
PIH Rental Integrity Summit

**Reducing Income and Rent Errors
by Building a Quality Program**

Public Housing Program

Trainer Version

January 2004

LEARNING ACTIVITY 1-1 ANALYSIS OF RENT CALCULATION

Case Narrative

8/4/03: Mr. and Mrs. Henderson were interviewed for their annual reexamination, due 10/1/03. The Hendersons are currently paying minimum rent (\$25) at the Lincoln Towers development and have been for several months. They pay for no utilities. Mr. Henderson reports that the family has no income because he is no longer doing odd jobs around the neighborhood. He also reports that the family is receiving food stamps.

The Hendersons were advised that they will continue to pay the minimum rent after 10/1/03. They were also advised to call if they obtain a source of income.

Caseworker: Helen Hogan

Task

- After reading the above case narrative from the Henderson family file, review the excerpt from the family’s HUD-50058 on the following pages.
- Answer the three questions below.

Questions

1. Are there any errors on the HUD-50058 form? (Specify, if any.)

| |
|---|
| Trainer Notes: |
| The flat rent on the form is \$0. |
| The TTP (10a) should be the PHA’s minimum rent (\$25). |
| Line 10u was not completed. |

2. What is the correct total tenant payment (TTP) for the Henderson family?

Trainer Note: The correct TTP is \$25 (the PHA’s minimum TTP).

Section 2: The RIM Review Process

3. What documentation is needed in the Henderson family's case file for this reexamination?

| |
|--|
| Trainer Notes: |
| Documentation that the family was offered the choice between income-based and flat rent |
| Zero-income questionnaire or other explanation of how the family is meeting its needs |
| HUD-9886 forms |
| Documentation of community service exemption or compliance |
| UIV: SWICA and TANF queries (suggested for zero-income families) |
| |
| |
| |

| | | |
|------------------------|------------------------|----------------------------|
| Head of household name | Social Security Number | Date modified (mm/dd/yyyy) |
|------------------------|------------------------|----------------------------|

8. Expected Income Per Year

| | |
|---------------------------------------|-----------------|
| 8a. Total annual income: copy from 7i | \$ 0 8a. |
|---------------------------------------|-----------------|

Permissible Deductions (Public Housing Only. If Section 8, Skip to 8f or 8q)

| 8b. Family member name | No. | 8c. Type of permissible deduction | 8d. Amount |
|----------------------------------|-----|-----------------------------------|------------|
| | | | \$ |
| | | | \$ |
| | | | \$ |
| 8e. Total permissible deductions | | | \$ 8e. |

If head/spouse/co-head is under 62 and no family member disabled, skip to 8q

| | | |
|---|-------------|-----|
| 8f. Medical/disability threshold: 8a X 0.03 | \$ | 8f. |
| 8g. Total annual unreimbursed disability assistance expense (if no disability expenses, skip to 8k) | \$ | 8g. |
| 8h. Maximum disability allowance: If 8g minus 8f is positive or zero, put amount | \$ | 8h. |
| If negative and head/spouse/co-head is under 62 and not disabled, put 0 | \$ | 8h. |
| If negative and head/spouse/co-head is elderly or disabled, copy from 8g | \$ | 8h. |
| 8i. Earnings in 7d made possible by disability assistance expense | \$ | 8i. |
| 8j. Allowable disability assistance expense: lower of 8h or 8i (if 8g is less than 8f and head/spouse/co-head elderly or disabled, copy from 8h) | \$ | 8j. |
| 8k. Total annual unreimbursed medical expenses (if head/spouse/co-head under 62 and not disabled, put 0) | \$ | 8k. |
| 8m. Total annual disability assistance and medical expense: 8j + 8k (if no disability expenses, copy from 8k) | \$ | 8m. |
| 8n. Medical/disability assistance allowance: | | |
| If no disability assistance expenses or if 8g is less than 8f, put 8m minus 8f (if 8m minus 8f is negative, put zero) | \$ | 8n. |
| If disability assistance expenses and 8g is greater than or equal to 8f, copy from 8m | \$ | 8n. |
| 8p. Elderly/disability allowance (default = \$400) | \$ | 8p. |
| 8q. Number of dependents (people under 18, or with disability, or full-time student. Do not count head of household, spouse, co-head, foster child/adult, or live-in aide). | | 8q. |
| 8r. Allowance per dependent (default = \$480) | \$ | 8r. |
| 8s. Dependent allowance: 8q X 8r | \$ | 8s. |
| 8t. Total annual unreimbursed childcare costs | \$ | 8t. |
| 8u. Total annual travel cost to work/school (Indian Housing only) | \$ | 8u. |
| 8v. Reserved | | |
| 8w. Reserved | | |
| 8x. Total allowances: 8e + 8n + 8p + 8s + 8t + 8u | \$ 0 | 8x. |
| 8y. Adjusted annual income: 8a minus 8x (if 8x is larger, put 0) | \$ 0 | 8y. |

| | | |
|------------------------|------------------------|----------------------------|
| Head of household name | Social Security Number | Date modified (mm/dd/yyyy) |
|------------------------|------------------------|----------------------------|

9. Total Tenant Payment (TTP)

| | | | |
|---|----|-----------|-----|
| 9a. Total monthly income: $8a \div 12$ | \$ | 0 | 9a. |
| 9b. Reserved | | | |
| 9c. TTP if based on annual income: $9a \times 0.10$ | \$ | 0 | 9c. |
| 9d. Adjusted monthly income: $8y \div 12$ | \$ | 0 | 9d. |
| 9e. Percentage of adjusted monthly income: use 30% for Section 8 | | | 9e. |
| 9f. TTP if based on adjusted annual income: $(9d \times 9e) \div 100$ | \$ | 0 | 9f. |
| 9g. Welfare rent per month (if none, put 0) | \$ | | 9g. |
| 9h. Minimum rent (if waived, put 0) | \$ | 25 | 9h. |
| 9i. Enhanced Voucher minimum rent | \$ | | 9i. |
| 9j. TTP, highest of lines 9c, 9f, 9g, 9h, or 9i | \$ | 25 | 9j. |
| 9k. Most recent TTP | \$ | | 9k. |
| 9m. Qualify for minimum rent hardship exemption? (Y or N) | | | 9m. |

| | | |
|------------------------|------------------------|----------------------------|
| Head of household name | Social Security Number | Date modified (mm/dd/yyyy) |
|------------------------|------------------------|----------------------------|

10. Public Housing, Indian Rental, and Turnkey III

| | | | |
|--|----|----------|------|
| 10a. TTP: copy from 9j | \$ | 0 | 10a. |
| 10b. Unit's flat rent (see Instruction Booklet for prorated flat rent calculation) | \$ | 0 | 10b. |

Income Based Rent Calculation (if prorated rent, skip to 10h)

| | | | |
|---|-----------------------------------|-----------|--------------------|
| 10c. Ceiling rent, if any | \$ | | 10c. |
| 10d. Lower of TTP or ceiling rent (if no ceiling rent, put 10a) | \$ | 0 | 10d. |
| 10e. Utility allowance, if any | \$ | 25 | 10e. |
| 10f. Tenant rent: 10d minus 10e | If positive or 0, put tenant rent | | \$ |
| | If negative, credit tenant | | or CR \$ 25 |

10g. Reserved

Income Based Prorated Rent Calculation (if not prorated, skip to 10u)

| | | | |
|--|-----------------------------------|--|----------|
| 10h. Public/Indian Housing maximum rent | \$ | | 10h. |
| 10i. Family maximum subsidy: 10h minus 10a | \$ | | 10i. |
| 10j. Total number eligible | | | 10j. |
| 10k. Total number in family | | | 10k. |
| 10m. Reserved | | | |
| 10n. Eligible subsidy (10i ÷ 10k) X 10j | \$ | | 10n. |
| 10p. Mixed family TTP: 10h minus 10n | \$ | | 10p. |
| 10q. Reserved | | | |
| 10r. Utility allowance, if any | \$ | | 10r. |
| 10s. Mixed family tenant rent: 10p minus 10r | If positive or 0, put tenant rent | | \$ |
| | If negative, credit tenant | | or CR \$ |

10t. Reserved

Type of Rent

| |
|---|
| 10u. Type of rent selected: |
| <input type="checkbox"/> Income based <input type="checkbox"/> Flat |

10v. Reserved

Section 2: The RIM Review Process

LEARNING ACTIVITY 1-2 ANALYSIS OF ASSET AND ASSET INCOME INFORMATION

- When an auditor is looking at a family’s file, it is important to see that all the information and calculations for that particular family are correct. However, it is also important to identify systemic problems that could affect all files because a rule was incorrectly applied or there is a misconception of how something should be calculated.
- Review the HUD-50058 excerpt and verification forms on the following pages with these assumptions about PHA policy:
 - Use the current balance to determine the cash value of savings accounts.
 - Use the average balance for the last six months to determine the cash value of checking accounts.
 - Use the current interest rate to anticipate income on savings and checking accounts.
- Then answer the following questions:
 1. Are the assets and asset incomes correctly calculated?

| |
|--|
| Trainer Note: |
| No, the actual (anticipated) income from the assets was not calculated. |
| |

2. If not, what “rule” do you think the staff person is applying?

| |
|---|
| Trainer Note: |
| The staff person probably thinks that if the total value of assets is less than \$5,000, the actual (anticipated) income from the assets is not counted. |
| |

3. Could this be a systemic problem that would affect more than one file?

| |
|---|
| Trainer Note: |
| Yes, this could be a systemic problem because all files will probably be calculated by this staff person without asset income when assets are less than \$5,000. |

| | | |
|------------------------|------------------------|----------------------------|
| Head of household name | Social Security Number | Date modified (mm/dd/yyyy) |
|------------------------|------------------------|----------------------------|

6. Assets

Trainer notes:

| 6a. Family member name | No. | 6b. Type of asset | 6c. Calculation (PHA use) | 6d. Cash value of asset | 6e. Anticipated Income |
|---|-----|-------------------|---------------------------|-------------------------|------------------------|
| VERNICE | 1 | SAVING | | \$ 1515 | \$ 0 |
| VERNICE | 1 | CHECKING | | \$ 724 | \$ 0 |
| | | | | \$ | \$ |
| | | | | \$ | \$ |
| | | | | \$ | \$ |
| | | | | \$ | \$ |
| | | | | \$ | \$ |
| | | | | \$ | \$ |
| 6f. 6g. Column totals | | | | \$ 2,239 6f. | \$ 0 6g. |
| 6h. Passbook rate (written as decimal) | | | | | 0.015 6h. |
| 6i. Imputed asset income: 6f X 6h (if 6f is \$5,000 or less, put 0) | | | | | \$ 0 6i. |
| 6j. Final asset income: larger of 6g or 6i | | | | | \$ 0 6j. |

34
13

47

47

7. Income

| 7a. Family member name | No. | 7b. Income Code | 7c. Calculation (PHA use) | 7d. Dollars per year | 7e. Income exclusions | 7f. Income after exclusions (7d minus 7e) |
|----------------------------------|-----|-----------------|---------------------------|----------------------|-----------------------|---|
| VERNICE | 1 | W | 8.25x30x52 | \$ 12,870 | \$ | \$ 12,870 |
| VERNICE | 1 | C | 200x12 | \$ 2,400 | \$ | \$ 2,400 |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| | | | | \$ | \$ | \$ |
| 7g. Column total | | | | | | \$ 15,270 7g. |
| 7h. Reserved | | | | | | |
| 7i. Total annual income: 6j + 7g | | | | | | \$ 15,270 7i. |

7b: Income Codes

| | | | |
|--|--|---|---|
| Wages: B = own business F = federal wage HA = PHA wage M = military pay W = other wage | Welfare: G = general assistance IW = annual imputed welfare income T = TANF assistance | SS/SSI/Pensions: P = pension S = SSI SS = Social Security | Other Income Sources: C = child support E = medical reimbursement I = Indian trust/per capita N = other nonwage sources U = unemployment benefits |
|--|--|---|---|



Bank U. S.

51 3RD ST
SEAPORT CITY, ST 55555

"We treat your money as though it were our own!"

STATEMENT OF ACCOUNT

VERNICE HENDERSON
184 SEAVIEW AVENUE
SEAPORT CITY, ST 55555

STATEMENT PERIOD: FROM 01-05-03 THRU 07-04-03

SAVINGS **BANK OF US, ST** **FDIC INSURED**

VERNICE HENDERSON

ACCOUNT NUMBER: AB98769

INTEREST RATE: 2.25%

| FROM | THRU | BEGINNING BALANCE | TOTAL WITHDRAWALS | TOTAL DEPOSITS | TOTAL INTEREST | ENDING BALANCE |
|----------|----------|-------------------|-------------------|----------------|----------------|----------------|
| 06-05-03 | 0704-03 | \$1,401.85 | \$200.00 | \$310.00 | \$2.83 | \$1,514.68 |
| 05-05-03 | 06-04-03 | \$1,199.23 | | \$200.00 | \$2.62 | \$1,401.85 |
| 04-05-03 | 05-04-03 | \$1,071.99 | | \$125.00 | \$2.24 | \$1,199.23 |
| 03-05-03 | 04-04-03 | \$919.98 | \$150.00 | \$300.00 | \$2.01 | \$1,071.99 |
| 02-05-03 | 03-04-03 | \$918.26 | | | \$1.72 | \$919.98 |
| 01-05-03 | 02-04-03 | \$591.55 | | \$325.00 | \$1.71 | \$918.26 |

YTD INTEREST PAID: \$13.13

| DATE | WITHDRAWALS | DEPOSITS |
|-------|-------------|----------|
| 07/01 | | \$310.00 |
| 06/15 | 200.00 | |
| 05/28 | | \$200.00 |
| 04/25 | | \$125.00 |

ADDITIONAL TRANSACTION DETAILS AVAILABLE ONLINE AT WWW.USBANKOFSEAPORT.COM

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Bank U. S.

51 3RD ST
SEAPORT CITY, ST 55555

"We treat your money as though it were our own!"

STATEMENT OF ACCOUNT

**VERNICE HENDERSON
184 SEAVIEW AVENUE
SEAPORT CITY, ST 55555**

STATEMENT PERIOD: FROM 01-05-03 THRU 07-04-03

CHECKING BANK OF US, ST FDIC INSURED

**VERNICE HENDERSON ACCOUNT NUMBER: AB98765
INTEREST RATE: 1.75%**

| FROM | THRU | BEGINNING BALANCE | TOTAL WITHDRAWALS | TOTAL DEPOSITS | TOTAL INTEREST | ENDING BALANCE |
|----------|----------|-------------------|-------------------|----------------|----------------|----------------|
| 06-05-03 | 07-04-03 | \$712.79 | \$125.00 | \$310.00 | \$1.31 | \$899.10 |
| 05-05-03 | 06-04-03 | \$658.75 | \$350.04 | \$403.04 | \$1.04 | \$712.79 |
| 04-05-03 | 05-04-03 | \$722.79 | \$175.24 | \$110.24 | \$0.96 | \$658.75 |
| 03-05-03 | 04-04-03 | \$638.74 | \$188.22 | \$271.22 | \$1.05 | \$722.79 |
| 02-05-03 | 03-04-03 | \$711.14 | \$293.33 | \$220.00 | \$0.93 | \$638.74 |
| 01-05-03 | 02-04-03 | \$591.10 | \$229.00 | \$348.00 | \$1.04 | \$711.14 |

YTD INTEREST PAID: \$6.33

| DATE | WITHDRAWALS | DEPOSITS | TRANSACTIONS |
|-------|-------------|----------|--------------|
| 07/01 | 125.00 | | CHECK # 1016 |
| 06/23 | | \$310.00 | |
| 06/01 | 125.00 | | CHECK # 1015 |
| 05/28 | 225.04 | | CHECK # 1013 |
| 05/27 | | \$403.04 | |
| 05/01 | 30.24 | | CHECK # 1014 |
| 04/29 | 125.00 | | CHECK # 1012 |
| 04/28 | 20.00 | | ATM |
| 04/25 | | \$110.24 | |

ADDITIONAL TRANSACTION DETAILS AVAILABLE ONLINE AT WWW.USBANKOFSEAPORT.COM

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U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT
WASHINGTON, DC 20410-5000

ASSISTANT SECRETARY FOR
PUBLIC AND INDIAN HOUSING

August 26, 2003

Dear Certified Public Accountants:

We are writing to inform you of the Department's concentrated efforts at correcting a material weakness in the Department's financial statements which has now risen to the level of a Presidential Management Agenda item: the improper calculation of subsidy payments. You are receiving this letter because your firm has been identified by the Real Estate Assessment Center as having performed independent audits of Public Housing Agencies (PHAs) over the past two years. We are reaching out to you because the Department relies on the results of your audits to assess/mitigate risk and to target our scarce resources.

The Presidential mandate requires that the Department reduce income/rent errors 50 per cent by Fiscal Year (FY) 2005, with incremental error reduction goals of 15 per cent by FY 2003 and 30 percent by FY 2004, for both the Public Housing and Housing Choice Voucher (HCV) programs. An independent study performed in FY 2001 by Macro, Inc., on behalf of the Office of Policy Development and Research, disclosed that the Department is currently paying over 1.7 billion dollars in excess subsidy and is underpaying over 600 million dollars to low-income families. The Improper Payments Act requires the annual reporting and recovery of erroneous federal payments. A copy of the study can be downloaded at <http://www.huduser.org/publications/pubasst/qualitycontrol.html>.

To achieve its error reduction goals, the Department has implemented a new initiative: the Rental Housing Integrity Improvement Project (RHIP). *Rental Integrity Monitoring (RIM) reviews* are a key component of RHIP. The RIM initiative represents an approach that focuses on a PHA's income/rent calculations and those occupancy activities (e.g., PHA's quality control procedures) that directly impact upon the accuracy of income/rent calculations. The reviewer's primary task, during both the *initial* and *follow-up* RIM reviews, is to make a determination for each tenant file as to whether the PHA's income and rent calculations are accurate and to assist the PHA in the development of a Corrective Action Plan (CAP) wherever egregious income/rent errors exist. The conduct of initial and follow-up reviews enables the reviewer to determine if a PHA has corrected income/rent errors and implemented measures to prevent the reoccurrence of errors.

Although a substantial reason for the error is due to underreported and unreported income, which may be beyond the scope of the audit, both the results of the Macro Inc. study and the *RIM* reviews show many items that are routinely tested as part of the compliance and internal controls section of the audit pursuant to OMB Circular A-133 are contributing to the problem. Findings identified during a RIM review such as calculation errors, use of outdated payment standards for the HCV program, lack of third party verification to support tenant income as well as exclusions/deductions, and other internal control problems substantially contribute to the overall error.

Over the past nine months, staff from the Office of Public and Indian Housing, implemented detailed on-site *RIM* reviews of PHAs' income and rent calculations throughout the 10 (ten) HUD regions to assure the accuracy of the subsidy calculations. The reviewers randomly selected tenant files from over 650 of the Department's largest PHAs. Errors, identified during the *RIM* reviews, are being compared to the income and rent findings identified in the PHAs' audit reports.

Additionally, staff from Headquarters is tracing the subsidy determinations for a sample of tenants through the PHAs' accounting systems; comparing aggregate subsidy determinations to the subsidy payments made by HUD for the year. We have asked the Public Housing Directors in the HUD field offices to mail the results of our reviews to you and to the PHAs' Board of Commissioners. Where we find an audit report inconsistent with our findings (e.g., lack of internal controls, calculations errors, etc.) we have instructed our field offices to refer those firms to the Audit Quality Assurance team at the Real Estate Assessment Center to determine the best course of action.

We ask that you serve as a partner in assuring compliance with those sections of the *A-133 Compliance Supplement* (see Enclosures) that apply to the income and rent requirements for the Public Housing and HCV programs. Collectively, the compliance documents instruct the auditor to take actions that include an independent determination based on random file selection as to whether or not the PHA made improper payments (e.g., overpayments and underpayments), calculated the tenant's rent payment using documentation from third party verification, etc. The *RIM* review parallels the requirements outlined in the *Compliance Supplement*. Thus, the auditor's focus on compliance requirements for the Public Housing and HCV programs reinforces the Department's efforts to ensure that PHAs implement their CAPs.

David A. Vargas, MSA, CPA, Senior Advisor of my staff will be following up with the American Institute of Certified Public Accountants, the Association of Government Accountants, and other entities to reinforce these requirements. Should you have questions, please contact Mr. Vargas at (202) 708-0614, ext., 6192.

Sincerely,

Michael Liu,
Assistant Secretary

Enclosures

LEARNING ACTIVITY 2-1 MINIMUM RENT POLICIES AND PROCEDURES

Objective

- To analyze policies to determine where procedures are needed to inform staff about how to do a task

Task

- To implement the minimum rent policy on the following page, ABC PHA's staff will need written instructions in the form of procedures. Review the section on **criteria for hardship exemptions** and list two or three questions that need to be answered through procedures. Remember, the purpose of procedures is to ensure consistency in implementation. (The regulations governing minimum rent are reprinted below for your reference, as needed.)

5.630 Minimum rent.

(a) *Minimum rent.* (1) The PHA must charge a family no less than a minimum monthly rent established by the responsible entity, except as described in paragraph (b) of this section.

(2) For the public housing program and the section 8 moderate rehabilitation, and certificate or voucher programs, the PHA may establish a minimum rent of up to \$50.

(3) For other section 8 programs, the minimum rent is \$25.

(b) *Financial hardship exemption from minimum rent.*

(1) When is family exempt from minimum rent? The responsible entity must grant an exemption from payment of minimum rent if the family is unable to pay the minimum rent because of financial hardship, as described in the responsible entity's written policies. Financial hardship includes these situations:

(i) When the family has lost eligibility for or is awaiting an eligibility determination for a Federal, State, or local assistance program, including a family that includes a member who is a noncitizen lawfully admitted for permanent residence under the Immigration and Nationality Act who would be entitled to public benefits but for title IV of the Personal Responsibility and Work Opportunity Act of 1996;

(ii) When the family would be evicted because it is unable to pay the minimum rent;

(iii) When the income of the family has decreased because of changed circumstances, including loss of employment;

(iv) When a death has occurred in the family; and

(v) Other circumstances determined by the responsible entity or HUD.

(2) What happens if family requests a hardship exemption?

(i) *Public housing.*

(A) If a family requests a financial hardship exemption, the PHA must suspend the minimum rent requirement

beginning the month following the family's request for a hardship exemption, and continuing until the PHA determines whether there is a qualifying financial hardship and whether it is temporary or long term.

(B) The PHA must promptly determine whether a qualifying hardship exists and whether it is temporary or long term.

(C) The PHA may not evict the family for nonpayment of minimum rent during the 90-day period beginning the month following the family's request for a hardship exemption.

(D) If the PHA determines that a qualifying financial hardship is temporary, the PHA must reinstate the minimum rent from the beginning of the suspension of the minimum rent. The PHA must offer the family a reasonable repayment agreement, on terms and conditions established by the PHA, for the amount of back minimum rent owed by the family.

(ii) [omitted]

(iii) *All programs.*

(A) If the responsible entity determines there is no qualifying financial hardship exemption, the responsible entity must reinstate the minimum rent, including back rent owed from the beginning of the suspension. The family must pay the back rent on terms and conditions established by the responsible entity.

(B) If the responsible entity determines a qualifying financial hardship is long term, the responsible entity must exempt the family from the minimum rent requirements so long as such hardship continues. Such exemption shall apply from the beginning of the month following the family's request for a hardship exemption until the end of the qualifying financial hardship.

(C) The financial hardship exemption only applies to payment of the minimum rent (as determined pursuant to 5.628(a)(4) and 5.630), and not to the other elements used to calculate the total tenant payment (as determined pursuant to 5.628(a)(1), (a)(2) and (a)(3)).

ABC PHA MINIMUM RENT POLICY

Minimum Rent

“Minimum rent” is \$25. Minimum rent refers to the minimum total tenant payment (TTP) and includes the combined amount a family pays toward rent and/or utilities when it is applied.

Hardship Requests for an Exemption from Minimum Rent

The PHA recognizes that in some circumstances even the minimum rent may create a financial hardship for families. The PHA will review all relevant circumstances brought to the PHA’s attention regarding financial hardship as it applies to the minimum rent. The following section states the PHA’s policies in regard to minimum rent financial hardship as set forth by the Quality Housing and Work Responsibility Act of 1998. HUD has defined circumstances under which a hardship can be claimed. (24 CFR 5.630)

Criteria for Hardship Exemption

In order for a family to qualify for a hardship exemption, the family’s circumstances must fall under one of the following HUD hardship criteria

- The family has lost eligibility or is awaiting an eligibility determination for federal, state, or local assistance, including a family with a member who is a noncitizen lawfully admitted for permanent residence under the Immigration and Nationality Act and who would be entitled to public benefits but for Title IV of the Personal Responsibility and Work Opportunity Act of 1996.
- The family would be evicted as a result of the imposition of the minimum rent requirement.
- The income of the family has decreased because of changed circumstances, including loss of employment, death in the family, or other circumstances as determined by the PHA or HUD.

Suspension of Minimum Rent

The PHA will grant the minimum rent suspension to all families who request it, effective the first of the following month.

The minimum rent will be suspended until the PHA determines whether the hardship meets the criteria for exemptions and whether it is temporary or long-term.

“Temporary” means verified to last less than 90 days. “Permanent” means lasting 90 or more days. “Suspension” means that the PHA must not use the minimum rent calculation until the PHA has made this decision.

During the minimum rent suspension period, the family will not be required to pay the minimum rent.

The PHA may not evict the family for nonpayment of minimum rent during the 90-day period beginning the month following the family’s request for a hardship exemption.

If the PHA determines that there is no qualifying hardship, the PHA will reinstate the minimum rent, including payment for minimum rent from the time of suspension. The PHA will determine whether a repayment agreement is feasible in accordance with its repayment policy.

Temporary Hardship Suspension

If the PHA determines that the hardship is temporary, the PHA must reinstate the minimum rent from the beginning of the suspension of the minimum rent. The PHA must offer the family a reasonable repayment agreement, in accordance with its repayment policy, for the amount of back minimum rent owed by the family.

Long-Term Duration Hardship Exemption (24 CFR 5.630(b)(2)(iii)(B))

If the PHA determines that there is a qualifying long-term financial hardship, the PHA must exempt the family from the minimum rent requirements for as long as the hardship continues. The exemption from minimum rent shall apply from the first day of the month following the family’s request for exemption.

Questions to Be Answered in Procedures:

Trainer Notes:

What needs to be verified?

What verification standards are used?

What documentation provided by the family will be acceptable?

How long will the family have to provide the documentation?

What happens if the staff determines that the documentation is insufficient?

If adequate documentation is supplied by the family, what steps does the staff take?

Section 2: Step 1: Gathering Data

LEARNING ACTIVITY 3-1 FIX THE QUESTION

Instructions

- On the following pages are five typical questions that could be asked on application or reexamination forms.
- Break into five groups. Each group will work on one question.
- Analyze the question assigned to your group by responding to the questions beneath it.
- Select a spokesperson to report your results.

Section 2: Step 1: Gathering Data

Question 1: Does any family member own assets worth more than \$5000? (Do not include personal property.) If yes, list assets.

Trainer Notes:

1. What's wrong with this question?

- **It's a yes/no question. Family doesn't have to give any information.**
- **It excludes assets with a value of less than \$5000.**
- **It doesn't explain what an "asset" is, as defined by HUD.**
- **It doesn't inquire about assets that may have been disposed of for less than fair market value.**

2. How would the error(s) in this question affect rent calculation?

- **PHA would not capture accurate information about assets a family may own or have disposed of.**
- **PHA would not know about any assets with a value under \$5000.**
- **Family could assume that a HUD-defined asset was "personal property" and not disclose it.**

3. What question(s) should be asked about this issue?

- **Do you or does any member of your family have any of the following assets: [list HUD-defined assets]?**
- **Has any member of your family sold or given away any assets in the past two years?**

4. What additional information would the PHA need for correct income and rent determination?

- **The market value and cash value of all assets**
- **The anticipated income from any and all assets**
- **Independent third-party written verification of all assets**
- **The HUD-determined passbook rate**

Section 2: Step 1: Gathering Data

Question 2: Medical expenses: Please list prescription costs for family members aged 62 and over.

Trainer Notes:

1. What's wrong with this question?

- **It does not include all medical expenses for all family members. It is limited to prescription costs for elderly family members.**
- **It does not offer an explanation of what qualifies as an eligible medical expense.**

2. How would the error(s) affect rent calculation?

- **PHA would not capture all eligible medical expenses; as a result, family's adjusted income might be overstated.**

3. What question(s) should be asked about this issue?

- **Specific questions about medical allowances: prescription and nonprescription medicines, copayments, insurance premiums, etc.**
- **Are any of these expenses reimbursed by anyone outside the family?**

4. What additional information would the PHA need for correct income and rent determination?

- **Whether the head or spouse is elderly or disabled**
- **A list of all anticipated medical expenses of all family members**
- **Verification of the expenses**
- **Verification that the expenses are not reimbursed**

Section 2: Step 1: Gathering Data

Question 3: Does any family member over 18 years of age attend an accredited junior college, 4-year college, or university? If yes, list name and school.

Trainer Notes:

1. What is wrong with this question?

- **It does not include other acceptable types of schools—trade, vocational, business, etc.**
- **The meaning of “accredited” is unclear: Accredited by whom? Who would know?**
- **It does not stipulate full-time.**
- **It says “over 18” instead of 18 or older.**

2. How would the error(s) in this question affect rent calculation?

- **Persons attending schools other than those specified in the question would respond no and would not get the benefit of a possible dependent deduction or income exclusion of earnings over \$480.**
- **Family may not get allowance for child care expenses, if any.**

3. What question(s) should be asked about this issue?

- **Does any family member age 18 or older attend any type of school, training, or educational institution?**

4. What additional information would the PHA need for a correct income and rent determination?

- **Verification from the educational program or institution of student status (full- or part-time)**

Section 2: Step 1: Gathering Data

Question 4: Answer only if the head of household or spouse is disabled: Does the disabled head or spouse incur costs for auxiliary apparatus in order to work? If yes, list and explain costs.

Trainer Notes:

| |
|--|
| <p>1. What's wrong with this question?</p> <ul style="list-style-type: none">• It's limited to head and spouse with disability and excludes nondisabled families.• It's poorly worded: "auxiliary apparatus" could be confusing.• It does not include other examples of eligible expenses—care attendant, assistive animal, etc.• It doesn't say "anticipated" expenses. |
| <p>2. How could the error(s) affect rent calculation?</p> <ul style="list-style-type: none">• Nondisabled families would not get the benefit of disability expenses; as a result, their eligible expenses might be understated.• Qualifying families with expenses other than auxiliary apparatus expenses would not get the benefit of other eligible expenses, such as for attendant care. |
| <p>3. What questions should be asked about this issue?</p> <ul style="list-style-type: none">• Does the family have any anticipated expenses such as [list eligible expenses]? |
| <p>4. What additional information would the PHA need for a correct income and rent determination?</p> <ul style="list-style-type: none">• Whether any family member works• Whether the expenses enable the family member to work• How much the working family member is enabled to earn• Independent third-party verification of the expenses• Whether any of the expenses are reimbursed |

Section 2: Step 1: Gathering Data

Question 5: Does any family member have child care costs to allow someone to work or actively seek work? If yes, list child(ren) and child-care provider(s).

Trainer Notes:

1. What is wrong with this question?

- **It doesn't focus on child care cost for children 12 and under.**
- **It doesn't include child care expenses to further education.**
- **It doesn't ask if expenses are reimbursed.**

2. How would the error(s) in this question affect rent calculation?

- **Families with child care expenses that enabled a member to further his/her education would not get the benefit of the child care expense deduction.**
- **If the child care expenses were reimbursed, allowances would be overstated.**

3. What questions should be asked about this issue?

- **Does any member of the family pay child care expenses for a child 12 or under living in the household?**
- **Does any family member attend school?**
- **Is any family member actively seeking work?**
- **Is any family member employed?**
- **Is any portion of the expenses reimbursed?**

4. What additional information would the PHA need for a correct income and rent determination?

- **Third-party verification of student status, employment, or active search for employment**
- **Verification of child care expenses from care provider**
- **Verification from care provider that expenses are not reimbursed**
- **Days and hours that care is provided**
- **Verification of age of family members receiving child care**

Section 3: Step 2: Interviewing

LEARNING ACTIVITY 3-2 SITUATION ANALYSIS

- Review the situation below and answer the questions that follow.

You are interviewing a public housing resident who has reported \$300 per month in net income as the result of part-time self-employment as a seamstress. As part of the PHA's interview process, families are asked to provide basic information about their monthly expenses. The resident has reported household monthly expenses of approximately \$750.

Part A

- What facts would you need to reconcile this discrepancy? What questions would you ask the resident?

Trainer Notes:

Are your monthly expenses paid for in full each month?

If so, who is paying the additional \$450?

Does anyone outside your household pay for any of the bills or expenses?

Do you have a court order for alimony or child support payments?

Could you explain the discrepancy between your income and your expenses?

Section 3: Step 2: Interviewing

Part B

- What types of documents, information, or records would you request this resident to provide?

Trainer Notes:

Copy of most recent state and federal income tax returns

Records of self-employment earnings and expenses

Appropriate schedule from income tax return

PHA form for recording earnings/expenses

Receipts

Notarized expense statement

Signed authorization for SWICA match, credit bureau inquiry, and TANF verification form

Section 3: Step 2: Interviewing

Part C

- What actions would you take to obtain additional information, if any?

Trainer Notes:

Run a CBI report.

Run a SWICA match.

Use TASS.

Verify whether or not the resident is on TANF.

LEARNING ACTIVITY 4-1 MINIMUM RENT VERIFICATION

Objectives

- To review regulatory and policy language and determine what needs to be verified
- To determine how the needed items should be verified

Instructions

- Review ABC PHA's minimum rent policy on the following page.

Task

- On the answer sheet provided on page 4-5, question 1a lists one item in ABC PHA's minimum rent policy that needs to be verified. Answer questions 1b and 1c by identifying the appropriate verification source for this item and explaining how you would go about verifying it.
- On your own time, identify three other items in ABC PHA's minimum rent policy that need to be verified and complete this learning activity by answering the remaining questions on the answer sheet.

ABC PHA MINIMUM RENT POLICY

Minimum Rent

“Minimum rent” is \$25. Minimum rent refers to the minimum total tenant payment (TTP) and includes the combined amount a family pays toward rent and/or utilities when it is applied.

Hardship Requests for an Exemption from Minimum Rent

The PHA recognizes that in some circumstances even the minimum rent may create a financial hardship for families. The PHA will review all relevant circumstances brought to the PHA’s attention regarding financial hardship as it applies to the minimum rent. The following section states the PHA’s policies in regard to minimum rent financial hardship as set forth by the Quality Housing and Work Responsibility Act of 1998. HUD has defined circumstances under which a hardship can be claimed. (24 CFR 5.630)

Criteria for Hardship Exemption

In order for a family to qualify for a hardship exemption, the family’s circumstances must fall under one of the following HUD hardship criteria:

- The family has lost eligibility or is awaiting an eligibility determination for federal, state, or local assistance, including a family with a member who is a noncitizen lawfully admitted for permanent residence under the Immigration and Nationality Act and who would be entitled to public benefits but for Title IV of the Personal Responsibility and Work Opportunity Act of 1996.
- The family would be evicted as a result of the imposition of the minimum rent requirement.
- The income of the family has decreased because of changed circumstances, including loss of employment, death in the family, or other circumstances as determined by the PHA or HUD.

Suspension of Minimum Rent

The PHA will grant the minimum rent suspension to all families who request it, effective the first of the following month.

The minimum rent will be suspended until the PHA determines whether the hardship meets the criteria for exemptions and whether it is temporary or long-term.

“Temporary” means verified to last less than 90 days. “Permanent” means lasting 90 or more days. “Suspension” means that the PHA must not use the minimum rent calculation until the PHA has made this decision.

During the minimum rent suspension period, the family will not be required to pay the minimum rent.

The PHA may not evict the family for nonpayment of minimum rent during the 90-day period beginning the month following the family’s request for a hardship exemption.

If the PHA determines that there is no qualifying hardship, the PHA will reinstate the minimum rent, including payment for minimum rent from the time of suspension. The PHA will determine whether a repayment agreement is feasible in accordance with its repayment policy.

Temporary Hardship Suspension

If the PHA determines that the hardship is temporary, the PHA must reinstate the minimum rent from the beginning of the suspension of the minimum rent. The PHA must offer the family a reasonable repayment agreement, in accordance with its repayment policy, for the amount of back minimum rent owed by the family.

Long-Term Duration Hardship Exemption (24 CFR 5.630(b)(2)(iii)(B))

If the PHA determines that there is a qualifying long-term financial hardship, the PHA must exempt the family from the minimum rent requirements for as long as the hardship continues. The exemption from minimum rent shall apply from the first day of the month following the family’s request for exemption.

Answer Sheet

1a. What needs to be verified?

Trainer Note:

- **Family has lost eligibility or is awaiting eligibility determination for federal, state, or local assistance.**

1b. Who is the verification source?

Trainer Note:

- **The federal, state, or local assistance agency (e.g., Social Security Administration, human services or welfare agency, SWICA)**

1c. How would you verify this item?

Trainer Note:

- **Third-party verification that eligibility has been lost or will be received and, if forthcoming, when the assistance may begin**
- **Review of agency documents if third-party not available**

2a. What needs to be verified?

2b. Who is the verification source?

2c. How would you verify this item?

3a. What needs to be verified?

3b. Who is the verification source?

3c. How would you verify this item?

4a. What needs to be verified?

4b. Who is the verification source?

4c. How would you verify this item?

Section 3: Recommended Levels of Verification

LEARNING ACTIVITY 4-2 UIV CASE STUDY 1

Scenario

- The Walter family consists of the following members:
 - Larry—head of household under 62
 - Renee—spouse
 - Louis—minor under 13
 - Lisa—minor under 13
 - Richard—minor under 13
- On June 12, 2002, the family reported no change in family composition and the following income: SSI of \$545 a month for Larry and SSI of \$545 a month for Louis. The PHA obtained third-party verification of the family-reported income and calculated the family's total tenant payment (TTP) at \$281 effective October 1, 2002.
- On June 26, 2003, the family reported no change in family composition and the following income: SSI of \$565 a month for Larry and SSI of \$565 a month for Louis. The PHA obtained up-front income verification of the family-reported income and discovered the family had not reported monthly SSI benefits of \$565 for Renee and monthly SSI benefits of \$565 for Lisa. Up-front income verification indicated the effective date of SSI benefits was 05/01/95 and 06/01/97, respectively, for Renee and Lisa. The PHA calculated the family's TTP at \$641 effective October 1, 2003.

Task

- Answer the questions regarding UIV on the following pages.

Section 3: Recommended Levels of Verification

1. What do you see as the benefits of UIV in this scenario or within your agency?

Trainer Notes:

UIV BENEFITS:

Meets third-party verification requirement

Quick and easy way to confirm income sources

May identify income undisclosed by family members

Provides income verification before and during required family income reexaminations

Deters families from falsifying income information

2. What do you see as the limitations of UIV within your agency?

Trainer Notes:

UIV LIMITATIONS:

May result in excessive retroactive rent payment calculations

Section 3: Recommended Levels of Verification

3. What types of policies will your PHA need to develop in conjunction with implementing a UIV process?

Trainer Notes:

Refer participants to “UIV Orientation” on page 4-67.

POLICIES NEEDED:

Criteria for repayment agreements

Thresholds for legal action related to fraud

Interim reexamination thresholds

Zero income–related policies (PHAs may want to review SWICA data quarterly on all zero-income families.)

4. How would you notify families that you are doing UIV?

Trainer Notes: NOTIFICATION

HUD recommends that interview guides be changed to ensure that caseworkers emphasize the importance of fully disclosing income by informing families before disclosure that PHAs have access to wage, social security, and unemployment benefit information.

HUD recommends that PHA management meet with stakeholders to inform them about the new availability of SWICA data. Stakeholders might include board members, resident representatives, local advocacy groups, and groups like Legal Aide. Depending on a PHA’s policies, the availability of this new information may lead to a significant increase in reactions by the PHA to the discovery of undisclosed income.

Section 3: Recommended Levels of Verification

LEARNING ACTIVITY 4-3 UIV CASE STUDY 2

Scenario

- The Roberts family consists of the following family members:
 - Gina Roberts—head
 - Ginny Roberts—minor over 13
 - Greg Henderson—minor over 13
- On August 10, 2002, the family reported no change in family composition and the following income: wages of \$250 per week from Kmart (average based on submitted pay stubs for the months of August, July, and June). The PHA obtained third-party verification of the family-reported income (through a handwritten wage form from the employer) and calculated the family’s total tenant payment (TTP) at \$301 effective December 1, 2003.
- On August 20, 2003, the family reported no change in family composition and the following income: wages of \$400 per week from Kmart (average based on submitted pay stubs for the period June 1, 2003, through the last pay date of August 15, 2003). The PHA obtained the following up-front income verification:

SWICA Data as of March 30, 2003

| EMPLOYER | Q1 2003 | Q4 2002 | Q3 2002 | Q2 2002 |
|---|----------------|----------------|----------------|----------------|
| Kmart Corporation 52-123456789 123 Main Street Baltimore, MD 21201 (410) 555-1212 | \$4,052.63 | \$3,258.26 | \$3,550.82 | \$4,565.45 |

Trainer Note:

In this case, the family has neither underreported income nor failed to disclose an income source. However, the existence of SWICA data, which is significantly less than the family-provided information (by \$5,373 annually, \$448 monthly), may cause the PHA to calculate a lower TTP. If the PHA relied solely on the SWICA data, the TTP would be calculated at \$362. If the PHA relied solely on the family-provided information, the TTP would be calculated at \$496.

Task

- Answer the questions on the following two pages.

Section 3: Recommended Levels of Verification

1. What would be the benefits of UIV in this case?

Trainer Notes:

UIV BENEFITS:

Meets third-party verification requirement

Quick and easy way to verify income sources

2. What would be the limitations of UIV in this case?

Trainer Note:

UIV LIMITATIONS:

May result in tenant overpayment or underpayment

May require additional written third-party verification to clarify significant difference in earnings (Is the change in income temporary or permanent?)

Does not provide current data (Data is as of March 30, 2003.)

Does not reflect number of hours worked, overtime, bonuses, etc.

Verifications

Section 3: Recommended Levels of Verification

3. How could the PHA calculate income and rent for the Roberts family?

Trainer Notes:

Contact the third party and the family to request income information identified in the SWICA data.

If there is no response, one way to address the situation would be to use a combination of up-front income verification and tenant-provided information. In that case, the TTP would be calculated at \$429.

| Calculation | SWICA (Quarter) | PAY STUBS (Week) | Combo Average |
|---|--------------------|---------------------|------------------|
| | \$ 4,052.63 | \$ 400 | \$ 15,427 |
| | \$ 3,258.26 | | \$ 20,800 |
| | \$ 3,550.82 | | \$ |
| | \$ 4,565.45 | | \$ |
| ANNUAL | \$ 15,427 | \$ 20,800 | \$ 18,114 |
| Less Dependent Allowance (2@\$480) | \$ - 960 | \$ - 960 | \$ - 960 |
| Adjusted Income | \$ 14,467 | \$ 19,840 | \$ 17,154 |
| Monthly Adjusted Income | \$ 1,205.58 | \$ 1,653.33 | \$ 1,429.46 |
| TTP (30%) | \$ 362 | \$ 496 | \$ 429 |

4. What policies/procedures are needed to address this situation?

Trainer Notes:

Procedures on what to do when there is a discrepancy between UIV and documents provided by a family

Verification procedures

Repayment agreement policy and procedures

Verifications

Section 4: Verification Standards

Determining the Status of Dependents: An Example

- **Scenario:** A public housing family consists of the following members:

| Family Member | Relation to Head | School Grade | Sex | Disabled | Date of Birth | Age * |
|---------------|------------------|------------------|-----|----------|---------------|-------|
| Jones, Tina | Head | N/A | F | Y | 01/01/71 | 32 |
| Jones, Sam | Son | 12 th | M | Y | 05/14/84 | 19 |
| Holly, Amy | Daughter | 10 th | F | N | 10/15/87 | 15 |
| Miller, Tim | Foster son | 9 th | M | Y | 12/12/88 | 14 |

* As of effective date of action: October 1, 2003

- **Question:** Upon effective verification, which family members in the above chart are entitled to the \$480 dependent deduction? Why or why not?
- **Answer:**

| Family Member | Dependent Deduction (Y/N) | Why or why not? |
|---------------|---------------------------|--|
| Sam Jones | Yes | Although Sam Jones is over the age of 18, Sam is a full-time student. He is also disabled. Thus, he is eligible for the \$480 dependent deduction. |
| Amy Holly | Yes | Amy Holly is under the age of 18 and is not a foster child. Thus, she is eligible for the \$480 dependent deduction. |
| Tim Miller | No | Although Tim Miller is under the age of 18, he is NOT entitled to the \$480 dependent deduction because he is a foster child and, by definition, is excluded from receiving the \$480 dependent deduction. |

LEARNING ACTIVITY 5-1 PAY STUBS VS. THIRD-PARTY VERIFICATION

Scenario

- Anywhere Housing Authority (AHA) is conducting an annual reexamination for Natalie Buchanan. The reexamination effective date is October 1, 2003.
- Natalie is employed as an office receptionist. She has provided her pay stubs for the last 6 weeks. The PHA has requested third-party verification from her employer.

Part 1

- Calculate Ms. Buchanan’s annual income using the six pay stubs that follow.

|  Myron Rawleigh, M.D. 123 High View Dr., Cubside City, ST 55555 | | | | | | | | | |
|---|--------------|------------------|----------|-------------------------|--------------------------------|------------|------------------|------------|--|
| Employee Name | | Employee SSN | | Period Start | | Period End | | Check Date | |
| Natalie Buchanan | | 123-45-6789 | | 7-27-03 | | 8-2-03 | | 8-8-03 | |
| Earnings/Compensation | | | | | Deductions/Taxes/Miscellaneous | | | | |
| Description | Rate | Hrs | Amount | Year to Date | Description | Amount | Year to Date | | |
| Wages | \$9.25 | 32 | \$296.00 | \$5,328.00 | Fed W/H | \$57.20 | \$1029.60 | | |
| | | | | | FICA | \$20.72 | \$ 372.96 | | |
| | | | | | Medicare | \$ 4.28 | \$ 77.04 | | |
| | | | | | ST W/H | \$ 8.88 | \$ 159.84 | | |
| | | | | | | | | | |
| Current | Gross | \$ 296.00 | | Total Deductions | \$ 91.08 | Net | \$ 204.92 | | |

Reducing Income and Rent Errors by Building a Quality Program

Calculation Problem Areas

Section 2: Employment Income

|  Myron Rawleigh, M.D. 123 High View Dr., Cubside City, ST 55555 | | | | | | | |
|---|--------------|--------------|----------|--------------------------------|-------------|------------|--------------|
| Employee Name | | Employee SSN | | Period Start | Period End | Check Date | |
| Natalie Buchanan | | 123-45-6789 | | 7-20-03 | 7-26-03 | 8-1-03 | |
| Earnings/Compensation | | | | Deductions/Taxes/Miscellaneous | | | |
| Description | Rate | Hrs | Amount | Year to Date | Description | Amount | Year to Date |
| Wages | \$9.25 | 32 | \$296.00 | \$5,032.00 | Fed W/H | \$57.20 | \$ 972.40 |
| | | | | | FICA | \$20.72 | \$ 352.24 |
| | | | | | Medicare | \$ 4.28 | \$ 72.76 |
| | | | | | ST W/H | \$ 8.88 | \$ 150.96 |
| | | | | | | | |
| | | | | | | | |
| Current | Gross | \$ 296.00 | | Total Deductions | \$ 91.08 | Net | \$ 204.92 |

|  Myron Rawleigh, M.D. 123 High View Dr., Cubside City, ST 55555 | | | | | | | |
|---|--------------|--------------|----------|--------------------------------|-------------|------------|--------------|
| Employee Name | | Employee SSN | | Period Start | Period End | Check Date | |
| Natalie Buchanan | | 123-45-6789 | | 7-13-03 | 7-19-03 | 7-25-03 | |
| Earnings/Compensation | | | | Deductions/Taxes/Miscellaneous | | | |
| Description | Rate | Hrs | Amount | Year to Date | Description | Amount | Year to Date |
| Wages | \$9.25 | 32 | \$296.00 | \$4,736.00 | Fed W/H | \$57.20 | \$ 915.20 |
| | | | | | FICA | \$20.72 | \$ 331.52 |
| | | | | | Medicare | \$ 4.28 | \$ 68.48 |
| | | | | | ST W/H | \$ 8.88 | \$ 142.08 |
| | | | | | | | |
| | | | | | | | |
| Current | Gross | \$ 296.00 | | Total Deductions | \$ 91.08 | Net | \$ 204.92 |

Reducing Income and Rent Errors by Building a Quality Program

Calculation Problem Areas

Section 2: Employment Income

|  Myron Rawleigh, M.D. 123 High View Dr., Cubside City, ST 55555 | | | | | | | |
|---|--------------|------------------|----------|--------------------------------|-----------------|------------|------------------|
| Employee Name | | Employee SSN | | Period Start | Period End | Check Date | |
| Natalie Buchanan | | 123-45-6789 | | 7-6-03 | 7-12-03 | 7-18-03 | |
| Earnings/Compensation | | | | Deductions/Taxes/Miscellaneous | | | |
| Description | Rate | Hrs | Amount | Year to Date | Description | Amount | Year to Date |
| Wages | \$9.25 | 32 | \$296.00 | \$4,440.00 | Fed W/H | \$57.20 | \$ 858.00 |
| | | | | | FICA | \$20.72 | \$ 310.80 |
| | | | | | Medicare | \$ 4.28 | \$ 64.20 |
| | | | | | ST W/H | \$ 8.88 | \$ 133.20 |
| | | | | | | | |
| Current | Gross | \$ 296.00 | | Total Deductions | \$ 91.08 | Net | \$ 204.92 |

|  Myron Rawleigh, M.D. 123 High View Dr., Cubside City, ST 55555 | | | | | | | |
|---|--------------|------------------|----------|--------------------------------|-----------------|------------|------------------|
| Employee Name | | Employee SSN | | Period Start | Period End | Check Date | |
| Natalie Buchanan | | 123-45-6789 | | 6-29-03 | 7-5-03 | 7-11-03 | |
| Earnings/Compensation | | | | Deductions/Taxes/Miscellaneous | | | |
| Description | Rate | Hrs | Amount | Year to Date | Description | Amount | Year to Date |
| Wages | \$9.25 | 32 | \$296.00 | \$4,144.00 | Fed W/H | \$57.20 | \$ 800.80 |
| | | | | | FICA | \$20.72 | \$ 290.08 |
| | | | | | Medicare | \$ 4.28 | \$ 59.92 |
| | | | | | ST W/H | \$ 8.88 | \$ 124.32 |
| | | | | | | | |
| Current | Gross | \$ 296.00 | | Total Deductions | \$ 91.08 | Net | \$ 204.92 |

Calculation Problem Areas

Section 2: Employment Income

| | | | | | | | | | |
|---|--------|--------------|----------|--------------------------------|-------------|------------|--------------|----|--------|
|  Myron Rawleigh, M.D. 123 High View Dr., Cubside City, ST 55555 | | | | | | | | | |
| Employee Name | | Employee SSN | | Period Start | Period End | Check Date | | | |
| Natalie Buchanan | | 123-45-6789 | | 6-22-03 | 6-28-03 | 7-4-03 | | | |
| Earnings/Compensation | | | | Deductions/Taxes/Miscellaneous | | | | | |
| Description | Rate | Hrs | Amount | Year to Date | Description | Amount | Year to Date | | |
| Wages | \$9.25 | 32 | \$296.00 | \$3,848.00 | Fed W/H | \$57.20 | \$ 743.60 | | |
| | | | | | FICA | \$20.72 | \$ 269.36 | | |
| | | | | | Medicare | \$ 4.28 | \$ 55.64 | | |
| | | | | | ST W/H | \$ 8.88 | \$ 115.44 | | |
| | | | | | | | | | |
| Current | Gross | \$ | 296.00 | Total Deductions | \$ | 91.08 | Net | \$ | 204.92 |

ANNUAL INCOME: \$15,392

Trainer Note: $\$296 \times 52 = \$15,392$

Part 2

- Anywhere Housing Authority is about to notify Ms. Buchanan of her new rental amount. However, on August 20, the PHA receives delayed third-party verification from her employer, as shown on the following page. Notice that Ms. Buchanan is going to begin working full-time on September 1 and is anticipated to have some overtime. Calculate her annual income using the employer verification form.

ANNUAL INCOME: \$20,102

| | | |
|---------------------|-------------------------------|---|
| Trainer Note | $9.50 \times 2080 = \$19,760$ | $OT: 9.50 \times 1.5 = 14.25/\text{hour (2hrs/mo)}$ $14.25 \times 2 \text{ hours} \times 12 \text{ months} = 342$ $19,760 + 342 = \$20,102$ |
|---------------------|-------------------------------|---|

**Anywhere Housing Authority
Verification of Income from Employment**

Re: Natalie Buchanan

Social Security #123-45-6789

Dear Sir/Madam:

We are required to verify the incomes of all family members living in or applying for public housing or Section 8 housing. We ask your cooperation by supplying the information requested below about the referenced person. We will use any information you provide only to determine the family's eligibility and rent, and we pledge to keep the data in strict confidence.

We would greatly appreciate your prompt return of this letter. A self-addressed, stamped return envelope is enclosed. Note that the person referenced has authorized your release of the information. If you have any questions, please call Anna Alvarez at 555-5555.

Thank you.

-
1. Employed since: 3/1/03 2. Job title: Office Receptionist
 3. Base pay rate or salary: \$ 9.25/hr now; Raise to 9.50 eff. 9-1-03
 4. Average hours worked at base pay rate: 32; Raise to 40 hrs/wk eff. 9-1-03
 5. Is overtime likely? Yes No If yes, overtime pay rate: \$ time and a half per hour
 6. Average overtime hours expected per month during next 12 months: 2 hours per month starting 9-1-03
 7. Other compensation? Please specify type (tips, bonuses, commissions), amount, and frequency.
Type None \$ _____ per _____
 8. Vacation pay? Yes No If yes, number of days per year: _____
 9. Total base pay earnings for last 12 months: \$ 15,000
 10. Total overtime earnings for last 12 months: \$ ∅

Firm name: Myron Rawleigh, M.D. Address: 123 High View Dr., Cubside City

Name of person completing this form: Roxanne Balsom Date: 8-15-03
Title: Office Manager Signature: Roxy Balsom

Applicant/Tenant Release

I, Natalie Buchanan, hereby authorize release of the requested information.

Natalie Buchanan 7/1/03
Signature Date

Discussion Questions

1. What would a PHA staff person do in this situation?

Trainer Note:

If you have information that comes in prior to a reexamination, the PHA should consider the new amount and make the decision.

2. What is the first step you would take?

Trainer Note:

Contact the family to see why there is a discrepancy.

3. Which verification would you use and why?

Trainer Note:

The third-party verification would normally be used. An employer might change a third-party verification with new information provided by a family, but this would be unusual.

If the information on the third-party verification and the pay stubs is close enough, the PHA could develop a procedure to deal with small discrepancies.

If it is not close, the PHA should contact the family and the third party, resolve the difference, and decide what amount to use in the calculation.

4. How would you know when the new rental amount would go into effect?

Trainer Note:

The PHA's policy or procedure should describe what the staff should do in this situation.

5. What would you do if the verification had come in after the reexamination date?

Trainer Note:

The PHA should have a policy on how to handle a verification that comes in after a reexamination date. If this is a chronic problem, the PHA may need to start the reexam process earlier.

Sporadic Income Example

- **Scenario:** Daniel Morgan receives social security disability benefits. In addition, he works occasionally as a handyman. Daniel claims to have worked only a couple of times last year; he has no documentation to support this claim.
- **Question 1:** Do Daniel's earnings from working as a handyman fit the definition of *sporadic income*?

Trainer Note:

Yes, his earnings are neither reliable (he cannot depend on them) nor periodic (they do not recur at regular intervals).

- **Question 2:** How should Daniel's PHA handle his employment income?

Trainer Note:

Daniel's PHA should not include his handyman earnings in his annual income. However, the PHA should tell Daniel that he must report any regular work or steady jobs that he takes in the future.

- **Question 3:** What type of documentation should the PHA have in Daniel's file to support its decision?

Trainer Note:

The PHA should have:

A note in the file explaining Daniel's situation and its decision and UIV if the PHA has access to it.

Section 3 Training Program Income

HUD-FUNDED TRAINING PROGRAM

- The regulation at 24 CFR 5.609(c)(8)(i) states that all amounts received under training programs funded by HUD are to be excluded from annual income.

Example

- **Scenario:** The head of a family residing in public housing receives \$500 per month in Temporary Assistance for Needy Families (TANF) benefits. She then enrolls in a HUD-funded training program operated by her PHA, and her TANF benefits stop. She receives \$600 per month while she is participating in the training program. Upon completion of the program, she gets a job at the PHA earning \$700 per month.
- **Question 1:** What monthly income is counted while the woman is participating in the training program?

Trainer Note:

None. All of the tenant's income from the HUD-funded training program is excluded, and she has no other income.

- **Question 2:** What monthly income is counted after completion of the program?

Trainer Note:

All—\$700.

- **Question 3:** How long is the training income excluded?

Trainer Note:

It is excluded only during the training program.

OTHER TRAINING PROGRAM INCOME

- The regulation at 24 CFR 5.609(c)(8)(v) states that all incremental earnings and benefits resulting from participation in a qualifying state or local employment training program (including training programs not affiliated with a local government) are excluded from annual income.
 - The regulation does not name any specific employment training programs.
- To be considered *qualifying* for the purposes of this regulatory exclusion, an employment training program must have clearly defined goals and objectives. (24 CFR 5.609(c)(8)(v))
 - PHAs may adopt written policies that establish standards for these programs.
- Training programs may include:
 - Occupational classroom training
 - Subsidized on-the-job training
 - Basic education
- *Incremental*, another key word in this regulation, refers to the **increase** in income that results from enrolling in a qualifying employment training program.
 - The incremental increase is the difference in income **after** enrollment as compared to income **before** enrollment.
 - Only the incremental increase is excluded.
- Incremental income from a qualifying employment training program is excluded only while an individual is actually participating in the program. (24 CFR 5.609(c)(8)(v))

Example of Other Training Income

- **Scenario:** A family's head of household receives \$400 per month in TANF. He then enrolls in a qualifying state employment training program and receives \$550 per month in training income. His TANF benefits stop.
- **Question 1:** What income is counted when the man's TANF benefits stop?

Trainer Note:

After the man's TANF benefits stop, the only income he has is from the training program: \$550.

That is \$150 ($\$550 - \400) more than he was receiving before the training program.

This incremental increase is excluded from his income.

Therefore, \$400 ($\$550 - \150) is counted.

- **Question 2:** How long will the incremental increase in income be excluded?

Trainer Note:

It will be excluded as long as he is participating in the training program.

LEARNING ACTIVITY 5-2 EID CALCULATION

Learning Objective

- This learning activity is designed to give you practice calculating the amount of earnings to be included in the annual income of a family member eligible for the earned income disallowance. As you work through the activity, you will not be expected to track the EID exclusion periods. That information will be provided.

Scenario

- Katie Garrett is a tenant in the public housing program. At her last annual reexamination, Katie's annual income consisted of \$5,000 from alimony payments. This has been her only income for the last two years.

Part 1

- Katie has just reported that she has become employed, and her PHA has verified that she will now be earning \$9,500 per year. She will continue receiving \$5,000 per year in alimony.
 - How much is Katie's prequalifying (baseline) income?
(*Note: A family member's prequalifying income includes all of that member's income prior to the qualifying event.*)

\$5,000

Reducing Income and Rent Errors by Building a Quality Program

Calculation Problem Areas

Section 4: Earned Income Disallowance (EID)

Step 1: Calculate EID family member's exclusion amount.

| | | |
|--|----|---------------|
| A. Earned income of EID family member | \$ | 9,500 |
| B. Other income of EID family member | \$ | 5,000 |
| C. Total annual income of EID family member (A + B) | \$ | 14,500 |
| D. Prequalifying income of EID family member | \$ | 5,000 |
| E. Full exclusion (C – D, <i>but no more than A</i>) | \$ | 9,500 |
| F. 50% exclusion during phase-in period, if applicable (E × 0.50) | \$ | N/A |

Step 2: Determine EID family member's wages after exclusion.

| | | |
|---|----|--------------|
| G. EID family member's earnings (HUD-50058, 7d) | \$ | 9,500 |
| H. Exclusion (E or F, as applicable) (HUD-50058, 7e) | \$ | 9,500 |
| I. EID family member's earned income after exclusions (G – H) (HUD-50058, 7f) | \$ | 0 |

Form HUD-50058

| 7a. Family member name | No. | 7b. Income code | 7c. Calculation (PHA use) | 7d. Dollars per year | 7e. Income exclusions | 7f. Income after exclusions (7d minus 7e) |
|---------------------------|-----|--------------------|---------------------------|-------------------------|--------------------------|--|
| Katie | 1 | N | | \$5,000 | | \$5,000 |
| Katie | 1 | W | | \$9,500 | \$9,500 | 0 |
| | | | | | | |
| 7g. Column total | | | | | | \$5,000 |

Reducing Income and Rent Errors by Building a Quality Program

Calculation Problem Areas

Section 4: Earned Income Disallowance (EID)

Part 2

- Katie is still earning \$9,500 annually, but her alimony has been reduced to \$2,000. She is still in her full exclusion period.

Step 1: Calculate EID family member's exclusion amount.

| | | |
|--|----|---------------|
| A. Earned income of EID family member | \$ | 9,500 |
| B. Other income of EID family member | \$ | 2,000 |
| C. Total annual income of EID family member (A + B) | \$ | 11,500 |
| D. Prequalifying income | \$ | 5,000 |
| E. Full exclusion (C – D, <i>but no more than A</i>) | \$ | 6,500 |
| F. 50% exclusion during phase-in period, if applicable (E × 0.50) | \$ | N/A |

Step 2: Determine EID family member's wages after exclusion.

| | | |
|---|----|--------------|
| G. EID family member's earnings (HUD-50058, 7d) | \$ | 9,500 |
| H. Exclusion (E or F, as applicable) (HUD-50058, 7e) | \$ | 6,500 |
| I. EID family member's earned income after exclusions (G – H) (HUD-50058, 7f) | \$ | 3,000 |

Form HUD-50058

| 7a. Family member name | No. | 7b. Income code | 7c. Calculation (PHA use) | 7d. Dollars per year | 7e. Income exclusions | 7f. Income after exclusions (7d minus 7e) |
|---------------------------|-----|--------------------|---------------------------|-------------------------|--------------------------|--|
| Katie | 1 | N | | \$2,000 | | \$2,000 |
| Katie | 1 | W | | \$9,500 | \$6,500 | \$3,000 |
| 7g. Column total | | | | | | \$5,000 |

Calculation Problem Areas

Section 4: Earned Income Disallowance (EID)

Part 3

- Katie now reports that, although her earnings remain at \$9,500 annually, her alimony has increased to \$6,000. She is still in her full exclusion period.

Step 1: Calculate EID family member’s exclusion amount.

| | | |
|--|----|---------------|
| A. Earned income of EID family member | \$ | 9,500 |
| B. Other income of EID family member | \$ | 6,000 |
| C. Total annual income of EID family member (A + B) | \$ | 15,500 |
| D. Prequalifying income | \$ | 5,000 |
| E. Full exclusion (C – D, <i>but no more than A</i>) | \$ | 9,500* |
| F. 50% exclusion during phase-in period, if applicable (E × 0.50) | \$ | N/A |

***Trainer Note: Although C – D = \$10,500, E is capped by the earnings of \$9,500.**

Step 2: Determine EID family member’s wages after exclusion.

| | | |
|---|----|--------------|
| G. EID family member’s earnings (HUD-50058, 7d) | \$ | 9,500 |
| H. Exclusion (E or F, as applicable) (HUD-50058, 7e) | \$ | 9,500 |
| I. EID family member’s earned income after exclusions (G – H) (HUD-50058, 7f) | \$ | 0 |

HUD Form 50058

| 7a. Family member name | No. | 7b. Income code | 7c. Calculation (PHA use) | 7d. Dollars per year | 7e. Income exclusions | 7f. Income after exclusions (7d minus 7e) |
|------------------------------|-----|-----------------------|------------------------------|----------------------------|-----------------------------|--|
| Katie | 1 | N | | \$6,000 | | \$6,000 |
| Katie | 1 | W | | \$9,500 | \$9,500 | 0 |
| | | | | | | |
| 7g. Column total | | | | | | \$6,000 |

Calculation Problem Areas

Section 4: Earned Income Disallowance (EID)

Part 4

- Katie is now entering her phase-in period. She continues to earn \$9,500 annually, and her alimony remains at \$6,000.

Step 1: Calculate EID family member’s exclusion amount.

| | | |
|--|----|---------------|
| A. Earned income of EID family member | \$ | 9,500 |
| B. Other income of EID family member | \$ | 6,000 |
| C. Total annual income of EID family member (A + B) | \$ | 15,500 |
| D. Prequalifying income | \$ | 5,000 |
| E. Full exclusion (C – D, <i>but no more than A</i>) | \$ | 9,500* |
| F. 50% exclusion during phase-in period, if applicable (E × 0.50) | \$ | 4,750 |

***Trainer Note: Although C – D = \$10,500, E is capped by the earnings of \$9,500.**

Step 2: Determine EID family member’s wages after exclusion.

| | | |
|--|----|--------------|
| G. EID family member’s earnings (HUD-50058, 7d) | \$ | 9,500 |
| H. Exclusion (E or F, as applicable) (HUD-50058, 7e) | \$ | 4,750 |
| I. EID family member’s earned income after exclusions (G – H) (HUD-50058, 7f) | \$ | 4,750 |

Form HUD-50058

| 7a. Family member name | No. | 7b. Income code | 7c. Calculation (PHA use) | 7d. Dollars per year | 7e. Income exclusions | 7f. Income after exclusions (7d minus 7e) |
|---------------------------|-----|--------------------|------------------------------|-------------------------|--------------------------|--|
| Katie | 1 | N | | \$6,000 | | \$6,000 |
| Katie | 1 | W | | \$9,500 | \$4,750 | \$4,750 |
| 7g. Column total | | | | | | \$10,750 |

LEARNING ACTIVITY 5-3 IMPUTED ASSETS

Scenario

- John Q. Tenant is disabled and can no longer maintain a home. In preparing for participation in the public housing program, Mr. Tenant sold his house to his son for \$10,000 on November 1, 2003. There was no broker’s fee. Mr. Tenant’s son assumed the mortgage on the house, which had a balance of \$15,000 at the time of sale. The house was appraised at \$51,000. Mr. Tenant’s son paid all transfer costs.

Task

- Use the grid below to determine the imputed value of Mr. Tenant’s house. This is the value that Mr. Tenant’s PHA must count for two years following the date of disposal of the asset.

| | | |
|-----------------------------------|-------------------|---------------|
| Date Disposed | <u>11/1/03</u> | |
| Market Value | | <u>51,000</u> |
| Less Expenses to Convert to Cash: | | |
| Broker Fees | <u>0</u> | |
| Legal Fees | <u> </u> | |
| Settlement Costs | <u> </u> | |
| Penalty for Early Withdrawal | <u> </u> | |
| Less Mortgage Balance | <u>15,000</u> | |
| Cash Value | | <u>36,000</u> |
| Less Amount Received | <u>10,000</u> | |
| Cash Value of Imputed Asset | | <u>26,000</u> |

INCOME FROM ASSETS

- The market value of some assets, such as savings and checking accounts, is used to determine the income that can be anticipated annually from these assets.
 - The formula for determining the anticipated income from an interest-bearing account is simple:
Market value × interest rate = anticipated income
 - **Test yourself:** What is the market value of a \$4,000 savings account?
- For practice calculating income from assets on Form HUD-50058, turn to the learning activity on the following page.

LEARNING ACTIVITY 5-4 INTEREST INCOME FROM ASSETS

- Edith Jones has a savings account with a current balance of \$400 and an average balance of \$325 for the last 6 months. She will earn 2.3 percent interest on the account. The HUD-approved passbook rate is 2.8 percent.

Task

1. Assume that Mrs. Jones's PHA has a policy of using the current balance of a savings account as its cash value.
2. List the savings account in section 6 of Mrs. Jones's 50058 and calculate the anticipated income from the asset (6a through 6e).
3. Calculate Mrs. Jones's final asset income (6f through 6j).

LEARNING ACTIVITY 5-5 ASSETS AND ASSET INCOME

- On the following page is the 50058 excerpt from Learning Activity 5-4. Assume now that, in addition to the savings account shown, Edith Jones has stock with a current market value of \$6,000. She is expected to earn a 2 percent dividend on the stock this year. If she were to sell the stock, Mrs. Jones would incur a broker's fee of \$480. The HUD-approved passbook rate in her area is 2.25 percent.

Task

1. Add the stock to section 6 of Mrs. Jones's 50058 form, determine its cash value, and calculate the income to be anticipated from it (6a through 6e).
2. Determine Mrs. Jones's final asset income (6f through 6j).

