Rural Development

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TO: All RHS MFH National Office Directors
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ATTN: Leadership Designees
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FROM: Joaquin Altoro
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SUBJECT: Housing Opportunity Through Modernization Act (HOTMA)

PURPOSE

The purpose of this Unnumbered Letter (UL) is to provide an overview of tenant income and asset calculation changes due to HOTMA and a projected Agency timeline of the upcoming changes related to HOTMA.

BACKGROUND

HOTMA, signed into law on July 29, 2016, makes changes to the requirements related to income calculations found in 24 CFR 5.609 and 24 CFR 5.611. To incorporate the changes made by HOTMA, the U.S. Department of Housing and Urban Development (HUD) published a Final Rule "Housing Opportunity Through Modernization Act of 2016: Implementation of Sections 102, 103, and 104" updating the existing 24 CFR 5.609 and 24 CFR 5.611 on February 14, 2023, with an effective date of January 1, 2024. On September 29, 2023, and subsequently on February 2, 2024, HUD issued a Notice updating the compliance date to as early as January 1, 2024, but no later than January 1, 2025.

On March 4, 2024, the Rural Housing Service issued a UL "Notification of Administrators Exception related to 7 CFR 3560.153 and 24 CFR 5.609(c)" & a Stakeholder memorandum notifying multifamily housing staff and stakeholders of RD's exceptions for HOTMA implementation. The purpose of this UL is to provide additional guidance and timeframes on the implementation of changes related to HOTMA.

EXPIRATION DATE:
July 31, 2025

FILING INSTRUCTIONS:
Housing Programs

Although HOTMA was published with an effective date of January 1, 2024, Rural Development and HUD have delayed implementation of this change until January 1, 2025.

IMPLEMENTATION

The changes in HOTMA found at 24 CFR 5.609(a) and (b) and 24 CFR 5.611 affect the RD Multifamily Housing portfolio. Due to the September 29, 2023, and February 2, 2024, HUD notices, RD's implementation of these changes will follow the projected timeline outlined below:

September 2024

- RD to provide updated Management Interactive Network Connection (MINC)/Industry Interface specifications for software providers. New specifications will be posted on the MINC home page.

October 2024

- RD to publish updated Form RD 3560-8 Tenant Certification. The updated Form will allow for the changes to asset calculations, adjusted income (deductions), as well as additional options for gender and will include an updated Form Manual Insert (Instructions). The updated Form must be used for all tenant certifications with an effective date of January 1, 2025, or later. The current Form RD 3560-8 will remain available for use with tenant certifications effective prior to January 1, 2025.
- RD to publish Handbook, HB-2-3560 updates to reflect HOTMA changes found in 24 CFR 5.609(a) and (b) and 24 CFR 5.611.

January 2025

- Multifamily Information Systems (MFIS) and MINC systems will be updated to correctly account for the asset and deduction changes.
- All tenant certifications effective January 1, 2025, and later must implement:
    - New income from asset calculations.
    - Dependent deduction will follow HUD's annually published deduction. For calendar year 2025, this amount remains at $480 per dependent.
    - Elderly deduction will follow HUD's annually published deduction. For calendar year 2025, this will increase from $400 to $525 per household.
    - For <u>new move-ins</u>, medical expenses exceeding 10 percent of the household's annual income can be deducted from annual income. Prior to HOTMA, the threshold was 3 percent of the family's annual income.
    - For <u>existing tenants</u> completing their annual recertification:
        - Phased-In Relief: Households that qualified for the 3 percent deduction threshold based <u>on their most recent income certification</u> prior to January 1, 2025, will begin receiving the 24-month phased-in relief at their next annual recertification, which occurs on or after January 1, 2025.
            - Households who receive phased-in relief will have eligible expenses deducted that exceed 5 percent of annual income for 12 months.
            - Twelve months after the 5 percent phase-in began, households will have eligible expenses deducted that exceed 7.5 percent of annual income for the immediately following 12 months.

        - After the household has completed the 24 months phase-in at the lower thresholds as described above, the family will remain at the 10 percent threshold, unless the family qualifies for relief under the general hardship relief provision. (See attached Frequently Asked Questions document.)
    - If a family moves from one RD property to another RD property, the phased-in relief may continue. Owners must establish their own policy if they choose to continue the phased-in hardship relief for households who were eligible for relief as of January 1, 2025, and who are treated as new admissions at their property(s).
  - A current checking account statement will be sufficient to verify a checking account balance. HOTMA eliminated the requirement to use a 6-month average balance for checking accounts.
  - The actual amount of child support/alimony received by a household will be included in income. The court ordered amount will no longer be considered.
  - Annual income exclusions have been updated which include, but are not limited to, changes related to student financial aid, non-recurring income, payments from trusts, and non-cash contributions.
  - HOTMA updates the definition of net family assets, including:
    - Changes to what is excluded when considering net family assets, and
    - Differentiates between necessary personal property and non-necessary personal property.
  - HOTMA changes the calculation of income from assets:
    - The threshold for calculating imputed income from assets is increasing from $5,000 to $50,000*.
    - When assets exceed $50,000*, imputed income must be calculated but only on assets where no actual income can be computed. If the actual income can be computed for some assets but not all assets, determine the actual income for those assets, then calculate the imputed income for all remaining assets where the actual income cannot be determined, and combine both amounts for total income from assets.
- Additional HOTMA highlights effective January 1, 2025, are found in the Frequently Asked Questions (FAQ) document attached to this UL.

Prior to January 1, 2025, RD will not penalize MFH owners for HOTMA-related tenant file errors during Supervisory reviews. RD acknowledges that properties with layered financing have faced additional challenges related to the implementation requirements put forth by different funding sources. At properties with layered financing, the following are examples where RD will not penalize owners for issues during calendar year 2024 (this is not an inclusive list):

- **Passbook saving rate change*.**
  RD implemented the change in passbook savings rate from 0.06% to 0.4% effective January 1, 2024. MFIS & MINC were updated to calculate imputed income based on 0.4%. HUD, along with other financing agencies, have allowed owners to delay this change up to January 1, 2025. For tenants with assets over $5,000, this has most likely caused a difference in annual income calculations. The file review for the tenant would be noted as acceptable.

*HOTMA allows several thresholds to be adjusted by HUD annually for inflation. For calendar year 2025, the threshold for the calculation of imputed income for net family assets is increasing to $51,600, and the passbook savings rate is increasing to 0.45%.

- **Asset threshold increase from $5,000 to $50,000*.**
  The MINC system will be updated to allow for this change effective January 1, 2025. If a property with layered financing was required to make this change prior to January 1, 2025, the MINC system will not allow for those changes to be submitted accurately. The file review for the tenant would be noted as acceptable.
- **Use of new deduction amounts if required by other funding source(s)**.
  The MINC system will be updated to allow for the changes in deduction amounts effective January 1, 2025. If a property with layered financing was required to use the new amount for elderly deduction ($525) or the phased in percentage for medical expenses exceeding annual income, the MINC system will not allow for those changes to be submitted accurately. The file review for the tenant would be noted as acceptable.

These examples where the tenant file review will be noted as acceptable, will not only affect tenant files, but may also cause differences in project rent rolls versus the amounts calculated for Net Tenant Contributions (NTC) and Rental Assistance (RA) on the monthly project worksheets. Note: the differences may not be reconcilable, and it may result in discrepancies when reporting yearend financials, specifically Form RD 3560-7 Multiple Family Housing Project Budget/Utility Allowance - Part I line 1 (Rental Income) and line 2 (RHS Rental Assistance Received).

If you have any questions regarding the guidance in this UL, please contact the Asset Management Division, Policy & Budget Branch at mfh-policy@usda.gov.

Attachment: Attachment A – Housing Opportunity Through Modernization Act (HOTMA) Frequently Asked Questions

*HOTMA allows several thresholds to be adjusted by HUD annually for inflation. For calendar year 2025, the threshold for the calculation of imputed income for net family assets is increasing to $51,600, and the passbook savings rate is increasing to 0.45%.

Attachment A – Housing Opportunity Through Modernization Act (HOTMA) Frequently Asked Questions

Q1. What is HOTMA?

A1. HOTMA stands for the Housing Opportunity Through Modernization Act, signed into law on July 29, 2016. It made changes to the U.S. Department of Housing and Urban Development (HUD) regulation requirements for annual household income calculations found in 24 CFR 5.609, adjusted income calculations found in 24 CFR 5.611, and certain applicable definitions found in 24 CFR 5.603, such as net family assets. These requirements apply to Rural Development (RD) Multi-Family Housing (MFH) Section 514, 515, and 516 funded properties.

Q2. When will RD fully implement the HOTMA regulations that are relevant to RD?

A2. RD expects implementation of the applicable HOTMA regulations for RD MFH tenant certifications effective January 1, 2025, and after.

- MFH property management is not expected to recertify every tenant by January 1, 2025.
  - New move-ins with tenant certifications effective January 1, 2025, or later will follow the HOTMA applicable regulations.
  - Tenant recertifications that are effective January 1, 2025, or later will follow the HOTMA applicable regulations.
- After January 1, 2025, if management needs to enter a tenant certification with an effective date that is prior to January 1, 2025, the prior regulations (pre-HOTMA) will be followed. Meaning any retroactive certifications with effective dates December 1, 2024, or earlier will follow the pre-HOTMA income calculations.

Q3. Will training be provided to RD MFH staff and property managers?

A3. Training will be provided to RD MFH staff. For external stakeholders and property managers, there are a variety of training opportunities conducted by industry partners that are available.

Q4. Which sections of HOTMA will RD MFH implement?

A4. Per RD regulations, MFH will implement 24 CFR 5.609(a) and (b) for income inclusion and exclusion, and 24 CFR 5.611 for determining adjusted income. There are several definitions in 24 CFR 5.100 and 5.603 that RD will utilize as well. These include earned income, foster adult, foster child, health and medical care expenses, net family assets, and unearned income. RD will include the relevant HOTMA definitions within the changes to Handbook, HB-2-3560.

Q5. What sections of HOTMA will RD MFH not implement?

A5. A partial listing of the HUD regulatory reference and HOTMA changes that RD will NOT implement includes, but is not limited to:

- 24 CFR 5.609(c)
  - RD will not implement streamlined determination of income.
  - RD will not implement the use of "Safe Harbor" income verification. This is income verification from other federal means-tested programs to verify gross annual income.
  - RD will not implement the de minimis error of $30 per month or less. HUD: De minimis errors occur when a PHA/MFH owner's determination of a family's income deviates from the correct income determination by no more than $30 per month in monthly adjusted income (or $360 in annual adjusted income).
- 24 CFR 5.618(a) – RD will not implement an asset limitation ($100,000) for tenant or rental assistance eligibility.
- 24 CFR 5.657(c) – RD will not implement HUD's interim reexamination regulations. RD will continue to follow recertification rules found at 7 CFR 3560.152(e) which states "tenant households must be recertified and must execute a tenant certification form at least annually or whenever a change in household income of $100 or more per month occurs. Borrowers must recertify for changes of $50 per month, if the tenant requests that such a change be made."
- 24 CFR 5.659(e) – RD will not implement self-certification of assets by the household.

Until the 7 CFR 3560 regulations can be updated, the RHS Administrator has approved the Administrator's exception stating that 7 CFR 3560.153 only refers to 24 CFR 5.609(a) and (b). The Housing Act of 1949 does not incorporate the requirement for RD MFH to follow the newly added subsection of 24 CFR 5.609(c).

Q6. What changes will be made to the Form RD 3560-8, Tenant Certification form?

A6. Changes will be made to:

Part II. – Tenant Household Information will change the reference of sex to gender, with the addition of more options for gender designation (based on guidance from the RD Civil Rights Office). The applicable designations will be M=male, F=female, N=non-binary, T=transgender, I=intersex, and O=other. Additional information will be provided in HB-2-3560, Chapter 6, Section 6.18 Application Requirements and Processing.

Part III. – Asset Income

Part IV. – Income Calculations

Q7. What are some of the changes HOTMA made to (1) assets and (2) income from assets, that will apply to RD MFH tenants?

A7. The new HUD regulations distinguishes assets as either real property or personal property assets. Personal property assets are further categorized as necessary personal property or non-necessary personal property assets.

Necessary personal property assets are items essential to the family for maintenance, use, and occupancy of the home, or they are necessary for employment, education, or health and wellness or assist a household member with a disability. Items classified as necessary personal property are excluded from net family assets and any income from necessary personal property is excluded from household income.

Non-necessary personal property assets are items that are not considered as necessary personal property.

- When the combined value of all non-necessary personal property does NOT exceed $50,000, all non-necessary personal property (assets) is excluded from net family assets. HOWEVER, the actual income from the assets is still included when determining household income.
- When the combined value of all non-necessary personal property EXCEEDS $50,000, imputed income must be calculated for those non-necessary personal property (assets) where actual income cannot be determined.
- The $50,000 threshold is subject to Consumer Price Index (CPI) adjustments annually.

Examples of non-necessary personal property. This is not an all-inclusive list.
Bank accounts or other financial investments (i.e. – checking account, savings account, stocks/bonds)
Recreational car/vehicle not needed for day-to-day transportation (campers, motorhomes, travel trailers, all-terrain vehicles (ATVs), utility terrain vehicles (UTVs)
Recreational boat/watercraft
Expensive jewelry without religious or cultural value, or which does not hold family significance (this does NOT include wedding or engagement rings)
Collectibles
Equipment/machinery that is not used to generate income for a business
Items such as gems/precious metals, antique cars, artwork, etc.

Income from assets is no longer determined based on the greater of actual or imputed income from the assets. Instead, both actual income and imputed income must be considered:

- Actual income from assets is always included in a family's annual income, regardless of the total value of net family assets.
- Imputed income must be calculated for specific assets when three conditions are met:
  - The value of net family assets exceeds $50,000 (as adjusted for inflation).
  - The specific asset is included in net family assets; and
  - Actual asset income cannot be calculated/determined for the specific asset.

Scenario*	Actual Income	Imputed Income	Asset Income included in Annual Income Calculation
Total Net Family Assets ≤ $50,000	Include	Not Applicable	Include Actual Income
Total Net Family Assets > $50,000 & actual income can be determined for ALL assets	Include	Not Applicable	Include Actual Income
Total Net Family Assets > $50,000 & actual income can be determined for some of the assets	Determine amount of actual income from those assets where actual income can be determined	Calculate amount of imputed income for all remaining assets (those where actual income cannot be determined)	Include Actual Income + Imputed Income
Total Net Family Assets > $50,000 & actual income cannot be determined from any of the assets	Not Applicable	Calculate amount of imputed income for all assets	Include Imputed Income

*The $50,000 threshold is subject to Consumer Price Index (CPI) adjustments annually.

<u>Asset Income Examples:</u>

<u>Example #1:</u>

The Cross household owns three items of personal property. The family has a checking account valued at $5,000, a $15,000 recreational boat, and Ms. Cross's $3,000 engagement ring.

- Non-necessary personal property:
  - Checking account (in a non-interest-bearing account) (value $5,000)
    - ✓ Actual Income = $0
  - Recreational boat (value $15,000)
    - ✓ Actual Income = $0
- The engagement ring is considered necessary personal property, because it is jewelry used in a religious/cultural celebration or ceremony and does not contribute towards net family assets.

Since the total value of non-necessary personal property is $20,000 in this example (which is less than $50,000), the family's non-necessary personal property will not be considered when calculating the household's net family assets.
Since the non-necessary personal property is less than $50,000, only actual income from the assets will contribute towards annual income.
In this example, there is no actual income received from the checking account or the recreational boat, therefore, there is no asset income to contribute towards determining annual income.

Example #2:

The Cross family owns three items of personal property. The family has a savings account valued at $5,000 (that earns 1% interest), a $15,000 recreational boat, and Ms. Cross's $3,000 engagement ring.
 	
• Non-necessary personal property:
  • Savings account (in an interest-bearing account) (value $5,000)
    ✓ Actual Income = $50 (1% x $5,000)
  • Recreational boat (value $15,000)
    ✓ Actual Income = $0
• The engagement ring is considered necessary personal property, because it is jewelry used in a religious/cultural celebration or ceremony and does not contribute towards net family assets.

Since the total value of non-necessary personal property is $20,000, (which is less than $50,000), the family's non-necessary personal property will not be considered when calculating the family's net family assets. But since there is <u>actual income received</u> from the savings account there is $50 of actual asset income to contribute towards determining household income.

Example #3:

The Cross family owns three items of personal property. The family has a checking account valued at $25,000 (in a non-interest-bearing account), a $35,000 recreational boat, and Ms. Cross's $3,000 engagement ring.
 	
• Non-necessary personal property:
  • Checking account (in a non-interest-bearing account) (value $25,000)
    ✓ Actual Income = $0
  • Recreational boat (value $35,000)
    ✓ Actual Income = $0
• The engagement ring is considered necessary personal property, because it is jewelry used in a religious/cultural celebration or ceremony.

Since the total value of non-necessary personal property is $60,000 (which is more than $50,000), the family's non-necessary personal property will be considered when calculating the family's net family assets, and imputed income must be calculated. If actual income cannot be determined (i.e. – the recreational boat), imputed interest must be calculated. Actual income can be determined on the checking account, because it is in a non-interest-bearing account. ($0 income)
Actual income of the checking account can be determined and is $0. Imputed interest calculation: Recreational boat: $35,000 x 0.40% (current passbook savings rate) = $140 The total income from assets in this example is $140 ($0 actual plus $140 imputed).

Q8. What is real property and is real property also considered a net family asset?

A8. Real property has the same meaning as that provided under the law of the State in which the property is located. (Typically, real property refers to land, including the land itself and any structures, fixtures, and rights associated with it.) The net value of real property is considered as a net family asset if the family has the legal authority to sell in the jurisdiction in which the real property is located. It is not considered as a net family asset if the family does not have the effective legal authority to sell it.

Examples when the family does NOT have the ability (legal authority) to sell the real property in the jurisdiction in which the property is located:

- Co-ownership situations where one party cannot unilaterally sell the real property (including those where one owner is a victim of domestic violence)
- The property is involved in litigation.
- It is inherited property in dispute.

Q9. Is the income received/accrued (interest, dividends, etc.) from any account under a retirement plan recognized as such by the Internal Revenue Service (IRS), including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals included in the household income calculation?

A9. No, these types of accounts (retirement plans recognized by the IRS) are now specifically identified as excluded from net family assets; therefore, the income received/accrued (interest, dividends, gains, etc.) from these types of accounts is not utilized in the determination of actual or imputed income from assets. Except, any distribution of payment from such retirement account will be counted as income at the time it is received by the household. An annuity, if not recognized by the IRS, will be included as a non-necessary personal asset.

Q10. HOTMA allows for a Childcare Hardship Exemption. What is a Childcare Hardship Exemption?

A10. A household whose eligibility for the childcare expense deduction is ending may request/receive a hardship exemption to continue receiving a childcare expense deduction in certain circumstances when the household no longer has a member that is working, looking for work, or seeking to further their education, and the deduction is necessary because the household is unable to pay their rent. The hardship exemption and the resulting alternative adjusted income calculation must remain in place for a period of up to 90 days. Further information regarding the child-care hardship exemption will be described in Handbook, HB-2-3560.

There is no change in how the childcare deduction is calculated. It is still applicable for any reasonable childcare expenses necessary to enable a member of the family to be employed or to further his or her education to be used as an eligible adjustment (deduction) to annual income. The amount deducted must not exceed the amount of employment income that is included in annual income.

Examples when a childcare hardship exemption would be allowed (not all inclusive):
A household member is no longer employed because they need to take care of a disabled family member.
A household member is no longer employed due to a medical condition they are receiving medical care for (example: cancer treatments).
A household member's job ends, and the person is planning to attend college with classes beginning several months after the person's job ended. If the person removed their child from childcare, they would lose their spot at the daycare provided. They would be eligible for the childcare deduction again when they become a student, therefore, they leave the child in daycare for the several months they are not employed so they do not lose their child's daycare slot.

Q11. When is a household eligible for a Phased-In Relief for medical or disability expense deductions?

A11. If an existing household is receiving the medical and disability expense deduction on January 1, 2025, they are eligible for the Phased-in Relief at the household next tenant certification renewal.

When determining the medical or disability deduction for the tenant certification renewal after January 1, 2025, the owner/agent will use any out-of-pocket medical and disability expenses that exceed 5% of annual income.

After 12 months at 5%, the owner/agent will determine the out-of-pocket medical and disability expenses that exceed 7.5% of annual income.

After 12 months at 7.5%, the owner/agent will determine the out-of-pocket medical and disability expenses that exceed 10% of annual income.

Q12. What is General Relief as it pertains to medical and disability expenses deduction? How is this different than a Phased-in Relief?

A12. To receive General Relief, a household must demonstrate that the household's unreimbursed medical or disability expenses increased, or the household's financial hardship is a result of a change in circumstances that would not otherwise require an interim recertification.

General Relief is available regardless of whether the household (1) previously received an unreimbursed medical or disability expense deduction, (2) is currently receiving Phased-in Relief, or (3) was previously eligible for either General Relief or the Phased-in Relief.

If an RD MFH owner determines that a household is eligible for General Relief, the household will receive a deduction for the sum of the eligible expenses that exceed 5% of annual income. The household's General Relief ends when the circumstances that made the household eligible for the relief are no longer applicable or after 90 days, whichever comes earlier. However, MFH owners may, pursuant to forthcoming RD guidance, extend the relief for one or more additional 90-day periods while the household's hardship condition continues. Additional guidance on General Relief will be included in updates to Handbook, HB-2-3560.

Q13. Is student financial assistance considered as household income?

A13. Any student financial assistance, not covered under section 479B of the Higher Education Act (HEA), that exceeds the actual costs of attending school must be included as income. Student financial assistance may be paid directly to the student or the educational institution on the student's behalf. The student financial assistance rules apply to both full-time and part-time students.

HUD regulation 5.609(b) specifically excludes HEA student financial assistance from a family's income. The types of financial assistance listed below are considered HEA student financial assistance programs; however, <u>this is not an all-inclusive list</u>.

- Federal Pell Grants;
- Teach Grants;
- Federal Work Study Programs;
- Federal Perkins Loans;
- Student financial assistance received under the Bureau of Indian Education;
- Higher Education Tribal Grant;
- Tribally Controlled Colleges or Universities Grant Program;
- Employment training program under section 134 of the Workforce Innovation and Opportunity Act (WIOA).

Student Financial Assistance Example #1
A student's covered cost of attending school is $28,000 and they received the following in student financial assistance: • Federal Pell Grant - $25,000 *(HEA assistance)* • University Scholarship - $15,000 *(non-HEA assistance)* • Local Club Scholarship - $2,000 *(non-HEA assistance)* Step 1: Subtract the amount of HEA assistance from the actual covered costs to determine the amount of actual covered costs that exceeds the HEA assistance. $28,000 - $25,000 = $3,000 Step 2: Subtract the amount determined in Step 1 from the amount of non-HEA assistance to determine the amount of student financial assistance to include as income: [remaining student financial assistance – actual covered costs that exceeds HEA assistance] $17,000 - $3,000 = **$14,000** The amount of student financial assistance that is included in the <u>household's income calculation is $14,000.</u>

Student Financial Assistance Example #2
A student's covered costs of attending school is $28,000 and they received the following in student financial assistance: • Federal Pell Grant - $25,000 *(HEA assistance)* • Local Club Scholarship - $2,000 *(non-HEA assistance)* Step 1: Subtract the amount of HEA assistance from the actual covered costs. $28,000 - $25,000 = $3,000 Step 2: Subtract the amount determined in Step 1 from the amount of non-HEA assistance to determine the amount of student financial assistance to include as income. [remaining student financial assistance – actual covered costs that exceeds HEA assistance] $2,000 - $3,000 = **- $1,000** Since the difference in Step 2 is negative, the amount to be included in the household's income calculation is $0.

Student Financial Assistance Example #3
A student's covered costs of attending school is $28,000 and they received the following in student financial assistance: • Federal Pell Grant - $35,000 *(HEA assistance)* Since the only form of student financial assistance received is covered under the HEA exclusion, the entire amount of the above grant is excluded from income, even though the assistance exceeds actual covered costs. The amount to be included in the household's income calculation is $0.

Q14. Is an unborn child eligible for the dependent deduction?

A14. No, an unborn child is not eligible for the dependent deduction and is not included in household size for income eligibility determination. An unborn child may be counted to determine the appropriate unit size.

Q15: Are foster children, foster adults, or state or Tribal kinship (alternative to foster care programs) who reside in a household eligible for the dependent deduction?

A15: No. Foster children, foster adults, or state or Tribal kinship living with the household are not eligible for the dependent deduction and are not included in household size for income eligibility determination. A foster child, foster adult, or state or Tribal kinship may be counted to determine the appropriate unit size.

- Income of a foster child, foster adult, or state or Tribal kinship person is excluded from the household's calculation of annual income.
- Foster child, foster adult, or state or Tribal kinship persons are not eligible for medical or disability assistance expense deductions.
- For foster child or state or Tribal kinship (if under 13 years of age), reasonable childcare expenses necessary to enable a member of the household to be employed, look for

employment, or to further their education, and no other adult member of the household can provide the care, is eligible for childcare expense deduction. In cases where the childcare enables a household member to work, the expense deducted cannot exceed the income generated by that household member.

Q16. Is the income of a live-in aide receives included in the household's calculation of annual income? And is a live-in aide counted to determine unit size?

A16. The income of a live-in aide is not included in the household's calculation of annual income. A live-in aide is counted to determine unit size.

Q17. The new HUD regulation 24 CFR 5.611(b)(1) gives Public Housing Authorities (PHAs) the option to adopt additional deductions from annual income (sometimes referred to as additional permissive deductions) at the discretion of the PHA or owner, if established by a written policy in their management plan. Will RD allow MFH owners to adopt additional (permissive) deductions from annual income?

A17. No, RD MFH owners will not be permitted to adopt permissive deductions.

Q18. The HOTMA implementation notice (HUD Notice 2023-10 issued February 2, 2024) provides a hierarchy chart for verification methods. It lists tenant provided information now as preferred over third party verification. Will RD MFH implement the HOTMA verification hierarchy chart and allow tenant provided information?

A18. RD MFH does not plan to incorporate the verification hierarchy chart, but we do plan to provide guidance in the Handbook on acceptable forms of verification. There are some forms of tenant provided information that may be acceptable and preferred over third party verification forms, such as, Social Security award letters, pay stubs, bank statements, etc.

Q19. Is the property owner or management agent required to notify existing tenants of the change in income and adjusted income calculations?

A19. They are not required as a part of the HOTMA, however, the Agency strongly encourages the management agent to provide notice to existing tenants of the changes that will occur to the income and adjusted income calculations with their next recertification.

Q20. Will RD MFH owners/management agents need to update their current tenant selection policy?

A20. No, unless the current policy contains verbiage contradictory to any HOTMA updates.

Q21. Will RD MFH owners/management agents need to update their current rental lease?

A21. No, there are no tenant lease updates required for RD MFH properties as a result of HOTMA.