

# HOTMA Q&A Webinar Questions and Answers

December 6, 2023

## Income

- HOTMA changes the required number of pay statements to two (2) instead of the previously indicated amount, are Owners allowed to make this change on their developments?
  - For MFDL programs, Owners must obtain sixty days of pay statements, if using first-hand documentation to verify income. All other programs are required to obtain enough pay statements to determine the frequency and rate of pay.
- Are the Income Tax Refunds included in the calculation of income for eligibility of households?
  - No, Tax Refunds are not considered an income source.
- What income is excluded with the new regulations?
  - All excluded income will be outlined in 24 CFR 5.609, at this time the excluded incomes are listed in the HOTMA Final Rule and noted in the webinar attached to this FAQ.
- Are monetary gifts still an acceptable source of income?
  - Yes, if the household receives regular monetary contributions it must be included in the calculation of income for eligibility purposes. Gifts for birthdays and life events should not be included as income though.
- Is the income from foster adults and children included in the household income for eligibility purposes?
  - No, foster adults and children are now treated the same way as live-in aides. Their income and assets do not count towards the household income and assets.

## Assets

- If the Development is 100% Housing Tax Credit and not required to conduct annual Income Certifications, is the Development required to verify all assets for the current residents that moved in prior to HOTMA going into effect?
  - No, this is only a requirement if an Income Certification is being completed for the households. Since the 100% Housing Tax Credit developments are allowed to utilize the Annual Eligibility Certification (AEC) the verification of assets would not apply.
- If the non-necessary personal property and the real property for a household total less than \$50,000 would the Development be required to fully verify assets at the time of move-in?
  - Not necessarily. For some programs (HTC, TCAP, Exchange and THTF) the requirement is to fully verify assets once every three (3) years; if not done at move-in this must be completed during one of the two (2) subsequent Income Certifications. For the BOND program, all assets must be verified at the initial Income Certification and with every third year certification, if a full recertification is required. For MFDL programs (HOME, HOME-ARP, TCAP RF, NHTF and NSP) the requirement is to fully verify assets at the time of move-in (initial) certification and then during each 6<sup>th</sup> year of the affordability when a full Income Certification is required. The 811 program will require the full verification of assets during the first certification under HOTMA and then every third year after that.
- Can one bank statement be used to verify each asset when required?
  - Yes, the six-month average for checking accounts is no longer required. All assets can be verified using the most current statement. However, there may be instances where the Owner

requests additional statements to clarify deposits, or something similar. Additionally, Owners are allowed to request more than one statement.

- Is there a time when the Under \$5,000 Asset Certification would be used going forward?
  - Not at this time, the form has been replaced with the asset guidance from HOTMA and the Under \$50,000 Asset Certification form.
- For existing households that moved in prior to 2024, would assets need to be verified during the household's 2024 Income Certification?
  - Yes, the HOTMA requirements indicate that a household must have assets fully verified at least once during each three (3) years of tenancy. For some programs (HTC, TCAP, Exchange and THTF) the requirement is to fully verify assets once every three (3) years; if not done at move-in this must be completed during one of the two (2) subsequent Income Certifications. For the BOND program, all assets must be verified at the initial Income Certification and with every third year certification, if a full recertification is required. For MFDL programs (HOME, HOME-ARP, TCAP RF, NHTF and NSP) the requirement is to fully verify assets at the time of move-in (initial) certification and then during each 6<sup>th</sup> year of the affordability when a full Income Certification is required. The 811 program will require the full verification of assets during the first certification under HOTMA and then every third year after that.
- Are developments required to complete any asset forms during the certification years when the assets are not verified by third party or first-hand documentation?
  - Yes, if the assets are under \$50,000 the certification available on the Department website should be utilized. If the assets reported are over the \$50,000 threshold then all assets must be verified by third party or first-hand documentation.
- Are Tax Refunds considered an asset?
  - Tax Refunds are not to be included in the household net family assets for a total of twelve (12) months from receipt.
- Are retirement accounts, like a 401K and IRA, included in the net family assets?
  - No, retirement accounts, as defined by the IRS, are no longer considered when calculating the household assets.
- If a property is layered with Housing Tax Credit funds and BOND funds, when would assets need to be verified?
  - All units with BOND funds must have assets verified initially and every three (3) years after that, if required to complete full recertification. The Housing Tax Credit programs that require full recertification are required to fully verify assets once every three (3) years. The Owner would be expected to comply with both programs and may want to consider a practice that would satisfy both requirements.
- How would non-necessary personal property items like a boat or recreational vehicle, or jewelry or collections, be verified?
  - The Kelly Blue Book should be used to verify the fair market value of asset-types that are listed in the book. Appraisals or estimates should be used for the asset-types that are not listed in the Kelly Blue Book. If there is an asset that is unclear on verification methods, please reach out to a monitor for further assistance.
- Are mobile homes considered assets?
  - Yes, the cash value should be included in the calculation of the household assets.

- Is cash on hand still considered an asset?
  - Yes, this is asked on the Under \$50,000 Asset Certification form and the Department application form.
- If the Development is not verifying assets at move-in is there a certification form that should be used?
  - Yes, the assets should be self-certified on the Under \$50,000 Asset Certification form that is available.

### **Miscellaneous**

- If the Development has Department programs and other programs, i.e. city HOME funds or BOND funding, would the HOTMA requirements apply to all programs?
  - The Department staff is training and monitoring for the Department programs, staff does not monitor for other programs. The Owner should confirm requirements with the entity that administers the additional funding source for the Development.
- What will the Department begin monitoring under HOTMA requirements?
  - The Department will begin monitoring the HOTMA requirements on January 1, 2024. All 2024 certifications must comply with the requirements of the new guidance.
- Do the tenant selection plans need to be updated to reflect the changes from HOTMA?
  - For the 811 program, yes, the tenant selection plan must be updated as required by HOTMA. The 811 group can help with this process and with any questions. For all other programs, the Department encourages Owners to update the tenant selection plan to reflect any updates to information that is impacted by HOTMA; however, this is not a requirement at this time.
- Will TDHCA begin issuing noncompliance on January 1, 2024 for anything HOTMA related?
  - The Department will give technical assistance on any issues that do not affect eligibility. All eligibility issues will result in noncompliance.
- At a Development with Housing Tax Credit and HOME funds layered how would the assets three-year certification requirements be handled?
  - For the Housing Tax Credit program, the assets must be verified at least once during each three (3) years of tenancy and the HOME program requires verification at initial certification (move-in) and during each 6<sup>th</sup> year of the affordability period. For example, a household moves in during 2024 and all assets are fully verified for the HOME program, unit is also layered with HTC. In 2025 the household assets are certified because they are less than \$50,000. 2026 is the 6<sup>th</sup> year of the affordability period for the HOME program so all assets are verified. For the HOME program the intervening years can have all assets self-certified, but for the HTC program the assets will need to be fully verified again no later than 2029.
- Imputed income on assets is only calculated when net family assets are over \$50,000 and the individual asset does not have an interest rate?
  - Yes, that is correct. The corresponding examples in the webinar help outline this process for several scenarios.
- If a checking account statement shows that the account is not interest bearing, would imputed income be applicable if the balance is \$100,000?
  - Imputed income would not be applicable, regardless of the balance in the account.
- Will the Department trainings be updated to include the HOTMA changes?
  - Yes, all trainings are updated and will include the HOTMA requirements as are applicable to each individual training topic.

## **Applications and Forms**

- Should Development staff review applications and certifications that have been approved prior to 2024 with effective dates after December 31, 2023?
  - Yes, the Department encourages Owners and staff to review the previously approved/executed certifications with effective dates in 2024 to insure compliance with the HOTMA requirements.
- Is the Texas Apartment Association updating their applications?
  - It is the understanding of the Department that the application is being updated; however, for release dates and more information please contact the Texas Apartment Association.
- The Department application shows Peer-to-Peer applications in the asset section, is this required?
  - These are money-moving applications that should be investigated. If a household indicates there is a PayPal, Cash App, Venmo, etc. account with a balance it would need to be included as an asset. If bank statements reflect regular deposits from these sources the source should be investigated and clarified to determine if this is an income source or an asset.
- Should the new forms with HOTMA changes be used going forward?
  - The Department has made available all of the forms with changes from the HOTMA requirements, <https://www.tdhca.texas.gov/compliance-forms>.

## **Student Financial Aid**

- What documentation should the file contain to evidence student financial assistance?
  - The printout from the educational entity to reflect the charges and the assistance received. If the assistance is not received through the educational entity a statement from the issuer of the scholarship, etc. would need to be in the tenant file.
- How would the Development verify the household is not receiving financial assistance?
  - The educational entity should be able to confirm the receipt of financial assistance, or lack thereof.
- Will there be updates to the student forms asking for the amount of financial assistance?
  - The Department application has been updated to ask for this information, if another form is used the Owner would need to update the applicable form or develop an additional certification for the household to indicate this information.
- Is financial aid for a Section 8 household treated differently than the Department programs?
  - The Department does not monitor or qualify households for the Section 8 program. Student financial assistance must be handled in accordance with HOTMA as outlined in the webinars conducted for HOTMA. This may mean that properties layered with HUD programs have two types of income processes to follow.
- If an applicant/tenant that is 18 or older indicates that they are a student on their application but then marks \$0 for financial assistance, are we will required to ask them for documentation?
  - Yes, verification of how the household member is paying for school must be obtained. If this person is an 18 year old high school senior the student could certify this information since the school might not verify it.

## **Child Support**

- Are court orders still required to verify child support?
  - No, the Paperwork Reduction Act and HOTMA have eliminated this requirement.

- Are payment histories acceptable to verify child support?
  - Yes, the child support received within 120 days of the certification effective date should be included in the household income calculation for eligibility.
- If the payment history shows a large, lump sum (tax return, for example), would this need to be included in the 120-day calculation if the date received fell within the 120-day period?
  - No, this amount would be excluded from the calculation of income from child support.
- If an applicant/tenant has a recent child support order and the payment history reflects no payments have been received, would the Owner be able to use the court ordered amount as back-up for the income amount anticipated?
  - No, the payment history is the document to be used to verify child support, not the court order.
- If a household indicates that child support is not received and not ordered to be received, what will the Department look for to verify this information?
  - Owners must have a policy in place to verify application information. If the household is not receiving child support, but it is ordered through the Attorney General website, a payment history would show that no payments are made. If it is not ordered through the courts then a statement would be the only thing to confirm that child support is not received.

### **Adjusted Income**

- For the HOME programs, adjusted income is still only used at recertification?
  - Not always, some newer programs require this at initial certification. HOME and TCAP RF will only use the adjusted income process when a household certifies with an income that is over the HOME 80% AMI limit. HOME-ARP has designations that are not limited by an income restriction but require rent be based on 30% of the adjusted income, so this would be an initial requirement for those households.