Mandatory deduction for elderly and disabled families [applies to HOME over-income families]
24 CFR § 5.609(b)(14)
 7. Income exclusion for earned income of dependent full-time students
24 CFR § 5.609(b)(15)
 8. Income exclusion for adoption assistance payments
 9. Passbook savings rate
-

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Audit Tips

Worksheet | Annual Adjustment Factors so Far

Year	2024	2025	2026	2027	2028	2029	2030
Asset thresholds	50,000	51,600	52,787				
Dependent deduction	480	480	500				
Adult dependent earned income	480	480	500				
Adopt assistance payments	480	480	500				
Passbook savings rate	.4%	.45%	.4%				

Exercise

Annual Adjustments

Revisit the Scoggin file reviewed earlier regarding asset self-certification. Would the outcome have been different if the cert was effective in 2024.

Yes No

What family income includes

24 CFR §5.609(a)

(1) All amounts, not specifically excluded in paragraph (b) of 24 CFR §5.609, received from all sources by each member of the family who is 18 years of age or older or is the head of household or spouse of the head of household, plus unearned income by or on behalf of each dependent who is under 18 years of age, and

(2) When the value of net family assets exceeds \$50,000 (which amount HUD will adjust annually per the Consumer Price Index for Urban Wage Earners and Clerical Workers) and the actual returns from a given asset cannot be calculated, imputed returns on the asset based on the current passbook savings rate, as determined by HUD.

What is excluded from family income | Part 1 (HOTMA)

24 CFR §5.609(b)

Note | Income types unchanged by HOTMA are *indicated in this font*.

(1) Any imputed return on an asset when net family assets total \$50,000 or less (which amount HUD will adjust annually per the Consumer Price Index for Urban Wage Earners and Clerical Workers) and no actual income from the net family assets can be determined.

(2) The following types of trust distributions:

- For an ***irrevocable trust or a revocable trust outside the control of the family*** or household excluded from the definition of net family assets in the HUD regulation § 5.603(b)
 - (A) Distributions of the principal or corpus of the trust; and
 - (B) Distributions of income from the trust when the distributions are used to pay the costs of health and medical care expenses for a minor.
- For a ***revocable trust under the control of the family*** or household, any distribution from the trust; except that any actual income earned by the trust, regardless of whether it is distributed, shall be considered income to the family at the time it is received by the trust.

(3) Earned income of children under 18 years of age.

(4) Payments received for the care of foster children or foster adults, or State or Tribal kinship or guardianship care payments.

(5) Insurance payments and settlements for personal or property losses, including but not limited to payments through health insurance, motor vehicle insurance, and workers' compensation.

(6) Amounts received by the family that are specifically for, or in reimbursement of, the cost of health and medical care expenses for any family member.

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(7) Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member arising out of law, that resulted in a member of the family becoming disabled.

(8) *Income of a live-in aide*, foster child, or foster adult as defined in §5.403 and §5.603, respectively.

(9) **Student Assistance Type 1** | Any assistance under Title IV, 479B of the Higher Education Act of 1965 (HEA), as amended, is excluded from income.

Student Assistance Type 2 | Student financial assistance for tuition, books, and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and other fees required and charged to a student by an institution of higher education (as defined under Section 102 of the Higher Education Act of 1965) and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

(A) Student financial assistance means a grant or scholarship received from—

- (1) The Federal government
- (2) A State, Tribe, or local government
- (3) A private foundation registered as a 501(c)(3) nonprofit
- (4) A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, a public benefit corporation, or nonprofit entity), or
- (5) An institution of higher education.

(B) Student financial assistance does not include—

- (1) Any assistance that is excluded pursuant to the HEA Title IV, 479B (see above)
- (2) Financial support provided to the student in the form of a fee for services performed (e.g., a work study or teaching fellowship that is not excluded pursuant to the HEA Title IV 479B)
- (3) Gifts, including gifts from family or friends, or
- (4) Any amount of the scholarship or grant that, either by itself or in combination with assistance excluded under this paragraph or the HEA 479B (see above), exceeds the actual covered costs of the student. The actual covered costs of the student are the actual costs of tuition, books, and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, or other fees required and charged to a student by the education institution, and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

(C) Student financial assistance must be expressly:

- (1) for tuition, books, room, and board, or other fees required and charged to a student by the educational institution
- (2) to assist a student with the costs of higher education, or
- (3) to assist a student who is not the head of household or spouse with the reasonable and actual costs of housing while attending the educational institution and not residing in an assisted unit.

(D) Student financial assistance may be paid directly to the student or to the educational institution on the student's behalf. Student financial assistance paid to the student must be verified by the responsible entity as student financial assistance.

(E) When the student is also receiving assistance excluded under HEA Title IV 479B (see above) the amount of student financial assistance that must be counted is determined by adding the HEA 479 B assistance to the other assistance.

- (1) If the amount of the HEA 479B assistance excluded above is equal to or exceeds the actual covered costs, all of the other assistance is counted as income.

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(2) If the amount of HEA 479B assistance excluded above is less than the actual covered costs, the amount of assistance that is considered student financial assistance is the amount by which the actual covered costs exceed both types of student assistance.

(10) Income and distributions from any Coverdell education savings account under section 530 of the Internal Revenue Code of 1986 or any qualified tuition program under section 529 of such Code; and income earned by government contributions to, and distributions from, “baby bond” accounts created, authorized, or funded by Federal, State, or local government.

Note | According to HUD, baby bonds are “money held in trust by the government for children until they are adults” These “are being authorized in various States and localities in an effort to combat the wealth gap and address systemic poverty.”

(11) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

(12) (i) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);

Note | PASS is an SSI provision to help individuals with disabilities return to work.

(ii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (e.g., special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program;

(iii) Amounts received under a resident service stipend, not to exceed \$200 per month. A resident service stipend is a modest amount received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development.

(iv) Incremental earnings and benefits resulting to any family member from participation in training programs funded by HUD or in qualifying Federal, State, Tribal, or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives and are excluded only for the period during which the family member participates in the employment training program unless those amounts are excluded under paragraph (b)(9)(i) of this section.

(13) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.

(14) Earned income of dependent full-time students in excess of the amount of the deduction for a dependent in § 5.611.

(15) Adoption assistance payments for a child in excess of the amount of the deduction for a dependent in § 5.611.

Note | (14) & (15) was \$480 through 2025 but was indexed for inflation annually starting in 2026.

(16) Deferred periodic amounts from Supplemental Security Income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts, or any deferred Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts.

(17) Payments related to aid and attendance under 38 U.S.C. 1521 to veterans in need of regular aid and attendance.

(18) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit.

(19) Payments made by or authorized by a State Medicaid agency (including through a managed care entity) or other State or Federal agency to a family to enable a family member who has a disability to reside in the family's assisted unit. Authorized payments may include payments to a member of the assisted family through the State Medicaid agency (including through a managed care entity) or other

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State or Federal agency for caregiving services the family member provides to enable a family member who has a disability to reside in the family's assisted unit.

(20) Loan proceeds (the net amount disbursed by a lender to or on behalf of a borrower, under the terms of a loan agreement) received by the family or a third party (e.g., proceeds received by the family from a private loan to enable attendance at an educational institution or to finance the purchase of a car).

(21) Payments received by Tribal members as a result of claims relating to the mismanagement of assets held in trust by the United States, to the extent such payments are also excluded from gross income under the Internal Revenue Code or other Federal law.

(22) Amounts that HUD is required by Federal statute to exclude from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that include assistance under any program to which the exclusions set forth in the exclusions in the HUD regulations apply. **HUD will publish a notice in the Federal Register** to identify the benefits that qualify for this exclusion. Updates will be published when necessary.

(23) Replacement housing "gap" payments made in accordance with 49 CFR part 24 that offset increased out-of-pocket costs of displaced persons that move from one federally subsidized housing unit to another Federally subsidized housing unit. Such replacement housing "gap" payments are not excluded from annual income if the increased cost of rent and utilities is subsequently reduced or eliminated, and the displaced person retains or continues to receive the replacement housing "gap" payments.

Note | "Gap" payments are payments made to persons who are displaced by a federally funded program under the Uniform Relocation Act.

(24) **Nonrecurring income**, which is income *that will not be repeated in the coming year* based on information provided by the family. **Income received as an independent contractor, day laborer, or seasonal worker is not excluded** from income under this paragraph, even if the source, date, or amount of the income varies. Nonrecurring income includes:

- Payments from the U.S. Census Bureau for employment (relating to the decennial census or the American Community Survey) lasting no longer than 180 days and not culminating in permanent employment.
- Direct Federal or State payments intended for economic stimulus or recovery.
- Amounts directly received by the family as a result of State refundable tax credits or State tax refunds at the time they are received.
- Amounts directly received by the family as a result of Federal refundable tax credits and Federal tax refunds at the time they are received.
- Gifts for holidays, birthdays, or other significant life events or milestones (e.g., wedding gifts, baby showers, anniversaries).
- 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 or other contest winnings.*

(25) Civil rights settlements or judgments, including settlements or judgments for back pay.

(26) Income received from any account under a retirement plan recognized as such by the Internal Revenue Service, including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals; except that any distribution of periodic payments from such accounts shall be income at the time they are received by the family.

(27) Income earned on amounts placed in a family's Family Self Sufficiency Account.

Note | FSS program enables PHA-assisted families to increase earned income and reduce dependency on welfare and rental assistance. Goals are set that a family must meet to graduate. The PHA establishes an interest-bearing escrow account for the family. increases in the family's rent because earned income increases results in a credit to the family's escrow account. Once a family graduates, they may access and use the escrow or any purpose.

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(28) Gross income a family member receives through self-employment or operation of a business; except that the following shall be considered income to a family member:

- Net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations; and
- Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.



Running Count There are 28 HOTMA exclusions from family income

What is excluded from family income | Part 2 (Other Federal laws)

[See (21) and (22) above] Excluded are certain tribal settlement and “amounts that HUD is required by Federal statute to exclude from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in paragraph (b) of this section apply. HUD will publish a notice in the Federal Register to identify the benefits that qualify for this exclusion. Updates will be published when necessary”. The list will include, at a minimum, updates made by HUD since the publication of Exhibit 5-1 in the 2013 Change 4 to the HUD Handbook 4350.3. Below is this updated list.

24 CFR 5.609(b) and (c) (updated on 1/31/2024) | Other Federal Exclusions [2024]

(1) The value of the allotment provided to an eligible household under the Food Stamp Act of 1977 (7 U.S.C. 2017(b)). ***This exclusion also applies to assets.***

(2) Payments, including for supportive services and reimbursement of out-of-pocket expenses, for volunteers under the Domestic Volunteer Service Act of 1973 (42 U.S.C. 5044(f)(1), 42 U.S.C. 5058), are excluded from income except that the exclusion shall not apply in the case of such payments when the Chief Executive Officer of the Corporation for National and Community Service appointed under 42 U.S.C. 12651c determines that the value of all such payments, adjusted to reflect the number of hours such volunteers are serving, is equivalent to or greater than the minimum wage then in effect under the Fair Labor Standards Act of 1938 (29 U.S.C. 201 et seq.) or the minimum wage, under the laws of the State where such volunteers are serving, whichever is the greater (42 U.S.C. 5044(f)(1)). ***This exclusion also applies to assets.***

Note | This corrects an exception to payments, including for supportive services and reimbursement of out-of-pocket expenses, for volunteers under the Domestic Volunteer Service Act of 1973.

(3) Certain payments received under the Alaska Native Claims Settlement Act (43 U.S.C. 1626(c)). ***This exclusion also applies to assets.***

(4) Income derived from certain submarginal land of the United States that is held in trust for certain Indian tribes (25 U.S.C. 5506). ***This exclusion also applies to assets.***

(5) Payments or allowances made under the Department of Health and Human Services’ Low-Income Home Energy Assistance Program (42 U.S.C. 8624(f)(1)). ***This exclusion also applies to assets.***

(6) Income derived from the disposition of funds to the Grand River Band of Ottawa Indians (Pub. L. 94–540, section 6). ***This exclusion also applies to assets.***

(7) The first \$2000 of per capita shares received from judgment funds awarded by the National Indian Gaming Commission or the U.S. Claims Court, the interests of individual Indians in trust or restricted lands, and the first \$2000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands. This exclusion does not include proceeds of gaming operations regulated by the Commission (25 U.S.C. 1407–1408). ***This exclusion also applies to assets.***

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(8) Amounts of student financial assistance funded under title IV of the Higher Education Act of 1965 (20 U.S.C.1070), including awards under Federal work-study programs or under the Bureau of Indian Affairs student assistance programs (20 U.S.C. 1087uu).

For section 8 programs only (42 U.S.C. 1437f), any financial assistance in excess of amounts received by an individual for tuition and any other required fees and charges under the Higher Education Act of 1965 (20 U.S.C. 1001 et seq.), from private sources, or an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall not be considered income to that individual if the individual is over the age of 23 with dependent children (Pub. L. 109–115, section 327) (as amended)

(9) Payments received from programs funded under Title V of the Older Americans Act of 1965 (42 U.S.C. 3056g).

(10) Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund (Pub. L. 101–201) or any other fund established pursuant to the settlement in In Re Agent Orange Product Liability Litigation, M.D.L. No. 381 (E.D.N.Y.). *This exclusion also applies to assets.*

(11) Payments received under the Maine Indian Claims Settlement Act of 1980 (Pub. L. 96–420 section 9(c)). *This exclusion also applies to assets.*

(12) The value of any childcare provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Childcare and Development Block Grant Act of 1990 (42 U.S.C. 9858q).

(13) Earned income tax credit (EITC) refund payments received on or after January 1, 1991, for programs administered under the United States Housing Act of 1937, title V of the Housing Act of 1949, section 101 of the Housing and Urban Development Act of 1965, and sections 221(d)(3), 235, and 236 of the National Housing Act (26 U.S.C. 32(l)). *This exclusion also applies to assets.* Please note: While this income exclusion addresses EITC refund payments for certain HUD programs, the exclusion in 26 U.S.C. 6409 excludes Federal tax refunds more broadly for any Federal program or under any State or local program financed in whole or in part with Federal fund.

Note | This is a provision that applies only to specific HUD programs.

(14) The amount of any refund (or advance payment with respect to a refundable credit) issued under the Internal Revenue Code is *excluded from income and assets* for a period of 12 months from receipt (26 U.S.C. 6409).

Note | This adds the amount of any refund (or advance payment for a refundable credit) issued under the Internal Revenue Code is excluded from income and assets for 12 months from receipt.

(15) Payments by the Indian Claims Commission to the Confederated Tribes and Bands of the Yakima Indian Nation or the Apache Tribe of the Mescalero Reservation (Pub. L. 95–433 section 2). *This exclusion also applies to assets.*

(16) Allowances, earnings and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 U.S.C. 12637(d)).

(17) Any allowance paid to children of Vietnam veterans born with spina bifida (38 U.S.C. 1802–05), children of women Vietnam veterans born with certain birth defects (38 U.S.C. 1811–16), and children of certain Korean and Thailand service veterans born with spina bifida (38 U.S.C. 1821–22) is *excluded from income and assets* (38 U.S.C. 1833(c)).

Note | This adds allowance paid to children of certain Thailand service veterans born with spina bifida.

(18) Any amount of crime victim compensation that provides medical or other assistance (or payment or reimbursement of the cost of such assistance) under the Victims of Crime Act of 1984 received through a crime victim assistance program, unless the total amount of assistance that the applicant receives from all such programs is sufficient to fully compensate the applicant for losses suffered as a result of the crime (34 U.S.C. 20102(c)). *This exclusion also applies to assets.*

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(19) Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998 reauthorized as the Workforce Innovation and Opportunity Act of 2014 (29 U.S.C. 3241(a)(2)).

(20) Any amount received under the Richard B. Russell School Lunch Act (42 U.S.C. 1760(e)) and the Child Nutrition Act of 1966 (42 U.S.C. 1780(b)), including reduced-price lunches and food under the Special Supplemental Food Program for Women, Infants, and Children (WIC). *This also applies to assets.*

(21) Payments, funds, or distributions authorized, established, or directed by the Seneca Nation Settlement Act of 1990 (Pub. L. 101–503 section 8(b)). *This exclusion also applies to assets.*

(22) Payments from any deferred U.S. Department of Veterans Affairs disability benefits that are received in a lump sum amount or in prospective monthly amounts (42 U.S.C. 1437a(b)(4));

(23) Any amounts (i) not actually received by the family, (ii) that would be eligible for exclusion under 42 U.S.C. 1382b(a)(7), and (iii) received for service-connected disability under 38 U.S.C. chapter 11 or dependency and indemnity compensation under 38 U.S.C. chapter 13 (25 U.S.C. 4103(9)(C)) as provided by an amendment by the Indian Veterans Housing Opportunity Act of 2010 (Pub. L. 111–269 section 2) to the definition of income applicable to programs under the Native American Housing Assistance and Self Determination Act (NAHASDA) (25 U.S.C. 4101 et seq.)

Note | This corrects the exclusion of income applicable to programs under the Native American Housing Assistance and Self Determination Act (NAHASDA) to more accurately capture the language of 25 U.S.C. 4103(9). This is a provision that applies only to specific HUD programs.

(24) A lump sum or a periodic payment received by an individual Indian pursuant to the Class Action Settlement Agreement in the case entitled *Elouise Cobell et al. v. Ken Salazar et al.*, 816 F.Supp.2d 10 (Oct. 5, 2011 D.D.C.), for a period of one year from the time of receipt of that payment as provided in the Claims Resolution Act of 2010 (Pub. L. 111–291 section 101(f)(2)). *This exclusion also applies to assets.*

(25) Any amounts in an “individual development account” are *excluded from assets* and any assistance, benefit, or amounts earned by or provided to the individual development account are *excluded from income*, as provided by the Assets for Independence Act, as amended (42 U.S.C. 604(h)(4)).

Note | This corrects that any assistance, benefit, or amounts earned by or provided to the individual development account are excluded from income, as provided by the Assets for Independence Act, as amended.

(26) Per capita payments made from the proceeds of Indian Tribal Trust Settlements listed in IRS Notice 2013–1 and 2013–55 must be *excluded from annual income* unless the per capita payments exceed the amount of the original Tribal Trust Settlement proceeds and are made from a Tribe’s private bank account in which the Tribe has deposited the settlement proceeds. Such amounts received in excess of the Tribal Trust Settlement are included in the gross income of the members of the Tribe receiving the per capita payments as described in IRS Notice 2013–1. The first \$2,000 of per capita payments are also *excluded from assets* unless the per capita payments exceed the amount of the original Tribal Trust Settlement proceeds and are made from a Tribe’s private bank account in which the Tribe has deposited the settlement proceeds (25 U.S.C. 117b(a), 25 U.S.C. 1407).

Note | This corrects that the first \$2,000 of per capita payments are also excluded from assets unless the per capita payments exceed the amount of the original Tribal Trust Settlement proceeds and are made from a Tribe’s private bank account in which the Tribe has deposited the settlement proceeds.

(27) Federal assistance for a major disaster or emergency received by individuals and families under the Robert T. Stafford Disaster Relief and Emergency Assistance Act (Pub. L. 93–288, as amended) and comparable disaster assistance provided by States, local governments, and disaster assistance organizations (42 U.S.C. 5155(d)). This exclusion *also applies to assets.*

(28) Any amount in an Achieving Better Life Experience (ABLE) account, distributions from and certain contributions to an ABLE account established under the ABLE Act of 2014 (Pub. L. 113–295.), as described

Housing Compliance Workshop 2026

in Notice PIH 2019–09/H 2019–06 or subsequent or superseding notice is *excluded from income and assets*.

Note | This adds the value of, distributions from, and certain contributions to Achieving Better Life Experience (ABLE) accounts established under the ABLE Act of 2014.

(29) Assistance received by a household under the Emergency Rental Assistance Program pursuant to the Consolidated Appropriations Act, 2021 (Pub. L. 116–260, section 501(j)), and the American Rescue Plan Act of 2021.

Note | This adds assistance received by a family from payments made under the Emergency Rental Assistance Program under the Consolidated Appropriations Act, 2021, and the American Rescue Plan Act of 2021.

End HOTMA and Other Federally Excluded List



Running Count There are 29 other federal law exclusions from family income
[57 total, with HOTMA]

Exercise

Is it excluded? Income Edition

Indicate if an income source is excluded below.

If an item is excluded, write where you find the exclusion.

- Yes No | TANF [TANF] _____
- Yes No | Foster assistance payments _____
- Yes No | Aid and attendance for a survivor of a veteran _____
- Yes No | Food stamps _____
- Yes No | MA Benefit card deposits _____
- Yes No | Earned income for minors _____
- Yes No | Earned income for adult dependent FT students _____
- Yes No | Earned income for medical or other health workers _____
- Yes No | Income earned by IRS-recognized retirement accounts _____

What is excluded from family income | Part 3 (HUD Updates)

Details | Specific Income Sources

ABLE Accounts

24 CFR § 5.609(b)(22) & 24 CFR § 5.603 definition “Net Family Assets” (b)(6) 2024 | Notice H 2019–06/PIH 2019–09 | Implementation Notice G.7.

The **Achieving Better Life Experience (ABLE) Act** was signed into law on December 19, 2014. ABLE allows States to establish and maintain a program under which contributions may be made to a tax-advantaged ABLE savings account to provide for the qualified disability expenses of the designated beneficiary of the account. The designated beneficiary must be a person with disabilities, whose disability began before their 26th birthday, and who meets the statutory eligibility requirements. Since the HUD Handbook 4350.3 was last revised with Change-4 in 2013, it does not address ABLE accounts. However, the HOTMA HUD regulation lists ABLE accounts among excluded assets. Additionally, one of the exclusions (24 CFR 5.609(a)(22)) excludes from income all amounts that are specifically excluded by other federal laws applicable to HUD programs. In Notice HUD-H-2019-06, HUD instructed that, given that the ABLE Act creates a federally mandated exclusion for ABLE accounts in determining a household’s income, HUD will also exclude the interest on the ABLE account, whether actual income or imputed asset income. This means that both the value and income from ABLE accounts are excluded from HUD income determinations.

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Exercise

ABLE Accounts – Income and Assets?

Kelly has wages deposited into an ABLE account. He chooses to put some additional wage money into the account. His employer contributes additional funds. Relatives provide a recurring gift of \$500/month to Gordy and also deposit \$200/month in the ABLE Account.

The wage income is **counted | not counted**.

The employer contributions to the ABLE account are **income | not income**.

The ABLE account **is | is not** an asset.

Withdrawals **are | are not** income.

The direct gift income **is | is not** income

The deposits to the ABLE account **are | are not** income.

VA Benefits for VASH Recipients

Revenue Procedure 2024-38

The HUD-VASH program combines HUD's Housing Choice rental assistance with case management and clinical services provided by the Department of Veterans Affairs (VA) to assist veterans experiencing homelessness. That program is administered by local public housing agencies (PHAs) that have partnered with local VA medical facilities or other entities designated by the VA. A HUD-VASH Notice provides new requirements for determining the income eligibility of HUD-VASH applicants who receive VA service-connected disability benefits. In particular, the Notice seeks to ensure disabled veterans' opportunity to reside in HUD-VASH project-based-voucher housing, located either on the site of a VA facility or where HUD-VASH supportive services are provided on-site at the housing. To achieve these goals, HUD is establishing new requirements for determining income for eligibility for HUD-VASH. Specifically, for HUD-VASH applicants receiving VA service-connected disability benefits, HUD is waiving the usual rule that annual income includes all amounts not specifically excluded in 24 CFR 5.609(b). As an alternative requirement, the PHA must determine the HUD-VASH applicant's annual income by excluding all VA service-connected disability benefits received by the applicant and also the usual HUD income exclusions. This applied to income determinations for this revenue procedure may be applied to income determinations on or after October 24, 2024.

Medicare Advantage Accounts

In an FAQ published after HOTMA, HUD informed stakeholders about how to handle Medicare Advantage benefits.

What are MA benefits? Medicare Advantage (MA) health plans cover *Hospital Insurance* (Medicare Part A), *Medical Insurance* (Part B), *Drug Coverage* (Part D), and may include *supplemental benefits*. These plans are offered by private companies that contract with Medicare and are regulated by the government. There are several types of MA plans.

MA supplemental benefits must either be "primarily health-related," or qualify as special supplemental benefits for the chronically ill. The eligibility criteria for the chronically-ill vary by plan, but the benefits must have a reasonable expectation of improving or maintaining the health or overall function of the chronically ill person. These can include assistance that is clearly directly related to medical costs, like dental coverage or non-prescription medicines. However, they can also provide other assistance, such as help with meals or non-medical transportation costs.

Are MA supplemental benefits included in family income? As explained in recent HOTMA implementation guidance, HUD requires that benefits or supports received that can be used for paying rent and utilities, unless specifically excluded in HUD regulations, are counted in family income. This may include some support that may be provided through an MA Plan. Of course, amounts received to reimburse health and medical costs are excluded under HUD regs. After HUD considered how MA benefits are used, it determined that when enrollees use supplemental benefits from their MA Plans to pay for rent and utilities the support is included in family income determinations. **All other MA benefits not used for rent or utilities are excluded as income.**

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Exercise

Medicare Advantage Benefits

A family receives a \$200 Flex Card monthly and uses \$150 for expenses but none towards rent and utilities. The card loses the remaining benefit each month or at the end of the year. How much of the benefits are counted as income?

What needs to be verified? An application or recertification questionnaire should ask if any benefits received from MA supplemental benefits are used by the family to pay rent or utilities. Unless the household answers "yes", the assumption can be that the benefits are not counted. If a family reports that they do receive MA benefits to help pay for rent and utilities, owners/agents must attempt to collect third-party documentation of the expenses and may accept the self-certification of the family member when third-party documentation is unavailable.

According to the HUD FAQ, the vast majority of MA supplemental benefits will be excluded from income determinations, and thus they do not need to be verified when the family reports that no benefits are used to pay rent or utilities. This includes benefits on Flex Cards that are used for **anything** other than rent and utilities. MA benefits administered through Flex Cards should be excluded from income without additional documentation unless available information (primarily the answer to the rent and utility MA benefit question supplied by the family) indicates that the beneficiary is using the benefit for rent and utilities.

HUD says that owners/agents should be aware that Medicare beneficiaries often receive benefits administered through Flex Cards in normal commercial transactions, such as using the card when checking out at the grocery store, purchasing a specialized food item recommended by their physician, or paying for over-the-counter medication. Applicants and tenants are not expected to keep records of all purchases made. They also probably do not have easy access to such records from vendors administering the benefits through Flex Cards. Because only supplemental benefits for rent and utilities are relevant for income determinations, **housing providers should generally assume that benefits administered through Flex Cards have not been used to pay for rent and utilities** unless the housing provider has information to suggest otherwise, or the beneficiary has indicated that they receive and have used (or will use) the supplemental benefit for rent and utilities.



Final Count *There are 3 additional HUD exclusions from family income IGO total, with HOTMA and other federal laws!*

Common Income Details

Employment

4350.3 5-5, Exhibit 5-1

"The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services."

A minimum of two pay stubs is required if they are used to verify income.



Audit Tip

4350.3 5-5 B

How to Annualize Wages

For full-time employment, multiply by the following:

40 hours a week, hourly pay by	2,080
Weekly wages	52
Bi-weekly wages	26
Semi-monthly wages	24
Monthly wages	12
Annual salary	1

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Income Exclusions Table

Category	Exclusion	CFR	Description
Other	Federally Mandated Income Exclusions	24 CFR 5.609(b)(22)	Amounts that must be excluded by federal statute. HUD will publish a Federal Register notice that includes the qualifying benefits.
Assets	Imputed Income from Assets	24 CFR 5.609(b)(1)	Any imputed return on an asset when net family assets total \$50,000 (adjusted annually) or less and no actual income from the net family assets can be determined.
Non-recurring income	Non-recurring income	24 CFR 5.609(b)(24)	Income that will not be repeated in the coming year based on information provided by the family.
Self-employment	Gross Self-employment Income	24 CFR 5.609(b)(28)	Gross income received through self-employment or operation of a business
Dependents	Minors (children under the age of 18 years)	24 CFR 5.609(b)(3)	All earned income of all children under the age of 18, including foster children.
Dependents	Adoption assistance payments	24 CFR 5.609(b)(15)	Adoption assistance payments for a child in excess of the amount of the dependent deduction.
Students	Earned Income of Dependent Students	24 CFR 5.609(b)(14)	Earned income of dependent full-time students in excess of the amount of the dependent deduction.
Students	Title IV HEA Assistance	24 CFR 5.609(b)(9)(i)	Any assistance that Section 479B of the Higher Education Act (HEA) of 1965, as amended, requires to be excluded from a family's income.
Students	Other Student Financial Assistance	24 CFR 5.609(b)(9)(ii)	Student financial assistance, not excluded under the HEA, for actual covered costs of higher education.
Students	Educational Savings Account	24 CFR 5.609(b)(10)	Income and distributions from any Coverdell educational savings account or any qualified tuition program under IRS section 530 or any qualified tuition program under section 529.
Baby bonds	Baby bonds	24 CFR 5.609(b)(10)	Income earned by government contributions to, or distributions from, 'baby bond' accounts created, authorized or funded by federal, state or local government.
Foster children / adults	Payments for Foster Children / Adults	24 CFR 5.609(b)(4)	Payments received for the care of foster children or adults, including State kinship, guardianship care payments, or tribal kinship payments.
Foster children / adults	Income of foster children / adults	24 CFR 5.609(b)(8)	Income of a live-in aide, foster child, or foster adult as defined in 24 CFR 5.403 and 5.603.
Live-in Aide	Income of a Live-in Aide	24 CFR 5.609(b)(8)	Income of a live-in aide, foster child, or foster adult.
People with Disabilities	ABLE accounts	24 CFR 5.609(b)(22)	Will be included in federally mandated excluded amounts. Notice PIH 2019-09/H-2019-06 details when ABLE account income is excluded.
People with Disabilities	State Payments to Allow Individuals with Disabilities to Live at Home	24 CFR 5.609(b)(19)	Payment made by an authorized by a state Medicaid managed care system or other state agency to a family to enable a family member to live in the family's assisted unit.
People with Disabilities	Plan to Attain Self-Sufficiency (PASS)	24 CFR 5.609(b)(12)(i)	Amounts set aside for use under a Plan to Attain Self-Sufficiency (PASS).
People with Disabilities	Reimbursements for Health and Medical Care Expenses	24 CFR 5.609(b)(6)	Amounts for, or in reimbursement of, health and medical care expenses for any family member.

(continued)

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Category	Exclusion	CFR	Description
Trusts	Trust distributions	24 CFR 5.609(b)(2)	Any distributions of a trust's principal are excluded. PHAs and owners must count any distributions of income from an irrevocable trust or a trust not under the control of the family (e.g., distributions of earned interest) as income to the family with the expectation of distributions used to pay the health and medical care expenses of a minor.
Insurance	Insurance payments and settlements for personal or property loss	24 CFR 5.609(b)(5)	Insurance payments and settlements for personal or property loss including, but not limited to: payments through health insurance, motor vehicle insurance, and workers' compensation.
Retirement	Retirement plan	24 CFR 5.609(b)(26)	Income received from any account under an IRS-recognized retirement plan. However, periodic payments are income at the time of receipt.
Military	Hostile fire special payment	24 CFR 5.609(b)(11)	The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
Veterans	Veterans aid and attendance payments	24 CFR 5.609(b)(17)	Payments related to aid and attendance for veterans under 38 U.S.C. 1521.
Lawsuits	Lawsuit Settlements	24 CFR 5.609(b)(7)	Amounts recovered in a civil action or settlement based on malpractice, negligence and other breach of duty claim resulting in a family member becoming disabled.
Lawsuits	Reparations for Persecution	24 CFR 5.609(b)(13)	Reparation payments paid by a foreign government for claims by people persecuted during the Nazi era.
Lawsuits	Tribal Claims Payments	24 CFR 5.609(b)(21)	Payments received by tribal members from claims relating to the mismanagement of assets held in trust by the United States.
Lawsuits	Lawsuits related to civil rights	24 CFR 5.609(b)(25)	Civil rights settlements or judgments, including settlements or judgments for back pay.
Reimbursements	Reimbursements from publicly assisted programs	24 CFR 5.609(b)(12)(ii)	Amounts received by a participant in other publicly assisted programs for or in reimbursement of expenses to allow program participation (e.g., special equipment, clothing, transportation, child care, etc.).
Resident Services Stipend	Resident Services Stipend	24 CFR 5.609(b)(12)(iii)	Resident service stipends of \$200 or less per month for performing a part-time service for the PHA that enhances the quality of life in the development.
Employment training programs	Employment training programs	24 CFR 5.609(b)(12)(iv)	Incremental earnings and benefits from training programs HUD and qualifying employment training programs and training of a family member as resident management staff.
FSS	Family Self Sufficiency Account	24 CFR 5.609(b)(27)	Income earned on amounts placed in a family's FSS account.
Housing gap payments	Housing "gap" payments	24 CFR 5.609(b)(23)	Replacement housing "gap" payments to offset increased rent and utility costs to families displaced from one federally subsidized housing unit and another.
Benefits	Deferred Supplemental Security Income, SS income and benefits, or VA disability benefits	24 CFR 5.609(b)(16)	Deferred periodic amounts from: SSI, Supplemental Security Income and benefits or VA disability benefits that are received in a lump sum or prospective monthly amounts.
Property tax rebates	Property Tax Rebates	24 CFR 5.609(b)(18)	Refunds or rebates under state or local law for property taxes paid on the dwelling unit.
Loans	Loan Proceeds	24 CFR 5.609(b)(20)	The net amount disbursed by a lender to a borrower or a third party (e.g., educational institution or car dealership).

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“Sporadic” vs. “Nonrecurring” Income

4350.3 5-5 C Example Sporadic work | HOTMA Implementation Notice G.1.

“Temporary, nonrecurring, and sporadic income” was excluded by HUD in the past. This has been replaced with a narrower exclusion for “nonrecurring” income only.

“Nonrecurring” income will not be repeated beyond the coming year (the 12 months following the effective date of the certification) and is excluded from annual income. However, income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under § 5.609(b)(24), even if the source, date, or amount of the income varies.”

“Income that has a discrete end date and will not be repeated beyond the coming year during the family’s upcoming annual reexamination period will be excluded from a family’s annual income as nonrecurring income. This does not include unemployment income and other types of periodic payments that are received at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that can be extended.

“Income amounts excluded under this category may include, but are not limited to, nonrecurring payments made to the family or to a third party on behalf of the family to assist with utilities, eviction prevention, security deposits to secure housing, payments for participation in research studies depending on the duration, and general one-time payments received by or on behalf of the family.”

Knowledge Check

Is It Nonrecurring Income?

HOTMA Implementation Notice | Example G1

Fill in each blank with “included in” or “excluded from.”

Scenario A | Earned income _____ annual income.

Justin Clark worked for four months over the past year for a company that *has since gone out of business*. During the Clark family’s interview, the Owner asks Justin whether he expects to work for the company again in the coming year. Justin provides proof that the company went out of business.

Scenario B | Earned income _____ annual income.

Ana Johnson works as an independent information technology (IT) contractor during various times of the year, when her clients require additional IT contract support. Ana believes that she will be contracted again the following year based on discussions with her clients.

Scenario C | Guaranteed Basic Income (GBI) _____ annual income.

Lucretia Jones reports at her upcoming annual reexamination effective on 5/1/24 that her GBI program will be ending on 1/31/25. The PHA/MFH Owner excludes this income because the programs will stop before the next annual reexamination on 5/1/25.

Scenario D | 2024 Research stipend _____ annual income.

2025 Research stipend _____ annual income.

Lillian Gonzalez reports for a cert effective on 5/1/24 that she receives monthly payments for participation in a research project that is expected to last for 18 months and will end on 9/30/25.



Housing Compliance Workshop 2026



Ready...Set...Audit!

Family | Tennant
Topic | Employment II

Below are an employment offer letter and UIV that Pierre provides for his job as a lifeguard.

Calculations:



Sample City Aquatic Center
 Employment Offer Letter — Lifeguard (Student Position)

March 30, 2026

To: Pierre McDonald
 425 Ramson St.
 Sample City, ST 99958

Dear Pierre:

We are pleased to offer you part-time employment with the Sample City Aquatic Center as a Lifeguard. This offer is contingent upon completion of required lifeguard certification, orientation, and work authorization.

Rate of Pay: \$14.00 per hour Pay Frequency: Weekly
 Anticipated Start Date: April 4, 2026

Season Definitions:
 Off-Season (September–April): up to 10–12 hours per week maximum
 Summer Season (May–August): up to 30–35 hours per week maximum

Sincerely,
 Jordan Reyes
 Aquatics Supervisor

I hereby accept this position under the terms described above.

Signature: *Pierre McDonald* Date: 03/30/2026
 Signature: *Janet Tennant* Janet Tennant

WageScope
 Employment & Earnings Verification Network

EMPLOYMENT & EARNINGS VERIFICATION

ORDER DETAILS

Verification ID: WS-44721-9382 Employer Code: 993482
 Date Generated: 06/10/2026 Permissible Purpose: Housing Verification

EMPLOYMENT INFORMATION

Employee: Pierre McDonald
 SSN: ***-**-4821
 Employer: City of Sample City — Parks & Recreation (Aquatic Center)
 Job Title: Lifeguard
 Hire Date: 04/04/2026
 Status: Active — Part-Time Seasonal
 Pay Rate: \$14.00/hr Frequency: Weekly Avg Hours: 14/week
 Current YTD Gross: \$1,778.00 Prior Year: \$0.00

EARNINGS DETAIL

Pay Date	Period Begin	Period End	Hours	Gross	YTD
04/18/2026	04/04/2026	04/10/2026	8	\$112.00	\$112.00
04/25/2026	04/11/2026	04/17/2026	10	\$140.00	\$252.00
05/02/2026	04/18/2026	04/24/2026	9	\$126.00	\$378.00
05/09/2026	04/25/2026	05/01/2026	12	\$168.00	\$546.00
05/16/2026	05/02/2026	05/08/2026	12	\$168.00	\$714.00
05/23/2026	05/09/2026	05/15/2026	14	\$196.00	\$910.00
05/30/2026	05/16/2026	05/22/2026	18	\$252.00	\$1,162.00
06/06/2026	05/23/2026	05/29/2026	20	\$280.00	\$1,442.00
06/13/2026	05/30/2026	06/05/2026	24	\$336.00	\$1,778.00

Housing Compliance Workshop 2026

Self-Employment

24 CFR 5.609(b)28 4350.3 5-6 H, Exhibit 5-1, Appendix 3, 8823 Guide 4-7 to 4-8 and 4-12 to 4-13

The NET income from the operation of a business or profession is income. Expenditures for business expansion or amortization of capital indebtedness are not used as deductions in determining net income. Depreciation may be deducted based on straight-line depreciation, as provided in the IRS regulations. Withdrawals of cash or assets are also included in income.

The IRS gives us a hint that the tenants can complete a blank Schedule C and provide supporting documentation if they have not filed a tax return. Owners can use this to annualize income.

How to Verify Self-Employment Income

- Form 1040 (tax return)
- Financial statement(s) and signed statements from the business owner.
- Completed IRS 1040 Schedules C, E or F

C = Business Income

E = Rental Income

F = Farm Income



Audit Tip

How to Read a Schedule C

CAUTION! Business income line items that can affect calculations

If this is a new business, this box is checked, and the income on the return may reflect a partial year. Calculate accordingly.

Depreciation must be calculated on a straight line basis. If it is not, the business owner must supply calculations completed as if depreciation were claimed on a straight line basis.

Wages or contract labor paid to someone in the household may need to be included as employment income. If these are paid to persons outside the unit, this is not an issue.

Business losses do not offset other household income and should be counted as \$0

Housing Compliance Workshop 2026



Ready...Set...Audit!

Family | Tennant
Topic | Self-Employment (gig)

Below is the information Beau provides for his gig job as a rideshare driver.

Calculations:





Tax Summary

Year-to-Date through May 2026
1/01/2026 – 5/31/2026

NOT AN OFFICIAL INVOICE OR TAX DOCUMENT

Beau McDonald

Earnings Summary	
Gross Trip Earnings:	\$15,295.50
Tips:	\$1,225.00
Promotions:	\$1,945.00
Total Gross Earnings: \$18,465.50	
Service Fees: -\$4,704.55	
Booking Fees & Other: -\$878.20	
Total Driverly Fees: -\$5,582.75	
Net Payout: \$12,882.75	

Driving & Mileage	
Total Rides:	1,015
Online Miles:	12,350 miles



IRS sets 2026 business standard mileage rate at 72.5 cents per mile, up 2.5 cents

IR-3025-126, Dec. 29, 2025

WASHINGTON — The Internal Revenue Service today announced that the optional standard mileage rate for business use of automobiles will increase by 2.5 cents in 2026, while the mileage rate for vehicles used for medical purposes will decrease by half a cent. Inflation-unrelated cost data and annual inflation adjustments.

Housing Compliance Workshop 2026

Ready...Set...Audit!

Family | Tennant
Topic | Self-Employment (small business)

Below is the information Samwise provides for his lawncare business.

Calculations:



Cash Jobs Log – April 2026

4/2 Rock Removal	\$40
4/5 Lawn Mowing ✓	\$62
4/6 Lawn Mowing	\$62
4/7 Pool Skimming ✓	\$35
4/10 Pool Skimming ✓	\$35
4/11 Lawn Mowing ✓	\$62
4/12 Touch Up Paint on Fence ✓	\$20
4/19 Pool Skimming ✓	\$35
4/20 Lawn Mowing	\$62
4/26 Lawn Mowing	\$62
4/22 Pool Skimming	\$35
4/29 Lawn Mowing ✓	\$62
<hr/>	
Subtotal:	\$1,071
Less: Gasoline:	-\$25
<hr/>	
Monthly Total:	\$1,046

Cash Jobs Log – May 2026

5/1 Lawn Mowing	\$65
5/2 Lawn Mowing ✓	\$65
5/3 Pool Skimming	\$35
5/4 Pool Skimming	\$35
5/8 Lawn Mowing ✓	\$65
5/9 Pool Skimming ✓	\$35
5/10 Lawn Mowing ✓	\$62
5/11 Rock Removal ✓	\$50
5/15 Pool Skimming	\$35
5/16 Touch Up Paint on Fence ✓	\$15
5/22 Lawn Mowing ✓	\$65
5/23 Pool Skimming ✓	\$35
5/24 Lawn Mowing ✓	\$65
5/30 Pool Skimming ✓	\$65
5/31 Lawn Mowing	\$65
<hr/>	
Subtotal:	\$1,065
Less: Gasoline:	-\$25
<hr/>	
Monthly Total:	\$1,040

April 19, 2026

GasNGuzzle
 1234 Main St., Sample C058
 (555) 123-4567

04/19/26 3:32 PM Pump # 3
 Receipt # 6829

Regular	Regular
Unit Price:	\$3.85 gallons
Subtotal:	\$23.56
<hr/>	
Total:	\$25.00

Debit Visa **1234
 Approval: 730216

Thank you for your purchase.
 No refunds. See store for details.
 Customer copy

May 16, 2026

GasNGuzzle
 1234 Main St., Sample C058
 (555) 123-4567

05/16/26 12:01 PM Pump # 5
 Receipt # 7255

Regular	Regular
Unit Price:	\$4.19 gallons
Subtotal:	\$23.88
<hr/>	
Tax:	\$25.00

Debit Visa **1234
 Approval: 84C934

Thank you for your purchase.
 No refunds. See store for details.
 Customer copy



Housing Compliance Workshop 2026

Other Support – Gifts, Child Support or Alimony

4350.3 5-6 F, Exhibit 5-1

Gift income includes regular contributions to the family received from organizations or from people not residing with the family. This includes amounts paid for bills that would normally be considered a family expense. In-kind donations from a food bank or similar organization are not counted.

All periodic cash and non-cash contributions to the family are income **EXCEPT**:

- Groceries given to the family (**NOT** the money to buy groceries)
- Childcare paid **directly** to the care provider for children in the family.
- Reimbursements for medical expenses.

Only the amounts **received** for alimony or child support are counted, based on information provided by the family. A court order is only useful if a family reports that they are receiving the court-ordered amount. The court-ordered amount is no longer a determining factor.

Retirement Accounts

4350.3 5-6 P, 5-6 L 2, 5-7 G 2 & Exhibit 5-2 A 5 to A 6

The value of any account under a retirement plan recognized as such by the Internal Revenue Service is excluded from assets. This includes individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals (including accounts previously referred to as KEOGH accounts). **Periodic withdrawals** from these accounts are counted as income.



Audit Tip

Checklist | IRS-Recognized Retirement Accounts

According to [IRS.gov](https://www.irs.gov)

- Individual Retirement Arrangements (IRAs)
- Roth IRAs
- 401(k) Plans
- SIMPLE 401(k) Plans
- 403(b) Plans
- SIMPLE IRA Plans (Savings Incentive Match Plans for Employees)
- SEP Plans (Simplified Employee Pension)
- SARSEP Plans (Salary Reduction Simplified Employee Pension)
- Payroll Deduction IRAs
- Profit-Sharing Plans
- Defined Benefit Plans
- Money Purchase Plans
- Employee Stock Ownership Plans (ESOPs)
- Governmental Plans
- 457 Plans
- Multiple Employer Plans

Notes

- Some accounts previously treated as “retirement accounts” under HUD’s rules may not be treated as above. This includes annuities and other similar financial vehicles.
- Some assets that are usually counted may be part of IRS-recognized retirement accounts, such as stocks, mutual funds, and certificates of deposits.

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Ready...Set...Audit!

Family | Tennant Topic | Benefit Income

Janet provides the following documents she received from the state HHS. They receive the money to keep Crystal and Janet's mother in their homes.

Calculations:

State Department of Health & Community Support Services

Office of Long-Term Services and Supports

1250 Community Care Boulevard
Sample City, ST 99958

May 15, 2026

RE: Authorization of Home-Based Support Services (HCBS)

Participant: Crystal Tennant

Date of Birth: August 15, 2019

Dear Ms. Tennant:

The State Department of Health & Community Support Services has approved Home and Community-Based Services (HCBS) for Crystal Tennant, based on her disability determination and level-of-care needs.

Crystal qualifies under the State's Children's Disability Home Support option, a program pathway in which parental income is not determinative of eligibility in the same manner as standard Medicaid coverage categories.

Authorized Services (Estimated Monthly Value):

- In-Home Attendant Care / Support — \$1,950.00
- Respite Care Services — \$300.00
- Service Coordination / Case Management — \$150.00

Total Estimated Monthly Support Amount: \$2,400.00 per month

Effective Date: May 1, 2026

Review Date: April 30, 2027

Payments for approved services are made through State-contracted providers and are not issued as unrestricted cash assistance.

Sincerely,

Elena Martinez
HCBS Program Eligibility Specialist

DEPARTMENT OF HEALTH • OFFICIAL DOCUMENT
STATE COMMUNITY SUPPORT SERVICES

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STATE DEPARTMENT OF HEALTH & COMMUNITY SUPPORT SERVICES

Family Caregiver Support Division
1250 Community Care Boulevard
Sample City, ST 99958

May 15, 2026

RE: Family Caregiver Support Payment Authorization
Care Recipient: Marlene McDonald (separate household)
Date of Birth: October 2, 1956

Dear Ms. Janet Tennant:

The State Department of Health & Community Support Services has approved a Family Caregiver Support Payment associated with care provided to Marlene McDonald.

Eligibility for this support is based on the care recipient's medical need and financial circumstances, and is evaluated independently of the caregiver's household income.

Approved Support Type: Structured Family Caregiving Assistance
Authorized Payment Amount: \$850.00 per month

Effective Date: May 1, 2026
Next Scheduled Review: April 30, 2027

This payment is intended for caregiving-related support associated with the care recipient residing in a separate household.

Sincerely,

Thomas R. Keane
Family Support Programs Specialist



Ready...Set...Audit!

Family | Tennant Topic | Child Support (court-ordered)

On Janet's Questionnaire, she states that she is entitled to \$3,400 of support but is not receiving it. How should child support be handled?

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Student Financial Assistance

A 2026 law change eliminated a special rule that historically treated Section 8 recipient's student financial assistance differently than other students. Now all student financial assistance is subject to the same rules.



NOTE | Word of warning! The HOTMA student assistance income rule probably represents the biggest risk for noncompliant households as we adjust to HOTMA. This rule is so much broader than pre-HOTMA in that it applies to all households, rather than just households that receive Section 8 assistance. It also will tend to include more income than the former student assistance rule.



Student Assistance Type 1 | For non-Section 8-assisted households, any assistance under Title IV, 479B of the Higher Education Act of 1965 (HEA), as amended, is excluded from income.

Note | Below is a list of HEA Title IV programs. There may be sub-programs:

Grants to Students in Attendance at Institutions of Higher Education

- Federal Pell Grants
- Federal early outreach and student services programs
 - Federal TRIO Programs
 - Gaining Early Awareness and Readiness for Undergraduate Programs
 - Model Program Community Partnership and Counseling Grants
 - National Student Savings Demonstration Program
- Federal supplemental educational opportunity grants
- Leveraging educational assistance partnership program
- Special programs for students whose families are engaged in migrant and seasonal farmwork.
- Robert C. Byrd Honors Scholarship Program
- Childcare Access Means Parents in School.
- Teach grants
- Scholarships for veteran's dependents

Federal Family Education Loan Programs

Federal Work-Study Programs

William D. Ford Federal Direct Loan Program

Federal Perkins Loans

Higher Education Relief Opportunities for Students

Note that on July 1, 2024, the following was added when an HEA amendment took effect.

Section 134 of the Workforce Innovation and Opportunity Act (WIOA). This includes income earned in employment and training programs including: workforce investment activities for adults and workers dislocated as a result of permanent closure or mass layoff at a plant, facility, or enterprise, or a natural or other disaster that results in mass job dislocation, to assist such adults or workers in obtaining reemployment as soon as possible.

Student Assistance Type 2 | Student financial assistance for tuition, books, and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, and other fees required and charged to a student by an institution of higher education (as defined under Section 102 of the Higher Education Act of 1965) and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

(A) **Student financial assistance means** a grant or scholarship received from—

- (1) The Federal government
- (2) A State, Tribe, or local government
- (3) A private foundation registered as a 501(c)(3) nonprofit
- (4) A business entity (such as a corporation, general partnership, limited liability company, limited partnership, joint venture, business trust, a public benefit corporation, or nonprofit entity), or
- (5) An institution of higher education.

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(B) Student financial assistance does not include—

- (1) Any assistance that is excluded pursuant to the HEA Title IV, 479B (see above)
- (2) Financial support provided to the student in the form of a fee for services performed (e.g., a work study or teaching fellowship that is not excluded pursuant to the HEA Title IV 479B)
- (3) Gifts, including gifts from family or friends, or
- (4) Any amount of the scholarship or grant that, either by itself or in combination with assistance excluded under this paragraph or the HEA 479B (see above), exceeds the actual covered costs of the student. The actual covered costs of the student are the actual costs of tuition, books, and supplies (including supplies and equipment to support students with learning disabilities or other disabilities), room and board, or other fees required and charged to a student by the education institution, and, for a student who is not the head of household or spouse, the reasonable and actual costs of housing while attending the institution of higher education and not residing in an assisted unit.

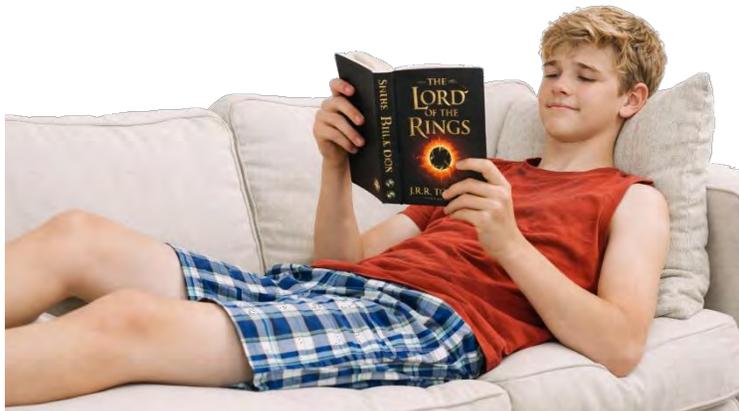
(C) Student financial assistance must be expressly:

- (1) for tuition, books, room, and board, or other fees required and charged to a student by the educational institution
- (2) to assist a student with the costs of higher education, or
- (3) to assist a student who is not the head of household or spouse with the reasonable and actual costs of housing while attending the educational institution and not residing in an assisted unit.

(D) Student financial assistance may be paid directly to the student or to the educational institution on the student's behalf. Student financial assistance paid to the student must be verified by the responsible entity as student financial assistance.

(E) When the student is also receiving assistance excluded under HEA Title IV 479B (see above) the amount of student financial assistance that must be counted is determined by adding the HEA 479 B assistance to the other assistance.

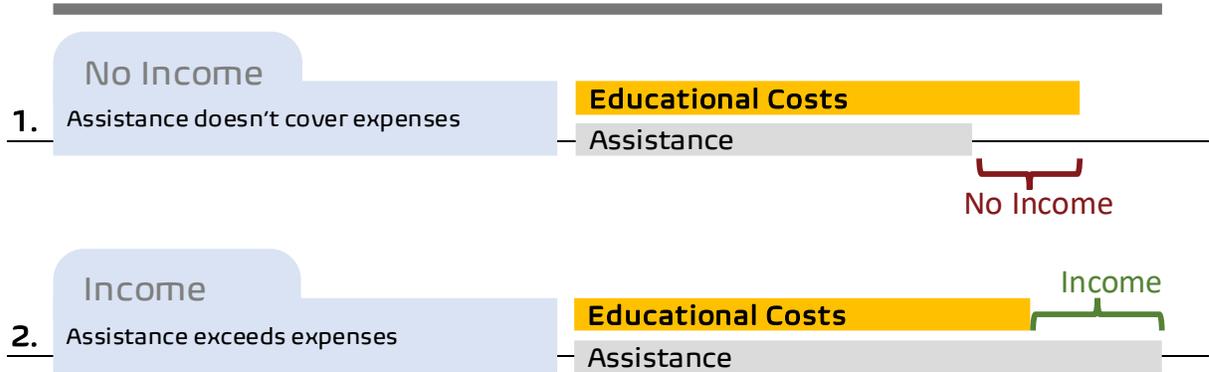
- (1) If the amount of the HEA 479B assistance excluded above is equal to or exceeds the actual covered costs, all of the other assistance is counted as income.
- (2) If the amount of HEA 479B assistance excluded above is less than the actual covered costs, the amount of assistance that is considered student financial assistance is the amount by which the actual covered costs exceed both types of student assistance.



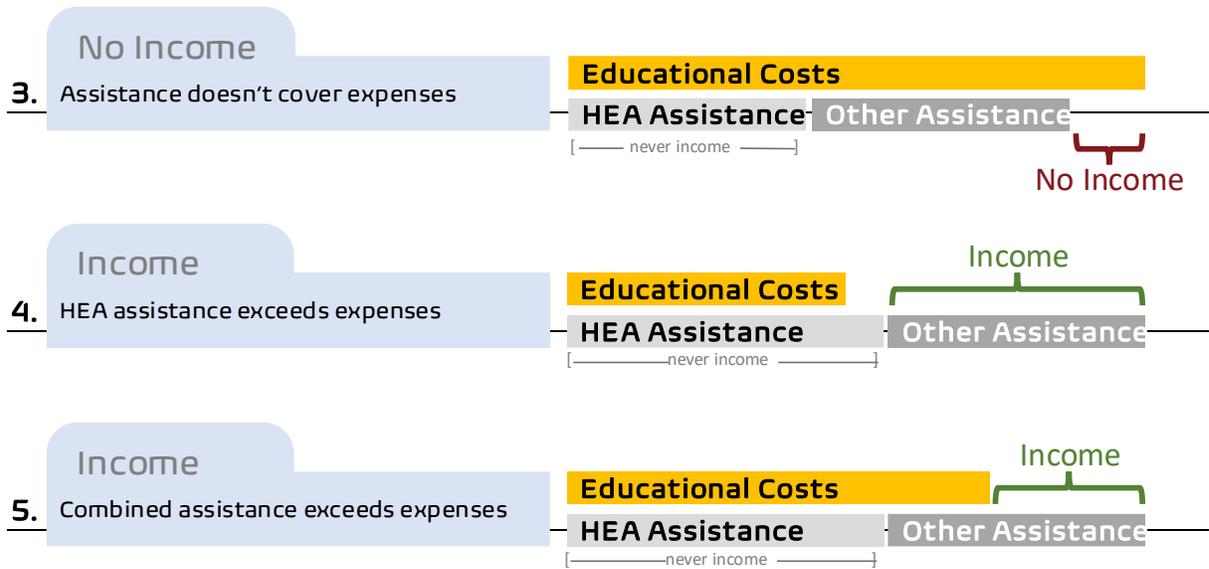
Student Assistance Income

Outcome Type #

when No HEA Assistance is Received

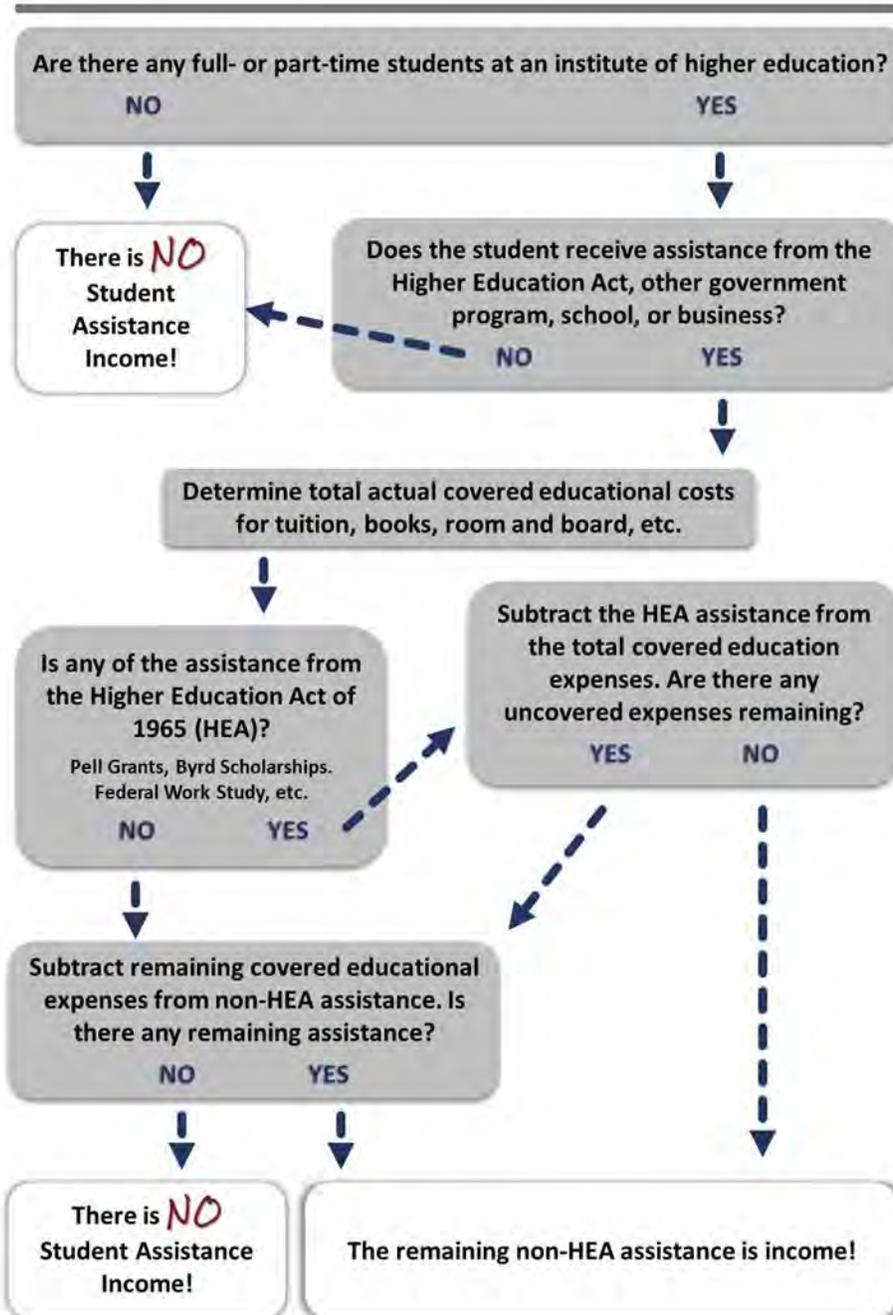


when HEA and Other Assistance is Received



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Student Assistance Income



Housing Compliance Workshop 2026



Ready...Set...Audit!

Family | Tennant Topic | Student Assistance I

Janet is a CNA pursuing an education to become a registered nurse. She provides the documentation below about student assistance from her job and a Pell Grant.

Calculations (Outcome Type #)

 **Sample City Community College (SCCC)**
Office of the Registrar
250 Learning Lane, Sample City, ST 99958
(555) 555-2212

Date: June 5, 2026
RE: Verification of Enrollment and Anticipated Educational Charges (Annual)

Student: Janet Tennant
Program: Associate Degree in Nursing (ADN)
Expected Enrollment: Fall 2026 - Spring 2027

At the student's request, the college confirms the following anticipated educational charges for the ADN program for the 2026-2027 academic year:
Total Anticipated Educational Charges (Annual): \$9,060.00

 **Sample City Community College (SCCC)**
Office of Financial Aid
250 Learning Lane, Sample City, ST 99958
(555) 555-2211

Date: May 20, 2026
Student: Janet Tennant
425 Ramson St
Sample City, ST 99958

RE: Financial Aid Award Notification - Academic Year 2026-2027
Program: Associate Degree in Nursing (ADN)

You have been awarded the Federal Pell Grant (Maximum Annual Award):
Pell Grant Amount (Annual): \$7,395.00

Estimated total educational expenses for the ADN Nursing Program (annual):
Estimated Total Educational Expenses: \$9,060.00
Estimated student responsibility after Pell Grant: \$1,665.00

 **Westwood Senior Living Network**
100 Wellness Way, Sample City, ST 99958
(555) 555-8140

Date: June 10, 2026
RE: Westwood Nursing Advancement Scholarship - Janet Tennant

Dear Ms. Tennant,

Congratulations on your selection as a recipient of the Westwood Nursing Advancement Scholarship. As a valued Certified Nursing Assistant, your commitment to advancing your education and pursuing licensure as a Registered Nurse directly supports Westwood's mission to meet critical healthcare needs and strengthen our nursing workforce.

Westwood Senior Living Network is pleased to award you an educational scholarship in the annual amount of \$3,972. This scholarship is provided as a direct payment to you, outside of payroll, and is not administered through your educational institution. We are grateful for your dedication to our residents and appreciate your decision to continue growing your career with Westwood.

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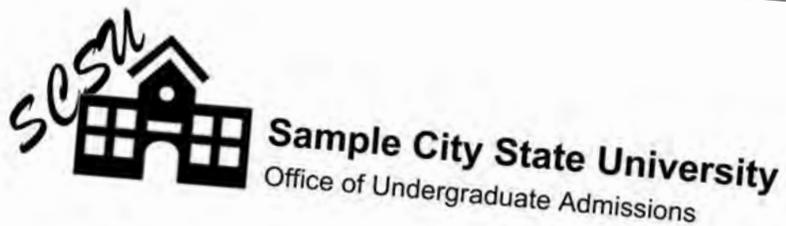


Ready...Set...Audit!

Family | Tennant
Topic | Student Assistance II

Beau is going to school to become an engineer. He is getting a couple of scholarships. He provides the following information.

Calculations [Outcome Type # ____]



Date: March 15, 2026

Dear Beau McDonald,

You are admitted to the College of Engineering for Fall 2026.

Scholarships:

University Engineering Merit: \$24,000

State STEM Scholars: \$8,002

Total Aid: \$32,002

Estimated annual educational costs: \$31,000.
Any excess aid will be refunded to you.

Sincerely,
Admissions

Housing Compliance Workshop 2026

IRS-Required File Element 4 | Certification (B) Determining Family Asset Income

Types of assets

Assets are items of value that can be turned into cash.

Market value. The market value of an asset is the value if the asset were to be sold on the open market. *For financial assets, interest is calculated on the market value.*

Net Asset Value. Some assets may have costs that must be paid by the owner to divest themselves of the assets. Examples are mortgages and real estate agent costs against real property or penalties for early withdrawal on certificates of deposit. This results in **net asset value**. Other than interest calculations, the remainder of asset rules relate to net values.

There are Three Types of Assets

How Addressed

- | There are Three Types of Assets | How Addressed |
|---|---|
| 1. Necessary personal property (NPP) | NPP is excluded from assets |
| 2. Non-necessary personal property (NNPP) | <input type="checkbox"/> If total net NNPP does not exceed the annual asset threshold: <ul style="list-style-type: none">• All NNPP is excluded (assigned as \$0) Income is counted. <input type="checkbox"/> If total net NNPP exceeds the annual asset threshold: <ul style="list-style-type: none">• Total net NNPP is included Income is counted. |
| 3. Real property | Real property net value is counted Income is counted |

There are three rules affected by the annual asset threshold

Based on total net NNPP value

1. Whether **NNPP net value** is counted.

Based on total net family asset value | NNPP (as counted above) + real property – any tax return or refundable credit

2. Whether **assets can be self-certified**.
3. Whether **asset income must be imputed** on non-financial items of NNPP and real property.

What is excluded from family assets

Asset Exclusions... (The 11 Exclusions)

24 CFR § 5.603 definition “Net Family Assets” [2024]

Excluded from the calculation of net family assets are:

- (1) The value of **necessary items of personal property**.
- (2) The combined value of all **non-necessary items of personal property** if the combined total value does not exceed \$50,000 (adjusted for inflation based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)).

Note | In the HOTMA Implementation Notice, Table F1, HUD has provided examples of the difference between “necessary” and “non-necessary” items of personal property from [1]&[2] above.

- (3) The value of any account under a **retirement plan recognized as such by the Internal Revenue Service**, including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals.
- (4) The value of **real property that the family does not have the effective legal authority to sell** in the jurisdiction in which the property is located.
- (5) Any **amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty** owed to a family member arising out of law, **that resulted in a family member being a person with a disability**.
- (6) The value of any **Coverdell education savings account** under section 530 of the Internal Revenue Code of 1986, the value of any qualified tuition program under **section 529** of such Code, the value of any **Achieving a Better Life Experience (ABLE) account** authorized under Section 529A of such

Housing Compliance Workshop 2026

Code, and the **value of any “baby bond” account** created, authorized, or funded by Federal, State, or local government.

Note | According to HUD, baby bonds are “money held in trust by the government for children until they are adults.” These “are being authorized in various States and localities in an effort to combat the wealth gap and address systemic poverty.”

(7) *Interests in Indian trust land.*

(8) Equity in a manufactured home where the family receives assistance under 24 CFR part 982.

(9) Equity in property under the Homeownership Option for which a family receives assistance under 24 CFR part 982.

Note | The above two provisions relate to Housing Choice Vouchers that assist manufactured and other homeowners.

(10) Family Self-Sufficiency Accounts.

Note | FSS is a program that enables HUD-assisted families to increase their earned income and reduce dependency on welfare assistance and rental subsidies. Goals are set that a family must work toward to graduate from the program. An interest-bearing escrow account is established by the PHA for each participating family. Any increases in the family’s rent as a result of increased earned income during the family’s participation in the program result in a credit to the family’s escrow account. Once a family graduates from the program, they may access the escrow and use it for any purpose.

(11) Federal tax refunds or refundable tax credits for a period of 12 months after receipt by the family.

Note | The HOTMA Implementation Notice F.4.e instructs us to subtract the value of any tax return that a family has received in the last 12 months from the account the proceeds of the return were deposited into. This applies if the account has a value assigned because the total non-necessary personal property exceeds \$50,000, as adjusted.

Exercise

Is it excluded? Asset Edition

Indicate if an asset is excluded below.

If an item is excluded, write where you find the exclusion.

- Yes No | Real estate that is jointly owned _____
- Yes No | An ABLA Accounts _____
- Yes No | A trusts not under control of the family _____
- Yes No | Food stamps debit card _____
- Yes No | MA Benefit card balances _____
- Yes No | Assets owned by minors _____
- Yes No | Assets owned by adult dependent FT students _____
- Yes No | A tax refund received 8 months before a certification is effective _____
- Yes No | IRS-recognized retirement accounts _____



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Common Asset Details

NNPP | Checking / Savings

24 CFR § 5.603 | Joint Implementation Notice F.4.c. & J.5.a

Current balance is used for financial assets. In the past checking accounts used a 6-month average balance. This was changes with HOTMA in 2024.

Debit cards. Many SS, SSI, Unemployment, and Welfare recipients can receive their benefits from a “Direct Debit Express Card” or similar debit card. For accounts of this type, this debit card is the only evidence of the balance of the asset the card accesses.

NNPP | Cash Apps – Venmo, Apple Pay, and Similar

There are digital wallets and other online apps/accounts that are often used simply to transfer balances from one account to another. However, they may also store a balance. Some examples include Venmo, PayPal, Cash App, Apple Pay, Google Pay, and similar. To the extent that these hold a balance, they represent an asset. These accounts are now very common in many people’s everyday lives, so it is important to ask about them.

Deposits as Income. Are deposits to an account from these apps’ income? Probably not. Transfers between people of the same family are never income, and many transactions are sporadic settling of common expenses among friends and family. For instance, a resident may pay a restaurant bill in full, and others who were at the meal drop them their portion of the common expense on the app. To be income, receipts must not be from within the same family and not simply reimbursements for common expenses with people outside of the family, like the meal mentioned above. As families may run many of these app transactions a month, and bank statements may be used for third-party verification, the most efficient approach is to ensure that the correct questions are asked in the application process. A definitive answer should be secured regarding whether the family has any income from a business, and if they receive any periodic contributions from people or organizations from outside of the family (including cash, checks, or app-based deposits).

Verification of app balances. A balance printout from the app or the internet will likely be the best way to verify the balance. These accounts most often do not have an interest rate, but the same vendors may have accounts that do bear interest, so carefully review the documentation provided.

Zelle. Zelle is a service that facilitates the transfer of money from one account to another. Unlike the above types of accounts, it is not a way to hold cash. As such, a Zelle account does not represent an asset.

Cryptocurrency. A cryptocurrency is a digital currency, which is an alternative form of payment created using encryption algorithms on the internet. To manage cryptocurrencies, a person needs an online crypto wallet. These are tracked on an online ledger called a blockchain. According to HUD, “assets are items of value that may be turned into cash.” Cryptocurrencies meet this definition.

Verification of cryptocurrency. A printout from a person’s crypto wallet, compared to the current value of the currency results in the current market value. There may or may not be a conversion fee if a person were to turn the currency into cash. If they can document that there is a conversion fee, the fee is subtracted from the value to get the net value.

NNPP | Crowdfunding (GoFundMe and Other)

Crowd funding is when someone starts an online fundraiser to meet a financial need, and then their network of friends and family members donate to their cause. The provider of the online service takes a percentage of the proceeds from each transaction. Then, the organizer withdraws the donations, and they are sent to their bank account.

- If funded once, the balance of the account is an asset to the beneficiary of the fundraiser.
- If funded more than once, it becomes recurring, and all funding received becomes income.

Housing Compliance Workshop 2026



Ready..Set...Audit

Family | Tennant Topic | Crowdfunding

Beau helped Janet set up a *GoFundUs* to help pay expenses related to Crystal.

The family provides the following printouts from the fund. They had two funding rounds. How will these be treated?

Calculations



GoFundMe Fundraising Page 1	GoFundMe Fundraising Page 2
<p>Surgery for Crystal (9/23/2025)</p>  <p>Beau McDonald is organizing this fundraiser for Crystal Tennant St. Louis, MO • Created July 23, 2025</p> <p>\$2,304 raised of \$2,300 goal</p> <p>Donate now</p> <p>49 donations 132 Shares</p> <p>Donations Updates (1) Comments (7)</p> <p>Funds were withdrawn to the bank ending in 1234.</p> <p>Surgeon Expenses for Crystal</p> <p>Organizer: Crystal Tennant is getting surgery this September 23, 2025 and we need help covering out-of-pocket expenses. Crystal will require several days in the hospital following the procedure...</p> <p>Funds were withdrawn to the bank ending in 1234</p> <p>49 donations 132 Shares</p>	<p>Accessible school book reader for Crystal</p>  <p>Beau McDonald is organizing this fundraiser for Crystal Tennant St. Louis, MO • Created • December 19, 2025</p> <p>\$567 raised of \$500 goal</p> <p>Donate now</p> <p>19 donations 66 Shares</p> <p>Donations Updates (1) Comments (5)</p> <p>Funds will be delivered to the bank ending in 1234.</p> <p>Fundraising for a school book reader for Crystal</p> <p>Organizer: Beau here. We are raising funds to get an accessible electronic book reader to help Crystal with her reading. If you can help, we'd so appreciate it!</p> <p>Funds will be delivered to the bank ending in 1234.</p> <p>19 donations 66 Shares</p>

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Real Property

HUD 4350.3 Exhibit 5-2 A 3 Note/1, Appendix 6-C H & M, IRS Schedule E

Real Estate can be an asset, or it may be a business generating income for the household.

HUD states that “if the person’s main business is real estate, then count any income as business income...do not count it as both an asset and business income.

If Real Estate is NOT our applicant’s main business, then the rental property is an asset, and the net income is considered income from an asset. The following will help establish the net value of the real property.



Audit Tip

Checklist | Real Property Value and Income

To establish the net value of real property

- The fair market value
- Any outstanding mortgage balances, and
- The costs to sell.

To establish any net income from real property

- Rental income from leases
- Tax-deductible expenses (mortgage interest, maintenance, taxes).

Verify with third-party documentation

- A **tax return** may establish **net income** from the **rental property**.
- A **seller’s agreement** establishes **market value** if the property is currently for sale.
- A **tax assessment** statement may establish **market value** if the property is not for sale.
Market value | The **assessed value** of the property multiplied by the **assessment ratio**.
- A **mortgage statement** will show the principal **mortgage balance** and **interest paid on the mortgage**.
- Records of business expenses to establish net income.
- Form(s)** completed **by a real estate professional** that provides all the necessary information may be used if the above is not available.

Jointly Held Assets

4350.3 5-7 D, Joint Implantation Guide F.4.a

Some assets are held by more than one person. In the past, the default was to pro-rate assets owned by multiple people. Now the default is to count the entire asset to the applicant/resident unless other pro-rated ownership can be established.

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Ready...Set...Audit!

Family | Tennant Topic | Real Property

Janet provides the document below. What value will be used for the real property Janet is selling?



Estimated Seller Net Proceeds Worksheet (Pre-Sale)

<p>Prepared For: <u>Janet Tennant and Garance Tennant</u></p> <p>Property Address: <u>2147 Silver Meadow Lane</u> <u>St. Louis, MO 63110</u></p>	<p>Prepared By: <u>Brokerage: Horizon Oak Realty Group</u> <u>Listing Broker: Marissa K. Lane, Lic. #RB-204981</u> <u>Sales Associate: Devin R. Patel, Lic. #54-119304</u> <u>(555) 410-8821</u> <u>dpatel@horizonakrealty.example</u></p> <p>Date Prepared: <u>March 12, 2026</u> Expected Listing Date: <u>March 15, 2026</u></p>
Estimated Sale Price and Net Value Summary	
Projected Sale Price (Asking Price): \$1,069,000	
Estimated Selling Expenses (Typical Seller Costs)	
Realtor Commission (5.50%):	-\$58,795
Transfer Taxes / Recording Fees:	-\$6,414
Title Insurance / Title Services:	-\$3,250
Escrow / Settlement Fees:	-\$2,175
Prorated Property Taxes:	-\$8,960
HOA / Condo Transfer Fees:	-\$975
Seller Repairs / Credits:	-\$12,500
Moving / Transition Costs:	-\$4,250
Other Seller Costs (Staging, Marketing):	-\$3,800
Total Estimated Selling Costs:	-\$101,119
Mortgage or Lien Payoff (If Applicable)	
Current Mortgage Payoff:	-\$925,648
Home Equity Line Payoff:	-\$34,000
Other Lien (Medical Judgment):	-\$5,000
Total Estimated Loan/Lien Payoffs:	-\$964,648
Estimated Net Value Available to \$3,233	
<p><u>Devin R. Patel</u> Devin R. Patel Sales Associate</p>	<p><u>Horizon Oak Realty Group</u> St. Louis, MO</p>

Housing Compliance Workshop 2026

Three Steps to Asset Success | Calculating Asset Value and Income

Examine family self-certification of asset values and income collected during the application process. Identify the three asset types listed:

- 1] Necessary personal property [NPP] 2] Non-necessary personal property [NNPP] 3] Real property.

Step 1 | Address NPP & Excluded Assets

Identify and **exclude any NPP or excluded asset** listed by the household.

Step 2 | Address NNPP

Based on self-certification, determine **if the value of all net NNPP exceeds the asset threshold.**

If yes | List each asset's value and actual income on the TIC.

If no | List each NNPP asset as \$0 on the TIC but include actual income for each (subject to state policy and TIC instructions).

Step 3 | Address Real Property and Imputed Income

Add the value of any real property to the NNPP (as counted in step 2) and determine if total net family assets exceed the asset threshold.

Note: If a federal or state tax refund or refundable credit was received in the last 12 months, subtract this amount from the value of total net assets before determining the above [this may be skipped if total net assets are already below the asset threshold.

If yes | Verify all asset values and income with 3rd-party documentation. Impute income using the annual passbook savings rate on nonfinancial NNPP and real property assets that cannot otherwise have income determined and add the imputed income to other income.

If no | Use self-certification to verify asset values and income for LIHTC, HOME, and the NHTF. For HUD-funded properties only, every 3 years full verification is required. Do not impute asset income on any assets.

Example

Determining Asset Value and Income | 1 (not common)

A family reports the following assets. The passbook savings rate that year was 0.40%. The family did not have a tax return in the last 12 months.

Complete the asset section of the TIC.

Asset	Value	Type of asset
Wedding ring	\$ 2,300 no income, worn daily	_____
Checking account	\$ 2,400 with 0% interest	_____
Savings account	\$30,090 with 1.5% interest	_____
Real Estate	\$62,000 no income	_____

PART IV. ASSETS						
PART IVA. INCOME FROM ASSETS - LESS THAN OR EQUAL TO <u>IMPUTED INCOME LIMITATION</u>						
Total net value from Non-necessary Personal Property (NNPP), Real Property, and Federal Tax Refunds/Credits has been verified as LESS than or EQUAL to the Imputed Income Limitation						
Enter Total of ACTUAL INCOME earned from all Assets (F)						\$
PART IVB. INCOME FROM ASSETS – GREATER THAN <u>IMPUTED INCOME LIMITATION</u>						
Total net value from Non-necessary Personal Property (NNPP) and Real Property has been verified as GREATER than the Imputed Income Limitation.						
HH Mbr#	(G) Type of Asset	(H) C/D	(I) NNPP / Real/ Tax Relief	(J) Cash Value of Asset	(K) A/I	(L) Annual Income from Asset
Enter Total Income from all Assets (M)						\$

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Example

Determining Asset Value and Income | 3 (most common)

A family reports the following assets. The passbook savings rate that year was 0.60%. The family had a tax return in the last 12 months of \$960 that went into their checking account.

Complete the asset section of the TIC.

Asset	Value	Type of asset
Checking account	\$ 2,400 0% interest	_____
Boat	\$12,901 no income	_____
A new game console	\$ 670 no income	_____
Stocks	\$ 8,798 paying no dividends	_____

PART IV. ASSETS						
PART IVA. INCOME FROM ASSETS - LESS THAN OR EQUAL TO <u>IMPUTED INCOME LIMITATION</u>						
Total net value from Non-necessary Personal Property (NNPP), Real Property, and Federal Tax Refunds/Credits has been verified as LESS than or EQUAL to the Imputed Income Limitation						
Enter Total of ACTUAL INCOME earned from all Assets (F)						\$
PART IVB. INCOME FROM ASSETS – GREATER THAN <u>IMPUTED INCOME LIMITATION</u>						
Total net value from Non-necessary Personal Property (NNPP) and Real Property has been verified as GREATER than the Imputed Income Limitation.						
HH Mbr#	(G) Type of Asset	(H) C/D	(I) NNPP / Real/ Tax Relief	(J) Cash Value of Asset	(K) A/I	(L) Annual Income from Asset
Enter Total Income from all Assets (M)						\$

IRS-Required File Element 4 | Certification (C) – The TIC Form

All eligibility factors are documented on the Tenant Income Certification. Some states have required forms, others allow owners/agents to use their own.



Agency Specifics The HUD forms 50058 (PIH Family Report) and 50059 (MFH) can often be used as verification and the TIC for families with rental assistance, depending on agency policy.

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Ready...Set...Audit!

Family | Tennant
Topic | Asset Verification and Calculations

Complete the worksheet and TIC for the Tennant family.



ASSET SELF-CERTIFICATION

For households whose combined net assets do not exceed the applicable Imputed Income Limitation.
 (Complete only one form per household, including assets of children.)

Imputed Income Limitation (see link for supporting information)

For the following asset types, include the current Cash Value of **each** asset held by any family member and the actual income that the asset earns. *Cash value is **current market value minus cost to convert** an asset to cash, such as broker's fees, settlement costs, outstanding loans, penalties for early withdrawal, etc.*

Household Name: <u>Janet Tennant</u>		Unit#: <u>TBD</u>			
PART I. ASSETS DISPOSED OF FOR LESS THAN FAIR MARKET VALUE (FMV)					
<input type="checkbox"/> Yes <input checked="" type="checkbox"/> No		Within the past two (2) years, I/we have sold or given away assets for more than \$1,000 below their fair market value (FMV).			
Asset #1:	Date of Disposal:	FMV - amt received:			
Asset #2:	Date of Disposal:	FMV - amt received:			
PART II: FEDERAL TAX RETURN OR REFUNDABLE FEDERAL TAX CREDIT					
Have you received a federal tax return or refundable federal tax credit in the last 12 months?		<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No			
Amount of return/credit:		<u>\$3,234 and 998</u>			
		<u>Janet Beau</u>			
PART III: NON-NECESSARY PERSONAL PROPERTY (NNPP)					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		I/we do have non-necessary personal property			
Type of Asset	(A) Cash Value*	(B) Annual Income	Type of Asset	(A) Cash Value*	(B) Annual Income
Cash on Hand	\$ 0	N/AP	Cryptocurrency	\$ 0	\$ 0
Pre-paid Debit Card (including Govt. Benefits)	\$ 0	N/AP	Money Market/ CD	\$	\$
Checking/Savings	\$ 4,567	\$ 5	Annuities	\$	\$
Checking/Savings	\$ N/A	\$ N/A	Brokerage Account	\$	\$
Savings	\$ N/A	\$ N/A	Stocks/Bonds	\$	\$
Internet based assets (Cash App, Venmo, PayPal, Crowdfunding, etc.)	\$ 2,904 total	\$ 0	Other: _____	\$	\$
Whole Life Insurance	\$ 0	\$ 0	Other: _____	\$ 0	\$ 0
Non-Account Based					
Possessions not general held in an account such as vehicles used for recreation (e.g., RVs, ATVs, and Boats), antique cars, collectibles (e.g. stamps, jewelry, coins, and artwork.), and equipment/machinery that is not used to generate income for a business					
Description	(A) Cash Value *				
<u>ATV</u>	\$ 10,500				
	\$				
	\$				
	\$				
PART IV. REAL PROPERTY					
<input checked="" type="checkbox"/> Yes <input type="checkbox"/> No		I/we do have real property			
Description of Property	(C) Cash Value*		(D) Income		
<u>Home in St. Louis</u>	\$ 3,233		\$ 0		
	\$		\$		
Under penalty of perjury, I/we certify that the information presented in this certification is true and accurate to the best of my/our knowledge. The undersigned further understand(s) that providing false representations herein constitutes an act of fraud. False, misleading, or incomplete information may result in the termination of a lease agreement.					
<u>Jan Tennant</u>		<u>5/01/2026</u>	<u>Beau McDonald</u>		<u>05.02.26</u>
Signature of Applicant/Tenant		Date	Signature of Applicant/Tenant		Date

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ASSET SELF-CERTIFICATION WORKSHEET

(Completed by Management Agent)

This worksheet accompanies the Asset Self-Certification. Complete **either** Part I or Part II depending on the nature of the types of assets disclosed by the family on the Asset Self-Certification. When the total net family assets are less than or equal to the [applicable Imputed Income Limitation](#), then only the actual income as disclosed on the Asset Self-Certification is included on the Tenant Income Certification (TIC).

HOUSEHOLD NAME: _____		UNIT # _____
PART I: COMPLETE THIS SECTION IF THE FAMILY <i>ONLY</i> HAS NNPP AND NO REAL PROPERTY		
Determination of Total Net Family Assets		
(1)	Enter the total of all NNPP by adding the values in (A)	\$
(2)	Enter the value of any NNPP disposed of for less than FMV	\$
(3)	ADD lines (1) and (2)	\$
(4)	Enter the amount of a federal tax return or refundable federal tax credit in the last 12 months	\$
(5)	SUBTRACT line (4) from line (3)	\$
(6)	Is the value in line (5) less than or equal to \$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
If YES , then proceed to Determination of Income from Assets If NO , the Asset Self Certification cannot be used, and each asset must be separately verified		
Determination of Income from Assets: This information must be reflected on Part IV of the ADOH TIC		
(7)	Enter the total by adding the values in (B)	\$

PART II: COMPLETE THIS SECTION IF THE FAMILY HAS <i>BOTH</i> NNPP AND REAL PROPERTY		
Determination of Total Net Family Assets		
(1)	Enter the total of all NNPP by adding the values in (A)	\$
(2)	Enter the value of any NNPP disposed of for less than FMV	\$
(3)	ADD lines (1) and (2)	\$
(4)	Is this value less than or equal to \$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
If YES , then proceed to line (5) If NO , the Asset Self Certification cannot be used, and each asset must be separately verified		
(5)	Enter the total of all Real Property by adding the values in (C)	\$
(6)	Enter the value of any Real Property disposed of for less than FMV	\$
(7)	ADD lines (5) thru (6)	\$
(8)	Enter the amount of a federal tax return or refundable federal tax credit in the last 12 months	\$
(9)	SUBTRACT line (8) from line (7)	\$
(10)	Is the value in line (9) less than or equal to \$ _____	<input type="checkbox"/> Yes <input type="checkbox"/> No
If YES , then proceed to Determination of Income from Assets If NO , the Asset Self Certification cannot be used, and each asset must be separately verified		
Determination of Income from Assets: This information must be reflected on Part IV of the ADOH TIC		
(11)	Enter the total by adding the values in (B)	\$
(12)	Enter the total by adding the values in (D)	\$
(13)	ADD lines (11) and (12)	\$

[Imputed Income Limitation](#)

Effective as of 04/01/2025 (Required Form) - Asset Self-Certification Worksheet Revised 01/09/2026

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Other HOT Topics...No HOTMA (well, a little HOTMA...)

The AIT

26 CFR 1.42-19

The final Average Income Test (AIT) regulation was released in October of 2025. The primary element that was adjusted is that owner/agents are no longer required to secure allocating agency approval to make corrections to past issues with the average designations. The 2022 regulation had allowed corrections to be made during a taxable year, but required agency approval to make adjustments for past years. Additionally, at an agency's discretion, one group of qualified units that meet the applicable fraction supplied by the owner may satisfy the requirement for the minimum set-aside units as well.

NSPIRE

24 CFR 5.703

The National Standards for the Physical Inspection of Real Estate (NSPIRE) is the standard that HUD is gradually introducing across all programs. It replaced the Uniform Physical Conditions Standards (UPCS) in 24 CFR 5.703, which the LIHTC regulations reference.



NSPIRE

NSPIRE requires all property owners to conduct annual self-inspections of all units within their properties. Every unit must be inspected at least once a year under the NSPIRE standards. Inspecting more often will provide better results.



More information regarding NSPIRE

https://www.hud.gov/program_offices/public_indian_housing/reac/nspire/standards

https://www.hud.gov/program_offices/public_indian_housing/reac/nspire/toolkit



Agency Specifics Determine when an agency applied NSPIRE.

Violence Against Women Act (VAWA)

VAWA seeks to protect survivors of violence *of any gender* from making the situation worse by making **denial of occupancy, eviction, or denial or termination of federal rental assistance** illegal if the reason for the denial or termination is a direct result of an incident or incidents of specific types of violence.

Covered violence. Not all violence is covered by the VAWA law. Covered violence includes:

1. _____
2. _____
3. _____
4. _____

Bifurcation | A legal eviction of a perpetrator, while allowing the survivor to stay. This concept in VAWA allows for compliance with VAWA and not evicting a survivor while addressing a perpetrator who merits eviction under usual rules.

Confidentiality | Strict confidentiality must be adhered to in VAWA situation. Even property staff should only be informed who "need to know." VAWA details should not be released to anyone unless allowed by the survivor or as required by law. Information should not be entered into any software, unless the owner/agent ensures data is secure as defined by the Privacy Act of 1974.

Emergency transfers | Survivors of VAWA violence who are no longer safe in their units may request an emergency transfer.

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Fair Housing | VAWA violations now carry the same stiff penalties as Fair Housing, and compliance is monitored by HUD FHEO. VAWA violations have also often been determined to also be violations of Fair Housing, which doubles the penalties.



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Filter for category “VAWA” for article and quizzes, updates on HUD FHEO monitoring of VAWA and recent conciliation agreements.



Audit Tip

Checklist | Agency Responsibility

- VAWA documentation is highly confidential and should not be shared with an auditor.
- Basic receipts of Notice of Rights and owner/agent VAWA Emergency Transfer policy may be reviewed.
- If VAWA becomes a Fair Housing issue, it will be monitored and reported by the agency as usual, under general public use provisions.



Emerging Civil Rights Issues

Recent news coverage and even government agency publications seem to indicate that established civil rights provisions no longer apply. A few examples include affirmative marketing, disparate impact discrimination, and animals as an accommodation under Fair Housing. Because of the legal responsibility housing providers and monitoring agencies carry under federal and state law, it is important to distinguish between the legal reality and political messaging.

- **The underlying regulations and laws still exist.** This includes the Fair Housing Act, the Civil Rights Act of 1964 affecting federally funded housing, Section 504 of the Rehabilitation Act of 1973, the Violence Against Women Act (VAWA) with related HUD regulations, and various HUD and Rural Development affirmative marketing regulations. Additionally, state civil rights codes continue to be in force.
- **Case Law, including Supreme Court cases, further enforces many principles.** For instance, the *TDHCA vs. Case Inclusive Communities* was a 2015 LIHTC-related case that established that disparate impact discrimination exists under US law.
- **The Fair Housing and VAWA protected classes are still protected, including national origin and related language issues.** All housing providers covered under Fair Housing in the country are liable for discrimination against persons based on protected classes.
- **Long-standing HUD policy does not allow rental assistance to be paid to non-citizens who do not meet a qualifying exception.** Assistance is pro-rated in these cases. This is not new and not a result of any recent efforts.

What has changed?

- The federal government’s commitment to monitoring and enforcing civil rights law and regulations has been adjusted. Among other things, this includes attempts to cease affirmative marketing and language protection efforts. HUD and DOJ administrative monitoring and imposing of penalties for disability-animal-related discrimination have been stopped, as has monitoring for disparate impact discrimination. Additionally, nearly all helpful Fair Housing guidance from the past has been explicitly removed.
- A Supreme Court case, *Loper Bright v. Raimondo*, removed the long-standing *Chevron deference*. This deference allowed agencies to establish rules when the law is unclear, and courts deferred to agency policy. Under *Loper*, the courts, not expert agencies, now determine what is correct. This has always been true, but courts can now disregard agency policy completely if they wish. This includes essentially all Fair Housing guidance that HUD and the DOJ have provided in the past.

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What does all this mean?

- **Competent housing providers will continue to implement regulations and statutes as they have in the past.** Liability under law does not end because agency monitoring is paused or made deliberately ineffective. This includes the Fair Housing Act, affirmative marketing, VAWA, and HUD citizenship rules. When laws, regulations, and THEN official agency guidance changes, that will be the time to make conforming adjustments.
- **All interested parties will watch the courts carefully.** Aggrieved people will not stop pursuing discrimination relief, they will just not be able to get ready help from HUD or the DOJ as they used to. Of course, differing answers are already emerging in the courts in different jurisdictions. Disagreements among courts will work up the appeals process. Eventually, presidential case law will replace some of the safe harbor guidance HUD and the DOJ provided in the past. This type of deregulation is very expensive for owners/agents, at least in the short term, so an effort will also be made by owners/agents to avoid being the test case. Reliance on old “safe” rules is likely to continue to be a wise default.



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Several blog posts cover the AIT, NSPIRE, HOME 2025, and emerging civil rights issues.