North Dakota Housing Incentive Fund

Ongoing Compliance Monitoring Manual

NORTH DAKOTA housing FINANCE AGENCY

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SECTION 1 - HIF PROGRAM INFORMATION AND REGULATIONS

INTRODUCTION

The Housing Incentive Fund (HIF) provides financial assistance for the development of new multifamily rental units for the benefit of low and moderate income households. Initially authorized by the North Dakota Sixty-second Legislative Assembly, the program was amended and expanded during the Sixty-third Legislative Assembly.

This manual is a training and reference guide for the ongoing compliance monitoring of projects funded by the North Dakota Housing Finance Agency (NDHFA) through the HIF. It is intended to answer questions regarding the procedures, rules, and regulations that govern NDHFA's compliance monitoring of HIF-funded projects. The manual should be used in conjunction with, and as a supplement to, the Housing Incentive Fund Allocation Plan document.

The NDHFA Planning and Housing Development Division is responsible for the performance of compliance monitoring which could include, but not be limited to: annual desk reviews; on-site reviews; tenant file reviews; health/safety/building code inspections; sending compliance notifications to owners/managers; monitoring follow up compliance; and updating the Compliance Manual and compliance forms. Questions regarding compliance monitoring should be directed to the Planning and Housing Development Division by calling (701) 328-8080. NDHFA's toll-free number is (800) 292-8621 or (800) 366-6888 (TTY).

COMPLIANCE PERIOD

NDHFA will ensure long term affordability for HIF-restricted housing units by requiring that a land use restriction agreement or deed restriction be placed on HIF-assisted properties dictating affordability terms as agreed to by the project owner in the HIF loan closing documents. Typically, the term of affordability for the HIF-restricted units will match the term of any private debt financing, with a minimum of 15 years.

The development owner and NDHFA must enter into an agreement pursuant to which the owner and any successors agree to meet the tenant income requirements for the applicable affordability compliance period.

RESPONSIBILITIES

Project Owner

The project owner is responsible for compliance. Each owner has chosen to utilize the HIF to take advantage of flexible debt financing. In exchange for this benefit, certain requirements must be met. Any violation of the requirements of HIF could result in corrective action, including the repayment of funds to NDHFA. Any and all financial consequences to the owner, as a result of noncompliance, will be the responsibility of the owner.

The owner is responsible for insuring that the development is properly administered. The owner must make certain that the on-site management team is familiar with, and complies with all appropriate HIF rules, regulations and policies that govern the development.

The project owner agrees to maintain sufficient records in support of their ongoing compliance with HIF regulations. The project owner will make such records available for review by NDHFA upon request. The project owner must allow full access of all files to NDHFA and must retain all documents and records for a period of three (3) years or until any related review findings have been resolved, whichever is later.

North Dakota Housing Finance Agency

NDHFA is responsible for monitoring compliance. Once HIF funds are awarded to a development, NDHFA shall monitor compliance by reviewing certain records kept by the owners of the development.

NDHFA will accomplish this monitoring requirement by conducting desk and/or on-site reviews of the development annually during the compliance period. The on-site inspection may include a review of records for all or a sample of the income and rent restricted units including, but not limited to, tenant files, rent rolls, approved and declined tenant applications, documentation supporting tenant income and employment verification, marketing materials and advertisements, and documentation of requests for reasonable accommodations. It may also include a review of any local health, safety, or building code violation reports or notices and an inspection of the property to determine if the buildings are suitable for occupancy, taking into account local health, safety, and building codes, and housing quality standards as prescribed by HUD. In addition, any reports made by state or local government units of violations, with documentation of correction, will be reviewed.

For projects with 100 percent of units subject to a Land Use Restrictive Agreement/Covenant (LURA) under the Federal Low Income Housing Tax Credit (LIHTC) program, annual tenant income recertification is not required and NDHFA will follow LIHTC guidelines for income certification for these projects.

PROGRAM REQUIREMENTS

Maximum Tenant Income

All HIF-funded rental projects must meet the objective of providing housing to households with very low to moderate income, defined as 140% or less of Area Median Income (AMI), at initial occupancy and subsequent annual recertification. NDHFA will conduct annual monitoring to ensure ongoing compliance with all restricted unit's household income restriction. For projects with 100 percent of units subject to a Land Use Restrictive Agreement/Covenant (LURA) under the Federal Low Income Housing Tax Credit (LIHTC) program, annual tenant income recertification is not required and NDHFA will follow LIHTC guidelines for income certification for these projects. The LURA, recorded against the real estate encompassing the project, will specify the number of units required to be set aside for households and at which specific income restriction, based on AMI. Income limits are published by NDHFA annually immediately following the publication of HUD's current fiscal year income limits. The method recognized by NDHFA for calculating eligible income under the HIF program is known as the "Part 5" annual income method, which is also used by NDHFA in the Neighborhood Stabilization Program as well as in HUD's Section 8 and HOME programs. Detailed guidance regarding this method of income calculation is provided in Section 2 of this manual.

Maximum Rent

All HIF-restricted units are subject to maximum allowable tenant-paid rent limits. A unit's specific maximum rent amount is determined based on the county in which the project is physically located and the bedroom count of the unit. Rent limits are published annually by NDHFA immediately following the publication of HUD's current fiscal year income limits. The rent limits published by NDHFA reflect the maximum tenant-paid portion of rent plus the applicable allowance for any tenant-paid utilities plus any project-based rental assistance received for the unit.

Utility Allowances & Maximum Rent

An allowance for the cost of any utility and/or utility service which the tenant is responsible for paying must be deducted from the maximum allowable rent currently in effect for that unit when determining the maximum tenant-paid rent. The sum of a unit's tenant-paid rent and all applicable utility allowance(s) must not exceed NDHFA's currently published maximum rent limit. The current specific amount of any utility allowance shall be obtained from the currently in effect utility allowance schedule of the Project's local public housing authority or through an energy study provided to & approved by NDHFA. Current maximum rent determinations should include, and have documented, a unit's current utility allowance schedule.

Section 8 Project Based Vouchers & Maximum Rent

Gross rent collected for units which utilize Section 8 Project Based Vouchers (PBV) AND are subject to HIF's thirty (30) percent income and rent limit, only and specifically for the unit in which the PBV is designated, will be allowed to exceed the currently in effect NDHFA published maximum rent limit for that specific unit so long as the tenant-paid rent plus any applicable utility allowance does not exceed the NDHFA published maximum rent currently in effect for that unit.

Essential Service Workers

An essential service worker (ESW) is an individual employed by a city, county, school district, medical or long-term care facility, the State of North Dakota, or others as determined by the Agency who fulfills an essential public service. In addition to meeting HIF household income requirements, HIF-funded projects which pledge to set aside units for ESWs must verify employment eligibility of households residing in ESW units at initial occupancy and recertify annually.

1) Verifying Employment

   HIF regulations require that property managers determine employment eligibility for applicants of HIF-restricted ESW units by obtaining written employment verification. (Sample verification forms are provided in Section 4.) Property managers may develop their own verification procedures provided that they collect source documentation and that this documentation is sufficient for NDHFA to monitor program compliance.

2) What if Tenant is No Longer an ESW?

   A household residing in a HIF-restricted ESW unit, and which was determined eligible at the time of initial occupancy, is not subject to eviction from that unit solely because of a change in employment. However, the next available vacant unit in the project must be filled by an income-eligible ESW household for the project to remain in compliance with the employment and affordability restrictions agreed upon in the HIF loan documents and LURA.

Full-Time Student Eligibility

The HIF program may not be used to develop student housing. Households comprised <u>entirely</u> of full-time students are not eligible for occupancy in a HIF-restricted unit unless one or more of the following six exemptions is met.

1) A student has been previously under the custody of a foster care system;
2) A student is a single parent when neither the parent-student nor their children can be claimed as a dependent on the tax return of someone else. (However, this exemption can still be met if the children can be claimed on the tax return of their other parent not residing in the unit.);
3) All adults in the household are married and filing a joint tax return;
4) A student is a veteran, honorably discharged;
5) A student is receiving welfare benefits (TANF or AFDC);
6) A student is enrolled in a job training program which receives assistance under the Workforce Investment Act (WIA).

Reserve Accounts

All properties are required to establish and maintain a replacement reserve account for the term of the HIF loan. This account, separate from the project's operations account, will be set aside in a federally insured financial institution or the Bank of North Dakota. The replacement reserve requirement will be $300 per unit per year, inflated at 3% per year. This replacement reserve account shall not be used for operations or routine maintenance and upkeep expenses, but instead is to be used for the replacement of short-lived capital assets (i.e. replacement of roof, windows, heating systems, parking surface, etc.). Written permission must be received from NDHFA before the owner may withdraw from the replacement reserve account.

All properties are required to establish and maintain at all times an operating reserve account at an amount equal to a minimum of two (2) months of operating expenses and hard debt service, unless otherwise indicated in the project's executed Loan Agreement. The operating reserve account shall be separate from the project's replacement reserve and operations accounts, and shall be held at a federally insured financial institution or the Bank of North Dakota. Written permission must be received from NDHFA before the owner may withdraw from the operating reserve account.

SECTION 2 - INCOME ELIGIBILITY COMPLIANCE PROCEDURES

OVERVIEW

HIF establishes annual income limits for households occupying affordability-targeted rental units in HIF projects (HIF-restricted units). Each year, HUD determines the annual median incomes for all states, counties, and metropolitan statistical areas. Those income determinations are used by NDHFA to assess a household's eligibility to rent a HIF-restricted unit. In order to determine whether a household is eligible, the project owner needs to compare the verified anticipated annual household income against the published standard. Current Income Limits for HIF are posted on the NDHFA website at www.ndhfa.org/Development/HIFDevelopment.html.

The method recognized by NDHFA for calculating eligible income under the HIF program is known as the "Part 5" annual income method, which is also used by NDHFA in the Neighborhood Stabilization Program as well as in HUD's Section 8 and HOME programs. The term "Part 5" refers to annual income as defined at 24 CFR 5.609. Income is calculated for all adult household members and is projected for the upcoming 12-month period, factoring in historical data and any other information obtained in the income review process.

GENERAL REQUIREMENTS FOR DETERMINING INCOME ELIGIBILITY

Certain requirement areas apply to the "Part 5" method, including how to determine whose income to count, anticipating and verifying income, and comparing calculated annual income to HUD income limits. Once annual income is calculated and verified by the property manager, the tenant household must sign a tenant income certification attesting to the truth and accuracy of the income information and calculations. A sample tenant income certification form can be found in Section 4 of this manual.

Determining Household Size

The income limits are adjusted by household size. Therefore, one of the first steps in determining eligibility is to determine the size of the applicant household. Some households may include persons who are not considered as family members for the purposes of determining household size and income eligibility, including:

- Foster children
- Foster adults
- Live-in aides
- Children of live-in aides

These persons should not be counted as household members when determining household size, and their income, if any, is not included when calculating annual income. A child who is subject to a shared-custody agreement in which the child resides with the household at least 50 percent of the time can be counted in the household.

Anticipating Income

HIF regulations require that, for purposes of determining eligibility for a HIF-restricted unit, a property manager must project a household's income in the future. To do so, a "snapshot" of the household's current circumstances is used to project future income. In general, it should be assumed that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. For example, if a head of household is currently working for $7.00 per hour, 40 hours per week, the property manager should assume that the family member will continue to do so for the next year. Thus, estimated earnings will be $7.00 per hour multiplied by 2,080 hours, or $14,560 per year.

This method should be used even when it is not clear that the type of income received currently will continue in the coming year. For example, assume a family member has been receiving unemployment benefits of $100 per month for 16 weeks at the time of income certification. It is unlikely that the family member will continue on unemployment for another 52 weeks. However, because it is not known whether or when the family member will find employment, the property manager should use the current circumstances to anticipate annual income. Income would therefore be calculated as follows: $100 per week x 52 weeks, or $5,200.

The exception to this rule is when documentation is provided which indicates that current circumstances are about to change. For example, an employer might report that an employee currently makes $7.50 an hour, but a negotiated union contract will increase this amount to $8.25 an hour eight weeks from the date of initial occupancy. In such cases, income can be calculated based on the information provided. In this example, the calculation would be as follows:

- $7.50/hour x 40 hours/week x 8 weeks = $2,400
- $8.25/hour x 40 hours/week x 44 weeks = $14,520
- $2,400 + $14,520 = <u>$16,920 projected annual income</u>

Verifying Income

HIF regulations require that property managers determine income eligibility for applicants of HIF-restricted units by examining source documents (such as wage statements or interest statements) as evidence of annual income.

Property managers may develop their own verification procedures provided that they collect source documentation and that this documentation is sufficient for NDHFA to monitor program compliance. (Sample verification forms are provided in Section 4.)

Property managers may use two verification procedures provided to public housing agencies (PHAs) for the Section 8 Program as a basis for developing their procedures; third-party verification and review of documents.

1) Third-Party Verification

   Under this form of verification, a third party (e.g., employer, Social Security Administration, or public assistance agency) is contacted to provide information to verify income. Although written requests and responses are generally preferred, conversations with a third party are acceptable if documented through a memorandum to the file that notes the contact person, information conveyed, and date of call. In addition, a property manager may obtain third party written verification by facsimile, email, or Internet. The property manager must make adequate effort to ensure the sender is a valid third-party source.

   To allow property managers to conduct third-party verifications, most recommended forms in Section 4 of this manual include a written release from the household that authorizes the third party to release required information.

   Third-party verifications are helpful because they provide independent verification of information and permit the property manager to determine if any changes to current circumstances are anticipated. Some third-party providers may, however, be unwilling or unable to provide the needed information in a timely manner.

   Some third-party providers (such as banks) may charge a fee to provide the information. In such cases, the property manager should attempt to find suitable documentation without the third-party verification – for example, bank statements or a savings passbook.

2) Review of Documents

   Documents provided by the applicant (e.g., pay stubs, tax returns, etc.) may be most appropriate for certain types of income and can be used as an alternative to third party verifications. (Note, however, that if a copy of a tax return is needed, IRS Form 4506 “Request for Copy of Tax Form” must be completed and signed.) Copies of documents should be retained in tenant files.

   Although easier to obtain than third-party verifications, a review of documents provided by the applicant often does not provide all necessary information. For instance, an employed applicant’s pay stubs may not provide sufficient information about the average number of hours worked, overtime, tips, and bonuses. In this case, the property manager may also need to contact the employer to accurately project annual income.

Assessing Information

Property managers must assess all the facts underlying the income information collected. Below are some of the considerations property managers must take into account.

1) Pay Period

   The property manager should determine the basis on which employees are paid (hourly, weekly or monthly, and with or without overtime). An employee who gets paid “twice a month” may actually be paid either twice a month (24 times a year) or every two weeks (26 times a year).

An annual salary is counted as annual income regardless of the payment schedule. For example, if a teacher's annual salary is $30,000, this is the annual income regardless of whether the teacher is paid over a nine- or 12-month period.

2) Variations in Pay

For applicants whose jobs provide steady employment (e.g., 40 hours a week, 52 weeks a year), it can be assumed that there will only be slight variations in the amount of earnings reflected in monthly or bi-weekly pay stubs. In such cases, three consecutive months' worth of income documentation is an appropriate amount upon which to base a projection of income over the following 12-month period.

For those whose annual employment is less stable or does not conform to a twelve-month schedule (e.g., seasonal laborers, construction workers, teachers), property managers should examine income documentation that covers the entire previous twelve-month period. Such workers can experience substantial variations in earned income over the course of a year. As such, an examination of three months' worth of income documentation may not provide an accurate basis upon which to project the applicant's income over the following 12 months.

3) Sources of Earned Income

In addition to hourly earnings, property managers must account for all earned income. In addition to the base salary, this will include annual cost of living adjustments (COLAs), bonuses, raises, and overtime pay. In the case of overtime, it is important to clarify whether overtime is sporadic or a predictable component of an employee's income. If it is determined that an applicant has earned and will continue to earn overtime pay on a regular basis, property managers should calculate the average amount of overtime pay earned by the applicant over the pay period the property manager is using to calculate income eligibility. This average amount is then to be added to the total amount of projected earned income over the following 12-month period. Exhibit 2.1 provides a step-by-step explanation of the standard methodology for projecting annual income.

Exhibit 2.1 – Step-by-Step Methodology for Projecting Annual Income

Steps	Instructions
Step 1: Collect appropriate income documentation.	Appropriate documentation includes pay stubs, third-party verification, bank statements (checking and/or savings), or certified copies of tax returns. (These can be acquired by submitting an IRS Form 4506, "Request for Copy of Tax Form.")
Step 2: Calculate the applicant household's projected income based upon documentation.	This calculation must include hourly wage figures, overtime figures, bonuses, anticipated raises, COLAs, or other anticipated changes in income. Other specific inclusions must also be reflected in the calculations, such as other eligible sources of non-wage income.
Step 3: Compare the amount of projected income against current HUD-published area median income (AMI) data.	Once the property manager has calculated the household's income, it must compare the household's final projected figure to HUD-published annual AMI data. Households whose projected annual income is less than the current HIF income limit (30%, 50% or 140% AMI, as applicable) are eligible for HIF-restricted units.

Comparing Annual Household Income to Published Income Limits

Once household and income information has been established and verified, a property manager must compare the information to the appropriate HUD income limits to determine if the household is eligible for a HIF-restricted unit.

To determine eligibility, property managers must use a copy of the most recent HIF income limits, adjusted for family size and county. Current annual income limits for the HIF program are updated annually and posted on NDHFA's website at www.ndhfa.org/Development/HIFDevelopment.html. Exhibit 2.2 provides a sample HIF income limits table.

To compare a household's verified annual income to the HIF income limits, follow these steps:

1) Find the geographic area in which the project is located on the appropriate HIF Income Limits chart (30%, 50%, 80% or 140% AMI). IMPORTANT: Please be sure to use the correct HIF Income Limit charts depending on if the project was approved under HIF1 or under HIF2/HIF3.
2) Find the column that corresponds to the actual number of persons in the household.
3) Compare the verified income of the household with the income limit for the applicable household size.

Using the sample income limits chart in Exhibit 2.2, consider the following example:

> Mr. and Mrs. Larson of Adams County have three children that permanently reside with them. It has been determined by the property manager that the Larsons have an annual household income of $30,500. Based on the income limits, the Larson family must have an income of less than $33,250 in order to be eligible for a 50% AMI HIF-restricted unit. Since the Larson's income of $30,500 is less than the Very Low-Income Limit (50% AMI) of $33,250, they are eligible for the 50% AMI HIF-restricted unit.

Exhibit 2.2 – Sample HIF Income Limit Schedule

North Dakota Housing Incentive Fund Program
Maximum Income Limits at 50% of Median Income
Limits as of: 12/01/2011

	Maximum Income Limits							
	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Adams	21,550	24,600	27,700	30,750	33,250	35,700	38,150	40,600
Barnes	22,350	25,550	28,750	31,900	34,500	37,050	39,600	42,150
Benson	21,550	24,600	27,700	30,750	33,250	35,700	38,150	40,600

CALCULATING ANNUAL INCOME

In addition to HIF, the annual income definition found at 24 CFR Part 5 is used by a variety of Federal programs including Section 8, public housing, the Neighborhood Stabilization Program, and the Low-Income Housing Tax Credit Program. Annual income is used to determine program eligibility and, in some programs, the level of assistance the household will receive. This definition was formerly commonly referred to as the Section 8 definition.

The "Part 5" definition of annual income is the *gross amount of income of all adult household members* that is *anticipated to be received* during the coming 12-month period. Each of the italicized phrases in this definition is key to understanding the requirements for calculating annual income:

- Gross amount. For those types of income counted, gross amounts (before any deductions have been taken) are used.
- Income of all adult household members. The "Part 5" definition of annual income contains income "inclusions" – types of income to be considered – and "exclusions" – types of income that are not considered (for example, income of minors).
- Anticipated to be received. A property manager must use a household's expected ability to pay, rather than past earnings, when estimating housing assistance needs – in this case, an HIF-restricted rental unit.

Whose Income to Count

Knowing whose income to count is as important as knowing which income to count. Under the "Part 5" definition of annual income, special consideration is given to income earned by the following groups of people.

1) Minors - Earned income of minors, including foster children (age 18 and under) is not counted. However, unearned income attributable to a minor (e.g., child support, TANF payments and other benefits paid on behalf of a minor) is included.

2) Live-in Aides - If a household includes a paid live-in aide (whether paid by the family or a social service program), the income of the live-in aide, regardless of the source, is not counted. Except under unusual circumstances, a related person does not qualify as a live-in aide.

3) Temporarily Absent Family Members - The income of temporarily absent family members is counted in the "Part 5" definition of annual income – regardless of the amount the absent member contributes to the household. For example, a construction worker employed at a temporary job on the other side of the state earns $600 per week. He keeps $200 per week for expenses and sends $400 per week home to his family. The entire amount ($600 per week) is counted in the family's income.

4) Adult Students Living Away from Home - If the adult student is counted as a member of the household in determining the household size (to compare against the HUD income limits), the first $480 of the student's income must be counted in the family's income. Note, however, that the $480 limit does not apply to a student who is the head of household or spouse (their full income must be counted).

5) Permanently Absent Family Members - If a family member is permanently absent from the household (e.g., a spouse who is in a nursing home), the head of household has the choice of either

counting that person as a member of the household, and including income attributable to that person as household income, or specifying that the person is no longer a member of the household.

Types of Income to Count

Exhibits 2.3 and 2.4 provide a comprehensive list of income that is included and excluded from calculations of annual income under Part 5. This list comes directly from the Federal regulations at 24 CFR 5.609. HUD updates this list when changes are made by Congress.

In general, income exclusions fall into the following categories:

- Benefits that should not be counted as income.
- Income of certain household members that should not be counted, including earned income of minors and income attributable to foster children and live-in aides.
- Amounts that are counted as assets rather than income, such as lump-sum lottery winnings.

TREATMENT OF ASSETS

Some assistance programs require that families "spend down" assets before they can participate. There is no asset limitation for participation in the HIF program. Income from assets is, however, recognized as part of annual income under the "Part 5" definition. To comply with the "Part 5" rules regarding assets, property managers must know: (1) what to include as assets, (2) how to compute the market and cash value of those assets, and (3) how to determine the income from the asset to be included in annual income.

What to Include as an Asset

In general terms, an asset is a cash or non-cash item that can be converted to cash. Exhibit 2.5 summarizes items that are and are not to be considered assets. (Note: it is the income earned – e.g., interest on a savings account – not the value of the asset – that is counted in annual income.) Examples and exercises are included in Appendix A which demonstrates how income from assets is calculated.

Market Value and Cash Value

Assets have both a market value and a cash value. The market value of an asset is simply its dollar value on the open market. For example, the market value of a share of stock is the price quoted on the stock exchange on a particular day. A property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.

An asset's cash value is the market value less reasonable expenses required to convert the asset to cash, including:

- Penalties or fees for converting financial holdings. Any penalties, fees, or transaction charges levied when an asset is converted to cash are deducted from the market value to determine its cash value (e.g., penalties charged for premature withdrawal of a certificate of deposit, the transaction fee for converting mutual funds to cash or broker fees for converting stocks to cash).
- Costs for selling real property. Settlement costs, real estate transaction fees, payment of mortgages/liens against the property and any legal fees associated with the sale of real property are deducted from the market value to determine equity in real estate.

Under the rules of "Part 5", only the cash value (rather than the market value) of an item is counted as an asset. If more than one person owns an asset, property managers must prorate the asset according to the applicant's percentage of ownership. If no percentage is specified or provided by state or local law, property managers must prorate the asset evenly among all owners. If an asset is not effectively owned by an individual, it is not counted as an asset.

Actual Income from Assets

Assets can generate income, and for the purpose of determining an applicant's income, the actual income generated by the asset (e.g., interest on a savings or checking account) is what counts, not the value of the asset. The income is counted, even if the household elects not to receive it. For example, if an applicant elects to reinvest the interest or dividends from an asset, it is still counted as income.

As with other types of income, the income included in annual income calculation is the income that is anticipated to be received from the asset during the coming 12 months. Several methods may be used to approximate the anticipated income from the asset. For example, to obtain the anticipated interest on a savings account, the current account balance can be multiplied by the current interest rate applicable to the account. Alternatively, if the value of the account is not anticipated to change in the near future and the interest rate has been stable, a copy of the IRS 1099 form showing past interest earned can be used.

Checking account balances are considered assets. This rule is not intended to count monthly income as an asset, but rather is recognition that some households keep assets in their checking accounts. To avoid counting monthly income as an asset, property managers should use the **average monthly balance over a six-month period** as the cash value of a checking account.

Two Unique Rules

For most assets, calculating cash value and the income from the assets is straightforward. Special rules have, however, been established to address two circumstances – situations in which the assets produce little or no income, and assets that are disposed of for less than fair market value.

1) When an Asset Produces Little or No Income

   This rule assumes that a household with assets has an increased payment ability, even if its assets do not currently produce income. (For example, a household that owns land that is not rented or otherwise used to produce income.) Rather than require the household to dispose of the property, the rule requires that an "imputed" income be calculated based on a Passbook Rate that is applied to the cash value of all assets. **This rule only applies if the total cash value of all assets is more than $5,000.** The following examples illustrate how imputed income from assets calculation is applied.

   Example 1: The Cayhill family has $6,000 (average balance over six months) in a non-interest-bearing checking account. The property manager would include in annual income an amount based on the current Passbook Rate (2% in this example). The calculation would be: $6,000 x .02 = $120.

   Example 2: The Shaw family has $3,000 (average balance over six months) in a non-interest-bearing checking account and $5,500 in an interest-bearing savings account. The family reports and the property manager verifies $150 interest on the savings account. The property manager would count the greater of the actual income from assets or the imputed income based on the Passbook Rate (2% in this example), as shown below:

Imputed income ($8,500 x .02) =	$170
Actual income	$150

Included in annual income	$170

Example 3: The Smiths have $600 (average balance over six months) in a non-interest-bearing checking account. No income from assets would be counted because the family has no actual income from assets and the total amount of all assets is less than $5,000.

Note: Check with NDHFA for the applicable Passbook Rate for your community.

2) When Assets are Disposed of at Less than Fair Market Value

Applicants who dispose of assets for less than fair market value (i.e., value on the open market in an "arm's length transaction") have, in essence, voluntarily reduced their ability to afford housing. The "Part 5" rules require, therefore, that any asset disposed of for less than fair market value during the two years preceding the income determination be counted as if the household still owned the asset.

The amount to be included as an asset is the difference between the cash value of the asset and the amount that was actually received (if any) in the disposition of the asset. Consider the following examples.

Example 1: Mr. Jones cashed in stock to give a granddaughter funds for college in August 2010. The stock had a market value of $4,500 and a broker fee of $500 was charged for the transaction.

Market value	$4,500
Less broker's fee	500
Cash value to be considered	$4,000

The $4,000 in assets would be counted for any income determination conducted until August 2012 (looking forward two years from the time of disposal).

If Mr. Jones has no other assets, no income from assets would be included in annual income because the cash value of the asset is less than $5,000. If other assets brought total assets to more than $5,000, however, the imputed income calculation described previously would be required.

Example 2: Mrs. Smith "sold" a piece of property to a family member for $30,000 on July 1, 2011. The home was valued at $75,000 and had no loans against it.

Market value	$75,000
Less settlement costs	3,000
Less sales price	30,000
Cash value to be considered	$42,000

The $42,000 would be counted as an asset for any income determination conducted until July 1, 2013. The $42,000 would be combined with the cash value of other assets (if any), and an imputed income calculation would be required.

Each applicant must certify whether an asset has been disposed of for less than fair market value. Assets disposed of for less than fair market value as a result of foreclosure or bankruptcy are not included in this calculation. In the case of a disposition as part of a separation or divorce settlement, the disposition will not be considered to be less than fair market value if the applicant receives (or received) important consideration not measurable in dollar terms.

Sample Format for Computing Part 5 Annual Income

Appendix A shows a sample format for computing annual income using the “Part 5” annual income definition. Appendix A also provides examples that illustrate how the “Part 5” annual income and asset definitions are applied to individual family circumstances.

DIFFERENCES BETWEEN INCOME CERTIFICATION AT ANNUAL RECERTIFICATION AND INITIAL OCCUPANCY

All households residing in HIF-restricted rental units must be determined to be income-eligible at the time of initial occupancy through the “Part 5” annual income process covered in this Section 2 to this point. The tenant must also sign a certification of the verified income. To ensure the household’s continued eligibility, the property manager must recertify household income for tenants in HIF-restricted units, and the tenant household must sign a new income certification, annually. However NDHFA allows for a simplified process for recertification of income.

Income from Assets During Annual Recertification

Imputed income from assets need not be calculated during the annual recertification process. Only actual income from assets must be included when calculating a tenant household’s total income. Therefore, in order to prove income from assets at recertification, only the following documentation must be collected from the tenant household:

- Most recent federal income tax return
- Most recent 2 months’ bank statements
- Most recent 2 months’ statements from investment accounts

Standard documentation to verify regular income from wages or benefits, such as current paystubs and benefits statements, must still be gathered from the tenant as well.

Comparing Verified Household Income to Published Income Limits at Annual Recertification

Once household and income information has been established and verified, a property manager must compare the information to the appropriate HUD income limits to determine if the household is eligible for a HIF-restricted unit. At the time of initial occupancy, verified income must be at or below the applicable published HIF income limit adjusted for household size and county.

However, during annual recertification, a household is considered to be eligible for the HIF-restricted unit until the verified household income exceeds the applicable published HIF income limit by 40%. Once the threshold of 140% of the applicable income limit is exceeded, the household is then considered an over-income household ineligible to occupy the HIF-restricted unit.

What if Tenant Income Increases Above HIF Income Limits?

A household residing in a HIF-restricted unit, and which was determined income-eligible at the time of initial occupancy, is not subject to eviction from that unit solely because household income increased above 140% of applicable HIF income limits. However, the next available vacant unit in the project must be filled by an income-eligible household so that the project as a whole remains in compliance with the affordability restrictions agreed upon in the HIF loan documents and Land Use Restrictive Agreement. This is referred to as the “next available unit rule.”

Exhibit 2.3 – Annual Income Inclusions Per 24 CFR Part 5

1. The full amount, before any payroll deductions, of wages and salaries, overtime pay, commission, fees, tips and bonuses, and other compensation for personal services.
2. The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight-line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in number 2 (above). Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as provided by NDHFA.
4. The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except for certain exclusions, listed in Exhibit 2.4, number 13).
5. Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay (except for certain exclusions, as listed in Exhibit 2.4, number 3).
6. Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income.
7. Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. All regular pay, special pay, and allowances (other than housing allowance) of a member of the Armed Forces (Except as provided in number 7 of Exhibit 2.4 – Income Exclusions.)

Exhibit 2.4 – Annual Income Exclusions Per 24 CFR Part 5

1. Income from employment of children (including foster children) under the age of 18 years.
2. Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains, and settlement for personal or property losses (except as provided in Exhibit 2.3, number 5 of Income Inclusions).
4. Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member.
5. Income of a live-in aide. Per 24 CFR 5.403, a live-in aide is defined as a person who resides with one or more elderly persons, or near elderly persons, or persons with disabilities, and who (a) is

determined to be essential to the care and well-being of the persons; (b) is not obligated for the support of the persons; and (c) would not be living in the unit except to provide the necessary supporting services.

6. The full amount of student financial assistance paid directly to the student or to the educational institution.

7. (a) Allowance for housing to a member of the Armed Forces; (b) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

8. (a) Amounts received under training programs funded by HUD; (b) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS); (c) Amounts received by a participant in other publicly assisted programs that are specifically for, or in reimbursement of, out-of-pocket expenses incurred (special equipment, clothing, transportation, childcare, etc.) and which are made solely to allow participation in a specific program; (d) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn care, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time; (e) Incremental earnings and benefits resulting to any family member from participation in qualifying state or local employment training programs (including training not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program.

9. Temporary, nonrecurring, or sporadic income (including gifts).

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

11. Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household or spouse).

12. Adoption assistance payments in excess of $480 per adopted child.

13. Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump-sum amount or in prospective monthly amounts.

14. Amounts received by the family in the form of refunds or rebates under state or local law for property taxes paid on the dwelling unit.

15. Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.

16. Amounts specifically excluded by other Federal statute from consideration as income for purposes of determining eligibility for benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Register and distributed to housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary. The following is a list of income sources that qualify for that exclusion:
    - The value of the allotment provided to an eligible household under the Food Stamp Act of 1977;

- Payments to volunteers under the Domestic Volunteer Service Act of 1973 (employment through AmeriCorps, VISTA, Retired Senior Volunteer Program, Foster Grandparents Program, youthful offender incarceration alternatives, senior companions);
- Payments received under the Alaskan Native Claims Settlement Act;
- Income derived from the disposition of funds to the Grand River Band of Ottawa Indians;
- Income derived from certain sub-marginal land of the United States that is held in trust for certain Indian tribes;
- Payments made under the Department of Health and Human Services' Low-Income Home Energy Assistance Program;
- Payments received under the Maine Indian Claims Settlement Act of 1980 (25 U.S.C. 1721);
- The first $2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the U.S. Claims Court and the interests of individual Indians in trust or restricted lands, including the first $2,000 per year of income received by individual Indians from funds derived from interests held in such trust or restricted lands;
- Amounts of scholarships funded under Title IV of the Higher Education Act of 1965, including awards under the Federal work-study program or under the Bureau of Indian Affairs student assistance programs;
- Payments received from programs funded under Title V of the Older Americans Act of 1985 (Green Thumb, Senior Aid4es, Older American Community Service Employment Program);
- Payments received on or after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the In Re Agent Orange product liability litigation, M.D.L. No. 381 (E.D.N.Y.);
- Earned income tax credit refund payments, including advanced earned income credit payments;
- The value of any child care provided or arranged (or any amount received as payment for such care or reimbursement for costs incurred for such care) under the Child Care and Development Block Grant Act of 1990;
- Payments received from programs funded in whole or in part under the Job Training Partnership Act (employment and training programs for Native Americans and migrant and seasonal farm workers, Job Corps, veterans employment programs, state job training programs and career intern programs, AmeriCorps);
- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation;
- Allowances, earnings, and payments to AmeriCorps participants under the National and Community Service Act of 1990;
- Any allowance paid under the provisions of 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran;
- Any amount of crime victim compensation (under the Victims of Crime Act) received through crime victim assistance (or payment or reimbursement of the cost of such assistance) as determined under the Victims of Crime Act because of the commission of a crime against the applicant under the Victims of Crime Act; and
- Allowances, earnings, and payments to individuals participating in programs under the Workforce Investment Act of 1998.

Exhibit 2.5 – Part 5 Annual Income Net Family Asset Inclusions and Exclusions

Inclusions	Exclusions
1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, use the current balance. For checking accounts, use	1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars, and

the average 6-month balance. Assets held in foreign countries are considered assets. 2. Cash value of revocable trusts available to the applicant. 3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g. broker fees) that would be incurred in selling the asset. 4. Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts. 5. Individual retirement, 401(k), and Keogh accounts (even though withdrawal would result in a penalty). 6. Retirement and pension funds. 7. Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy). 8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc. 9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments. 10. Mortgages or deeds of trust held by an applicant.	vehicles specially equipped for persons with disabilities. 2. Interest in Indian trust lands. 3. Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset. 4. Assets not accessible to and that provide no income for the applicant. 5. Term life insurance policies. 6. Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.

SECTION 3 - MONITORING REVIEW PROCESS

NDHFA shall perform annual monitoring reviews for all projects funded by NDHFA with HIF funds. The monitoring review shall consist of a desk review of information provided by the project owner and/or a site visit and review of documentation at the project location. At a minimum, a site visit will be performed at least once every three years. The following steps will be followed in the annual compliance monitoring process. If a project contains funding from a federal program which contains tenant income and rent restrictions and project financial requirements at least as restrictive as the HIF program, NDHFA may accept proof of compliance during the annual review of such federal program to satisfy the HIF monitoring requirement.

RECEIPT AND REVIEW OF PROJECT INFORMATION BY NDHFA

Each year of the compliance period, the project owner shall submit to NDHFA a completed "Annual Rental Compliance Report" (see Section 4: Forms). The report shall contain information about each income and/or rent restricted unit in the project as well as tenant information for those units. The report shall also contain information about each vacant unit in the project. The project owner shall also submit a tenant income certification for each tenant household residing in a HIF-restricted unit (see Section 4: Forms for a sample tenant income certification form). NDHFA will perform a desk review of the information provided by the project owner in order to determine areas for further examination. NDHFA will also consult other written data during the monitoring review, such as the HIF application, financial award, loan documents, and documentation from previous monitoring.

Also required to be submitted to NDHFA within 120 days of the end of the project's fiscal year are the following, certified to be true and correct by the project owner:

- A statement of income and expenses for Borrower's operation of the project for that fiscal year, and a balance sheet showing all assets and liabilities of Borrower relating to the project as of the end of that fiscal year. These financial statements should be certified to be true and accurate by the preparer.
- Bank statements for operating reserve and replacement reserve accounts as of the end of the project fiscal year.
- Proof of sufficient property and liability insurance coverage with NDHFA listed as mortgagee.
- Documentation to show the current utility allowance is being used (i.e. copy of PHA utility allowance table). Such other information as may be requested in writing by the Agency in its reasonable discretion.
- For projects that received points at initial HIF application for pledging to provide permanent supportive services to special needs populations, an affidavit attesting to the supportive services provided to the project's population during the fiscal year must be provided by the provider(s) of such services.

In addition to the items listed above, owners of HIF-assisted properties must provide NDHFA, on a quarterly basis, the following:

- The HIF Quarterly Report, showing the total number of vacancies and the total number of households on the waiting list.

SCHEDULING SITE VISITS

Site visits are scheduled in advance. A notification letter will be mailed to the project owner, as well as the property manager if different than the owner, detailing the date, time, location and scope of the monitoring visit. Other information in the notification letter includes the anticipated duration of the monitoring visit, and required preparation on the part of the project owner, such as staff members needing to be present and files and documents which must be available during the visit.

ENTRANCE CONFERENCE

Upon arriving on-site, NDHFA monitoring staff will hold an entrance conference with the property manager and any other project personnel deemed appropriate by the owner. The purpose of the entrance conference is to provide a clear understanding of the purpose, scope, and schedule of the monitoring visit.

MONITORING REVIEW DOCUMENTATION

Utilizing appropriate monitoring checklists, NDHFA staff will review the files to determine if all requirements have been met. The primary areas being examined are consistency with the specific terms of the financial award and loan agreement. A written record will be created detailing the steps followed and information reviewed during the compliance monitoring visit.

If there are areas that are discovered during the review that indicate noncompliance with the laws, regulations or other requirements, this may result in a finding. A finding of noncompliance must be remedied. A finding can result in a sanction if corrective action is not taken in a specified manner and/or timeframe. For each finding, NDHFA will indicate a corrective action, either to correct a past problem or to avoid a future problem, which must be taken by the project owner. A response from the project owner is required on all findings. The project owner may concur with the finding and explain the corrective action which will be undertaken, or provide additional information in order to address the finding.

A deficiency in program performance not based on a statutory or regulatory or other program requirement is referred to as a concern. Corrective actions are not required for concerns, but NDHFA may recommend actions and provide or obtain technical assistance for the project owner in order to address concerns. Concerns do not require responses from the project owner, although they are welcome.

EXIT CONFERENCE

At the conclusion of the review, NDHFA staff will conduct an exit conference with the project owner and management, providing a summary of the preliminary results of the review. Any findings and concerns discovered will be discussed. The NDHFA reviewer should also indicate the timeframe in which a monitoring letter will be sent, the process for requiring the project to address any findings, and the consequences for not addressing compliance issues in a timely manner. Finally, the NDHFA reviewer should provide any further technical assistance that is requested or needed or, if there is not sufficient time, make arrangements for such technical assistance to be provided at a later date.

MONITORING LETTER

Within 30 days after the completion of monitoring, a monitoring letter will be sent to the project owner describing the results of the review, as well as the basis for the conclusions.   The monitoring letter will also list corrective actions which must be taken to resolve any findings, as well as recommendations for improvement for any areas of concern. The timeframe for carrying out any corrective actions will also be stated in the monitoring letter.

MONITORING FOLLOW-UP

The project owner must respond in writing to any findings within the timeframe identified in the monitoring letter. The project owner response will:

- Describe all corrective actions taken or provide new information not reviewed during the visit. The corrective actions must be consistent with those required in the monitoring letter and be performed within the required timeframe.
- Certify that all regulations will be observed in the future and provide written assurance that no adverse effects occurred to the project for failure to observe said regulations.

NDHFA will perform follow-up monitoring in order to confirm the implementation of corrective measures. Findings will be closed upon satisfactory review of the corrective measures and notification of the closing of findings will be communicated to the project owner.

REMEDIAL ACTION

If issues are not resolved, NDHFA may impose a progressive level of sanctions that may include:

- Additional reporting requirements.
- Suspension of further HIF funding.
- Additional special conditions.
- Replacement of property management.
- Default of the HIF loan and recapture of funding.
- Termination of future NDHFA funding.
- Legal action.

APPENDIX - INCOME CALCULATION EXAMPLES

This appendix contains examples and exercises in order to illustrate and assist property management staff in understanding the methods followed under the HIF program for tenant income calculation at the time of initial occupancy. NDHFA will follow these same methods when verifying tenant income calculations during monitoring reviews.

Included first in this appendix is a sample format for computing projected annual tenant income under the "Part 5" method. This is only a suggested format for making calculations, and its completion as a form is not being mandated by NDHFA. Any format which follows the same mathematical process (and therefore would arrive at the same annual income calculation) is acceptable. Next in this appendix are examples of calculations under different tenant income scenarios, as well as examples of identifying and calculating income from assets held by an applicant. Finally, there is a comprehensive practice exercise including standard income calculations as well as asset income calculations.

SAMPLE FORMAT FOR COMPUTING "PART 5" ANNUAL INCOME

1. Name:		2. Date:	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets………………..........................		3.	
4. Total Actual Income from Assets…………………………………………………………………			4.
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of _____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7.

EXAMPLES OF ANNUAL INCOME CALCULATION

Income Example #1 – The Greens

Household Members	Position in Household	Age	Income Sources
John Green	Head	53	Works full-time at $7.25/hour; also receives $400/month from the government as a result of a settlement in the Agent Orange product liability litigation.
Jennifer Green	Spouse	48	Works 18 hours/week at a bank at $7.50/hour; also receives $50/month from her mother to help with expenses.
Jason Green	Son	19	Full-time student at local college where he has a part-time, 15-hour/week job in the student bookstore at $6.00/hour for the 46 weeks when classes are in session.
Assume that the applicable HIF income limit for a family of three in this county is **$23,900**. Assume also for this example that the Greens have no assets. Are the Greens eligible for the HIF-restricted unit?			

1. Name: Green		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets……………..............................		3. 0.00	
4. Total Actual Income from Assets………………………………………………………			4. 0.00
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of _____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
John	$15,080				Enter the greater of lines 4 or 5 from above in e.
Jennifer	7,020			$600	
Jason	480				
6. Totals	a. $22,580	b.	c.	d. $600	e. 0.00
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7. $23,180

The Green household is eligible for the HIF-restricted unit because its total income of $23,180 is below the applicable HIF income limit for the county ($23,900).

Explanation:

- John's earnings from work count as income, but his income from the Agent Orange Settlement Fund ($4,800/year) does not. Thus, John's income is $7.25/hour x 40 hours/week x 52 weeks/year, or $15,080.

- Jennifer's income from wages is $7.50/hour x 18 hours/week x 52 weeks, or $7,020. In addition, her regular gift income of $50/month or $600/year counts as income.

- Because Jason is a full-time student and is not the head of household or the spouse, only the first $480 of his earnings count toward the household income.

Income Example #2 – Rolle/Tyde

Household Members	Position in Household	Age	Income Sources
Tina Rolle	Head	55	Works 6 hours/night, 4 nights/week at $5.00/hour as a waitress; also earns an average of $55/night in tips.
Julie Rolle	Cousin	58	Earns $6.50/hour as a full-time aide in a hospital; employer reports that her wages will increase to $6.75/hour, 7 weeks from the effective date of this calculation.
Karen Tyde	Friend	61	Earns $60/day as a substitute teacher, and works an average of 3 days/week for the 40 weeks school is in session (she made $7,200 last year); also receives $40/month in SNAP (food stamps).
Assume that the applicable HIF income limit for a household of three in this county is **$38,500**. Assume also for this example that the applicants have no assets. Are the applicants eligible for the HIF-restricted unit?			

1. Name: Rolle / Tyde		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets……………..........................		3. 0.00	
4. Total Actual Income from Assets……………………………………………………………			4. 0.00
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of _____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Tina	$17,680				Enter the greater of lines 4 or 5 from above in e.
Julie	13,980				
Karen	7,200				
6. Totals	a. $38,860	b.	c.	d.	e. 0.00
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7. $38,860

The applicant household is not eligible for the HIF-restricted unit because its total income of $38,860 exceeds the applicable HIF income limit for the county ($38,500).

Explanation:

- Tina's income must include both wages and tips. Her wage income is $6,240 annually ($5.00 x 6 hours/night x 4 nights/week x 52 weeks/year) and her tip income is $11,400 annually ($55/night x 4 nights/week x 52 weeks/year).
- Julie's wage income must be calculated in two steps. For the first 6 weeks of the year, she earns $6.50/hour. Her income at this wage is $6.50 x 40 hours/week x 6 weeks = $1,560. For the next 46 weeks, her wage will be $6.75/hour. Her income at this wage will be $6.75/hour x 40 hours/week x 46 weeks = $12,420.
- Karen made $7,200 last year, and there is no reason to expect that she will work more or less often in the coming year. Her income is, therefore, estimated at $7,200. Per the Income Exclusions (see Exhibit 2.4), the food stamp assistance is excluded from this calculation.

Income Example #3 – Geaux/Sue

Household Members	Position in Household	Age	Income Sources
Brenda Geaux	Head	38	Earns $550 semi-monthly as a manager in the housewares department at a local store, and receives $100/month in child support.
Michael Sue	Boyfriend	36	Earns $250/week as a part-time painting instructor at a local school for the 40 weeks/year when school is in session; attends evening classes at the local college, which he pays for with a scholarship grant of $3,500; and also pays $50/month in child support for his twins.
Carter Geaux	Son	3	No income.
Assume that the applicable HIF income limit for a household of three in this county is **$25,700**. Assume also for this example that the applicants have no assets. Are they eligible for the HIF-restricted unit?			

1. Name: Geaux/Sue		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets………………..........................		3. 0.00	
4. Total Actual Income from Assets………………………………………………………			4. 0.00
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of _____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Brenda	$13,200			$1,200	Enter the greater of lines 4 or 5 from above in e.
Michael	10,000				
Carter	0				
6. Totals	a. $23,200	b.	c.	d. $1,200	e. 0.00
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7. $24,400

The applicant household is eligible for the HIF-restricted unit because its total income of $24,400 is below the applicable HIF income limit for the county ($25,700).

Explanation:

- Brenda's annual wage income is $550 semi-monthly x 24 periods/year, or $13,200. In addition, she receives $100/month x 12 months = $1,200/year in child support for Carter.

- Michael's wage income is based on 40 weeks of work: $250/week x 40 weeks/year, or $10,000 annually. His scholarship does not count as income. The child support Michael pays cannot be deducted from his income.

Income Example #4 – The Simmons'

Household Members	Position in Household	Age	Income Sources
Eugene Simmons	Head	80	Receives gross Social Security in the amount of $625/month; receives a pension from the local musicians' union in the amount of $25 every quarter.
Shannon Simmons	Spouse	79	Receives gross Social Security in the amount of $120/month; grossed $4,200 for giving voice lessons last year, but paid business expenses of $1,250 from this income for equipment and sound proofing.
Nicholas Simmons	Son	45	Earns $330/week as an interpreter for a local nonprofit organization.
Assume that the applicable HIF income limit for a family of three in this county is **$30,000**. Assume also for this example that the Simmons' have no assets. Are they eligible for the HIF-restricted unit?			

1. Name: Simmons		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets………………...........................		3. 0.00	
4. Total Actual Income from Assets…………………………………………………………………			4. 0.00
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of _____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Eugene		$7,600			Enter the greater of lines 4 or 5 from above in e.
Shannon		1,440		$2,950	
Nicholas	$17,160				
6. Totals	a. $17,160	b. $9,040	c.	d. $2,950	e. 0.00
7. Enter total of items 6a through 6e. This is *Annual Income*……………………………………………					7. $29,150

The Simmons household is eligible for the HIF-restricted unit because its total income of $29,150 is below the applicable HIF income limit for the county ($30,000).

Explanation:

- Eugene's entire income is comprised of pensions and benefits. It equals $625/month x 12 months/year ($7,500) plus $25/quarter x 4 quarters/year ($100), or $7,600.

- Shannon's benefits income is $120/month x 12 months/year, or $1,440. Her net income from her business was $4,200 - $1,250, or $2,950. (Her equipment and soundproofing expense is an allowable deduction because the business funds were invested in the business and did not represent expansion. Refer to #2 of Exhibit 2.3.)

- Nicholas' wage income calculation is $330/week x 52 weeks/year = $17,160.

EXAMPLES OF ASSET INCOME CALCULATION UNDER "PART 5"

Asset Income Example #1 – Al Czervik

Household Members	Assets	Asset Value
Al Czervik	Checking Account	$870 average 6-month balance with an interest rate of 2.7%.
	Inheritance	Received an inheritance of $30,000 that he used to buy a new car for $12,000, payoff his $3,000 credit card bill, and open a mutual fund account (which has no associated account costs) to invest the remaining $15,000 at an annual interest rate of 5.3%.
For purposes of this example, the applicable Passbook Rate is 2%. What amount of income from assets should be inserted in Czervik's total annual income calculation?		

1. Name: Czervik		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Al Czervik	Checking account	$870	$23
	Mutual fund	$15,000	$795
3. Net Cash Value of Assets……………..........................		3. $15,870	
4. Total Actual Income from Assets…………………………………………………………………			4. $818
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of 2.0% and enter results here; otherwise, leave blank.			5. $317

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e. $818
7. Enter total of items 6a through 6e. This is *Annual Income*……………………………………………					7.

The asset income to be used in the annual income calculation is $818 since the actual income generated by the assets is greater than the imputed income.

Explanation:

- Checking account - The income from the checking account is calculated based on the 6-month balance and the interest rate ($870 x .027 = $23).

- Inheritance - A car owned for personal use is not considered an asset. However, the mutual fund is an asset. $15,000 x .053 = $795.

Because the total cash value of the assets exceeds $5,000, the Passbook Rate must be used to calculate the imputed income from all assets combined. In this case, $15,870 x .02 = $317. The actual income earned ($818) is greater, however, so that amount must be used in the calculation of annual income for this family.

Asset Income Example #2 – The Smails

Household Members	Assets	Asset Value
Elihu Smails	Checking Account	$595 average 6-month balance in a non-interest bearing checking account.
Penelope Smails	Savings Account	$2,695 present balance at 3.1% annual yield.
For purposes of this example, the applicable Passbook Rate is 2%. What amount of income from assets should be inserted in the Smails' total annual income calculation?		

1. Name: Smails		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Elihu	Checking account	$595	$0
Penelope	Mutual fund	$2,695	$84
3. Net Cash Value of Assets……………..........................		3. $3,290	
4. Total Actual Income from Assets……………………………………………………………….			4. $84
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of 2.0% and enter results here; otherwise, leave blank.			5. N/A

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e. $84
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7.

The asset income to be used in the annual income calculation is $84.

Explanation:

- Use the actual income from assets in this case because the cash value of the Smails' total assets is less than $5,000. The imputed income is only calculated for assets when the total cash value of all assets exceeds $5,000.

Asset Income Example #3 – The Ropers

Household Members	Assets	Asset Value
Stanley Roper	Rental Property	Small rental property that grosses $6,500/year (expenses to keep up the property are $3,400/year). The property has a fair market value of $69,000, but they have a mortgage on the property in the amount of $35,000. The average closing costs in a real estate transaction is 8% in the area.
Helen Roper	Savings Account	Savings of $5,000 that earned $179 in interest during the past year.
	Stock	100 shares of stock with a face value of $4.25 per share that have not shown a dividend in years. The cost to sell the stock would be about $76.
For purposes of this example, the applicable Passbook Rate is 2%. What amount of income from assets should be inserted in the Ropers' total annual income calculation?		

1. Name: Roper		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Stanley	Rental Property	$28,480	$3,100
Helen	Savings Account	$5,000	$179
	Stock	$349	$0
3. Net Cash Value of Assets……………..........................		3. $33,829	
4. Total Actual Income from Assets…………………………………………………………			4. $3,279
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of 2.0% and enter results here; otherwise, leave blank.			5. $677

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e. $3,279
7. Enter total of items 6a through 6e. This is *Annual Income*……………………………………………					7.

The asset income to be used in the annual income calculation is $3,279 since the actual income generated by the assets is greater than the imputed income.

Explanation:

- Rental Property - The cash value of the property is:

Market Value	$69,000	
Less Mortgage		35,000
Less sales cost ($69,000 x .08)		5,520
Cash Value	$28,480	

- Savings Account - The information is provided.

- Stock -The cash value of the stock is the sales proceeds (100 shares x $4.25/share = $425) less the cost to sell ($76), or $349. It generates no dividend income

Because the total cash value of the assets exceeds $5,000, calculate the imputed income by multiplying the cash value by the Passbook Rate ($33,829 x .02 = $677). This is less than the actual income earned of $3,279.

“PART 5” INCOME CALCULATION EXERCISE – THE JOHNSONS

Assume that the applicable HIF income limit for a household of four in this county if **$45,000**. Using the information provided and the blank chart below, determine if the Johnsons are eligible for the HIF-restricted unit. Answers are provided on the following page.

Income Information

Household Members	Position in Household	Age	Income Sources
Samantha Johnson	Head	36	Samantha earns a salary of $30,000 per year as an administrative assistant. Samantha receives $500 per month child support.
Barbara Johnson	Mother	66	Barbara receives a pension check of $200 per month and Social Security of $600 per month.
Eric Johnson	Son	12	None
Andrew Johnson	Son	14	None

Asset Information

Household Members	Assets	Asset Value
Samantha Johnson	Savings Account	$2,500 balance and a 3.5% interest rate.
Barbara Johnson	House	Barbara’s recently inherited a house from her sister Marie. The home is valued at $50,000 and has a mortgage balance of $8,000. The average cost of settlement and real estate transfers equals 8% of the value of the property. Barbara does not plan to sell the house because she wants to allow her other sister Martha and her husband to live there rent free.
For purposes of this example, the applicable Passbook Rate is 2%.		

1. Name:		2. Date:	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
3. Net Cash Value of Assets………………..........................		3.	
4. Total Actual Income from Assets……………………………………………………………….			4.
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of ____% and enter results here; otherwise, leave blank.			5.

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7.

ANSWER TO "PART 5" INCOME CALCULATION EXERCISE – THE JOHNSONS

1. Name: Johnson		2. Date: 7/29/11	
ASSETS			
Household Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Samantha	Savings Account	$2,500	$88
Barbara	House	$38,000	$0
3. Net Cash Value of Assets………………..........................		3. $40,500	
4. Total Actual Income from Assets………………………………………………………………			4. $88
5. If line 3 is greater than $5,000, multiply line 3 by the applicable Passbook Rate of <u>2.0%</u> and enter results here; otherwise, leave blank.			5. $810

ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/ Salaries	b. Benefits/ Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Samantha	$30,000			$6,000	Enter the greater of lines 4 or 5 from above in e.
Barbara		$9,600			
6. Totals	a. $30,000	b. $9,600	c.	d. $6,000	e. $810
7. Enter total of items 6a through 6e. This is *Annual Income*………………………………………………					7. $46,410

The Johnsons are not eligible for the HIF-restricted unit because the total household income of $46,410 exceeds the applicable HIF income limit for a household of four in the county ($45,000).

Explanation:

Assets

- Savings Account - Balance of $2,500 x 3.5% interest = $88

- House The cash value of the property is:

Market Value	$50,000	
Less Mortgage		8,000
<u>Less sales cost ($50,000 x .08)</u>		<u>4,000</u>
Cash Value	$38,000	

Because the total cash value of the assets exceeds $5,000, calculate the imputed income by multiplying the cash value by the Passbook Rate ($40,500 x .02 = $810). This is more than the actual income earned of $88 and therefore must be used in the calculation of annual income for this household.

Income

- Samantha's salary is $30,000, and there is no reason to expect that she will earn more or less in the coming year. Her income is, therefore, estimated at $30,000. She also has additional income from child support of $500 x 12 months = $6,000.

- Barbara receives $800 per month between pension and Social Security. $800 x 12 months = $9,600 per year.