**This chapter is applicable prior to the PHA’s HOTMA 102/104 compliance date. After this date, the PHA will follow policies as outlined in Chapter 6.B. of the administrative plan.**

The program regulations in the current Code of Federal Regulations (CFRs) were updated for HOTMA on January 1, 2024. As a result, pre-HOTMA regulations from 2023 are no longer available on the electronic CFRs. However, since full HOTMA implementation is still pending, the pre-HOTMA regulations continue to apply to some elements of the program, and this chapter makes references to both pre-HOTMA and HOTMA regulations where applicable. Where HOTMA regulations apply, citations in this chapter have been provided indicating that current HOTMA CFRs are applicable. For all other citations, the pre-HOTMA CFRs apply. The federal government archives previous versions of the CFRs, and PHAs may access them here: <https://www.govinfo.gov/app/collection/cfr/2023/title24>.

INTRODUCTION

This chapter describes HUD regulations and PHA policies related to income and subsidy determinations. The chapter is organized as follows:

Part I: Annual Income. HUD regulations specify the sources of income to include and exclude to arrive at a family’s annual income. These requirements and PHA policies for calculating annual income are found in Part I.

Part II: Adjusted Income. Once annual income has been established, HUD regulations require the PHA to subtract from annual income any of five mandatory deductions for which a family qualifies. These requirements and PHA policies for calculating adjusted income are found in Part II.

Part III: Calculating Family Share and PHA Subsidy. This part describes the statutory formula for calculating total tenant payment (TTP), the use of utility allowances, and the methodology for determining PHA subsidy and required family payment.

PART I: ANNUAL INCOME

6-I.A. OVERVIEW

Section 6-I.A of the model plan provides the general definition of *annual income* and explains how Part I is organized. The full texts of HUD regulations are provided in exhibits at the end of Chapter 6 of the plan as follows:

* *Annual Income Inclusions* (Exhibit 6-1)
* *Annual Income Exclusions* (Exhibit 6-2)
* *Treatment of Family Assets* (Exhibit 6-3)
* *The Effect of Welfare Benefit Reduction* (Exhibit 6-4)

Sections 6-I.B and 6-I.C discuss general requirements and methods for calculating annual income. The rest of Part I describes how each source of income is treated for the purposes of determining annual income.

Verification requirements for annual income are discussed in Chapter 7.A.

6-I.B. HOUSEHOLD COMPOSITION AND INCOME

**Overview**

This section in the plan discusses household composition only as it relates to income calculations. Additional information on household composition as it relates to eligibility is found in Chapter 3 of the model plan.

Review the chart included in the model plan that summarizes how family composition affects income determinations.

**Temporarily Absent Family Members**

HUD rules require the PHA to count family members approved to live in a unit, even if a family member is temporarily absent from the unit [HCV GB, p. 5-18]. This section of the plan provides PHA policies on several types of temporarily absent family members.

**☑ Decision Point: How will the PHA determine whether a family member is temporarily or permanently absent?**

Things to Consider

* It may or may not be financially advantageous for the family to continue to consider an absent person as a member of family. The model plan uses 180 days as the dividing line between temporary and permanent absences. This is not regulatory. However, the concept is consistent with the HUD regulation that addresses absence of the entire family.
* The definition of “temporarily” absent is also contained in section 3-I.L., Absent Family Members. If changes are made to the policy here, they must also be made in Chapter 3.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Generally an individual who is or is expected to be absent from the assisted unit for 180 consecutive days or less is considered temporarily absent and continues to be considered a family member. Generally an individual who is or is expected to be absent from the assisted unit for more than 180 consecutive days is considered permanently absent and no longer a family member. Exceptions to this general policy are discussed below.

🞎 *Option 2: Edit the model plan to reflect the PHA's policy.*

***Absent Students***

HUD does not specifically address students who are absent from a household. Although this issue would also apply to students under 18 years who are living away from the family, the major focus of this policy is to deal with students 18 and above who may or may not still be family members.

**☑ Decision Point: How does the PHA wish to address family membership for students living away from home?**

Things to Consider

* Since the earned income of a full-time student above $480 is excluded from annual income, a family generally benefits by continuing to count the student as a family member. The family retains the dependent deduction. The student’s presence in the family may or may not make a difference in voucher size.
* The model language basically enables staff to assume the student is a family member unless evidence to the contrary is available or the family declares the student is no longer a family member.
* This policy is also contained in section 3-I.L., Absent Family Members. If changes are made to the policy here, they must also be made in Chapter 3.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

When someone who has been considered a family member attends school away from home, the person will continue to be considered a family member unless information becomes available to the PHA indicating that the student has established a separate household or the family declares that the student has established a separate household.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Absences Due to Placement in Foster Care***

Children temporarily absent from the home as a result of placement in foster care are considered members of the family [24 CFR 5.403].

**☑ Decision Point: How will the PHA determine whether a child’s placement in foster care is temporary or permanent?**

Things to Consider

* This policy is also contained in section 3-I.L., Absent Family Members. If changes are made to the policy here, they must also be made in Chapter 3.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

If a child has been placed in foster care, the PHA will verify with the appropriate agency whether and when the child is expected to be returned to the home. Unless the agency confirms that the child has been permanently removed from the home, the child will be counted as a family member.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Absent Head, Spouse, or Cohead***

**☑ Decision Point: Will the PHA permit an exception to the 180 day rule for absent persons in the case of an absent head, cohead or spouse?**

Things to Consider

* The model plan makes an exception for persons designated as the head, cohead, or spouse if the reason for the absence is employment. This would include, for instance, a head of household who does construction work in another state, or a spouse who has been called to active military duty. In such circumstances the absent family member remains a member of the family and all of the employment income is considered available to the household.
* Alternatively, the PHA could follow the general 180 day policy, determine that the absent person is no longer a member of the family, and count only regular income that the absent person sends to the family.
* This policy is also contained in section 3-I.L., Absent Family Members. If changes are made to the policy here, they must also be made in Chapter 3.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

An employed head, spouse, or cohead absent from the unit more than 180 consecutive days due to employment will continue to be considered a family member.

🞎 *Option 2: Edit the model plan to reflect the PHA's policy.*

🞎 *Option 3: Delete the model plan language.*

*Note: This means that a head, spouse, or cohead absent more than 180 consecutive days will not be considered a member of the family.*

**Family Members Permanently Confined for Medical Reasons**

The *HCV Guidebook* specifies that a family member permanently confined to a nursing home or hospital is no longer considered a family member [HCV GB, p. 5-22]. The model plan includes this safe harbor language and elaborates on this guidance by (1) establishing how the PHA will determine if the family member is permanently absent and (2) clarifying that if the permanently absent member is the only person who qualifies the family for the medical expense deduction, the family is no longer eligible for the medical expense deduction.

**☑ Decision Point: How will the PHA treat family membership for a family member who is permanently confined for medical reasons?**

Things to Consider

* Counting the confined person as a family member could be either an advantage or a disadvantage to the family. If income attributable to the family member is limited and deductible expenses are high, the family generally will pay a lower family share by counting the confined person as a member of the family. If the reverse were true (high income, low expenses), not counting the person would be more advantageous.
* Determining that the permanently confined person is no longer a family member is the safe harbor policy, but this rule is not specified in the regulations.
* Using the same regulation, Handbook 4350.3 (for multifamily housing programs) permits the family to decide whether to consider the person a family member but specifies that a permanently absent family member cannot be the head or spouse. This policy is offered as Option 2. However, you should be aware that using this policy means not following HUD’s safe harbor recommendation for the HCV program. Although a HUD reviewer could question the decision, using Option 2 should not result in a monitoring finding.
* Part of this policy is also contained in section 3-I.L., Absent Family Members. If changes are made to the policy here, they must also be made in Chapter 3.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

If there is a question about the status of a family member, the PHA will request verification from a responsible medical professional and will use this determination. If the responsible medical professional cannot provide a determination, the person generally will be considered temporarily absent. The family may present evidence that the family member is confined on a permanent basis and request that the person not be considered a family member.

🞎 *Option 2: Use the policy permitted by Handbook 4350.3. Delete the language in the model plan and insert the language below.*

An individual permanently confined to a nursing home or hospital may not be named family head, spouse, or cohead but may continue as a family member at the family’s discretion. The family has a choice with regard to how the permanently confined individual’s income will be counted. The family may elect either of the following:

(1) *Include* the individual’s income and receive allowable deductions related to the medical care of the permanently confined individual.

(2) *Exclude* the individual’s income and do not receive allowances based on the medical care of the permanently confined individual.

🞎 *Option 3: Use another PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Joint Custody of Dependents**

When a joint custody agreement causes a child to live in more than one location, the PHA must determine whether the child is a member of an assisted family.

**☑ Decision Point: How will the PHA determine family membership in the case of joint custody?**

Things to Consider

* Generally speaking, a family declares who the members of the family are. The PHA’s main concern in this area is that a child not be counted as a dependent in two assisted households.
* Two major considerations in making this decision are whether or not the family has primary custody, and the amount of time dependents subject to a joint custody arrangement actually live in the household.
* The model plan states that a dependent in these circumstances must live in the unit 50 percent or more of the time, in order to be considered a member of the assisted family. This language is based on guidance in Handbook 4350.3, *Occupancy Requirements of Subsidized Multifamily Housing Programs.*
* PHA staff need guidance about how to handle the situation when there is a dispute about who should benefit from the dependent deduction. The model plan includes this guidance.
* This policy is also contained in section 3-I.L., Absent Family Members. If changes are made to the policy here, they must also be made in Chapter 3.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Dependents that are subject to a joint custody arrangement will be considered a member of the family, if they live with the applicant or participant family 50 percent or more of the time.

When more than one applicant or participant family is claiming the same dependents as family members, the family with primary custody at the time of the initial examination or reexamination will be able to claim the dependents. If there is a dispute about which family should claim them, the PHA will make the determination based on available documents such as court orders, school records, or an IRS return showing which family has claimed the child for income tax purposes.

If there is a dispute about which family should claim them, the PHA will make the determination based on available documents such as court orders, school records, or an IRS tax return showing which family has claimed the child for income tax purposes, or other credible documentation.

🞎 *Option 2: Use another PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Caretakers for a Child**

This policy is intended to address those relatively rare and temporary circumstances in which children remain in a unit without a parent or designated guardian. This might happen in the case of the death of the parent. In such circumstances, the care arrangements for the child may be formal or informal.

**☑ Decision Point: How will the PHA determine whether a caretaker is a family member?**

Things to Consider

* The model plan makes a distinction between an official caretaker (designated by a public agency) and an informal one (friend or relative).
* The PHA must address whether and when a caretaker becomes a family member.
* The PHA must address how the income of the new guardian will be handled and at what point entitlement to the voucher transfers to the caretaker.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The approval of a caretaker is at the owner and PHA’s discretion and subject to the owner and PHA’s screening criteria. If neither a parent nor a designated guardian remains in a household receiving HCV assistance, the PHA will take the following actions.

(1) If a responsible agency has determined that another adult is to be brought into the assisted unit to care for a child for an indefinite period, the designated caretaker will not be considered a family member until a determination of custody or legal guardianship is made.

(2) If a caretaker has assumed responsibility for a child without the involvement of a responsible agency or formal assignment of custody or legal guardianship, the caretaker will be treated as a visitor for 90 days. After the 90 days has elapsed, the caretaker will be considered a family member unless information is provided that would confirm that the caretaker’s role is temporary. In such cases the PHA will extend the caretaker’s status as an eligible visitor.

(3) At any time that custody or guardianship legally has been awarded to a caretaker, the housing choice voucher will be transferred to the caretaker.

(4) During any period that a caretaker is considered a visitor, the income of the caretaker is not counted in annual income and the caretaker does not qualify the family for any deductions from income.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

6-I.C. ANTICIPATING ANNUAL INCOME

The PHA is required to count all income “anticipated to be received from a source outside the family during the 12-month period following admission or annual reexamination effective date” [24 CFR 5.609(a)(2)].

**Basis of Annual Income Projection**

The PHA generally will use current circumstances to determine anticipated income for the coming 12-month period. However, under certain conditions, HUD authorizes the PHA to use other than current circumstances to anticipate income.

**☑ Decision Point: How will the PHA anticipate annual income if current circumstances are not the best indicator of expected future income?**

Things to Consider

* The PHA must have a policy that determines under what conditions current circumstances will not be used. The purpose of this policy is to help staff and families understand both when another method would be appropriate and what the alternative approach would be.
* In 2/22/24 FAQs, HUD stated that PHAs may adopt two HOTMA 102/104 provisions related to third-party verifications prior to the PHA’s full implementation of HOTMA 102/104:
  + Generally, third-party verification may be dated within 120 days of the date received by the PHA.
  + For fixed sources of income, the PHA may accept benefits statements dated within the appropriate benefit year.
* The current requirement for verification (as outlined in Notice PIH 2018-18) is that third-party verifications be dated within 60 days of the reexamination or PHA request. Option 1 adopts the HOTMA 102/104 requirement since this allows the PHA a larger window in which to accept verifications. If the PHA does not wish to adopt the HOTMA provision early, the time period should be changed to “60 days of the reexam or PHA request.”

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed*.

When EIV is obtained and the family does not dispute the EIV employer data, based on information provided in the family annual reexamination declaration and family-provided documents, the PHA will use current family-provided documents to project annual wages. When the family-provided documents are pay stubs, the PHA will make every effort to obtain current and consecutive pay stubs dated within the last 120 days.

The PHA will obtain written and/or oral third-party verification in accordance with the verification requirements and policy in Chapter 7 in the following cases:

If EIV or other UIV data is not available,

If the family disputes the accuracy of the EIV employer data, and/or

If the PHA determines additional information is needed.

In such cases, the PHA will review and analyze current data to anticipate annual income. In all cases, the family file will be documented with a clear record of the reason for the decision, and a clear audit trail will be left as to how the PHA annualized projected income.

When the PHA cannot readily anticipate income based upon current circumstances (e.g., in the case of seasonal employment, unstable working hours, or suspected fraud), the PHA will review and analyze historical data for patterns of employment, paid benefits, and receipt of other income and use the results of this analysis to establish annual income.

Any time current circumstances are not used to project annual income, a clear rationale for the decision will be documented in the file. In all such cases the family may present information and documentation to the PHA to show why the historic pattern does not represent the family’s anticipated income.

***Known Changes in Income***

If the PHA verifies an upcoming increase or decrease in income, annual income will be calculated by applying each income amount to the appropriate part of the 12-month period.

**Example**: An employer reports that a full-time employee who has been receiving $8/hour will begin to receive $8.25/hour in the eighth week after the effective date of the reexamination. In such a case the PHA would calculate annual income as follows: ($8/hour × 40 hours × 7 weeks) + ($8.25 × 40 hours × 45 weeks).

The family may present information that demonstrates that implementing a change before its effective date would create a hardship for the family. In such cases the PHA will calculate annual income using current circumstances and then require an interim reexamination when the change actually occurs. This requirement will be imposed even if the PHA’s policy on reexaminations does not require interim reexaminations for other types of changes.

When tenant-provided third-party documents are used to anticipate annual income, they will be dated within 120 days of the date received by the PHA. Statements dated within the appropriate benefit year will be accepted for fixed income sources.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy*.

**Projecting Income**

In HUD’s EIV webcast of January 2008, HUD made clear that PHAs are not to use EIV quarterly wages to project earnings.

6-I.D. EARNED INCOME [24 CFR 5.609(b) and (c)]

**Types of Earned Income Included in Annual Income**

***Wages and Related Compensation [24 CFR 5.609(a); Notice PIH 2023-27; Notice PIH 2024‑38]***

The regulation at 24 CFR 5.609(a) requires the PHA to include in annual income the earned income of each member of the family who is 18 years of age or older, or who is the head of household or spouse/cohead regardless of age, is included in annual income.

24 CFR 5.100 (as updated for HOTMA) defines *earned income* as income or earnings from wages, tips, salaries, other employee compensation, and net income from self-employment. Earned income does not include any pension or annuity, transfer payments (meaning payments made or income received in which no goods or services are being paid for, such as welfare, social security, and governmental subsidies for certain benefits), or any cash or in-kind benefits. While some forms, like regular wages and salaries, may be fairly easy to anticipate, other forms, like bonuses and commissions, may vary considerably from one pay period to the next.

**☑** **Decision Point: How will the PHA calculate earned income?**

Things to Consider

* The regulations do not explicitly state that gross wages are included in annual income. Therefore, the model policy makes clear the PHA will count the gross amount of earned income.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will include in annual income the gross amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation.

For persons who regularly receive bonuses or commissions, the PHA will verify and then average amounts received for the two years preceding admission or interim reexamination. If only a one-year history is available, the PHA will use the prior year amounts. In either case the family may provide, and the PHA will consider, a credible justification for not using this history to anticipate future bonuses or commissions. If a new employee has not yet received any bonuses or commissions, the PHA will count only the amount estimated by the employer. The file will be documented appropriately.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Some Types of Military Pay***

No PHA policy decisions are required.

**Types of Earned Income Not Counted in Annual Income**

***Earnings of a Minor [24 CFR 5.609(b)(3) as updated for HOTMA]***

No PHA policy decisions are required.

***Earned Income of Full-Time Students [24 CFR 5.609(b)(14) as updated for HOTMA]***

No PHA policy decisions are required.

***Income of a Live-in Aide***

No PHA policy decisions are required.

6-I.E. EARNED INCOME DISALLOWANCE FOR PERSONS WITH DISABILITIES   
[24 CFR 5.617; Streamlining Final Rule (SFR) Federal Register 3/8/16; Notice PIH 2023‑27]

HOTMA removed the statutory authority for the EID. The EID is available only to families that are eligible for and participating in the program as of December 31, 2023, or before; no new families may be added on or after January 1, 2024. If a family is receiving the EID prior to or on the effective date of December 31, 2023, they are entitled to the full amount of the benefit for a full 24-month period. The policies below are applicable only to such families. No family will still be receiving the EID after December 31, 2025. The EID will sunset on January 1, 2026, and the PHA policies below will no longer be applicable as of that date or when the last qualifying family exhausts their exclusion period, whichever is sooner.

**Calculation of the Disallowance**

No PHA policy decisions are required.

**Calculation Method**

***Initial 12-Month Exclusion***

During the initial exclusion period of 12 consecutive months, the full amount (100 percent) of any increase in income attributable to new employment or increased earnings is excluded.

The EID regulations state that the initial 12-month exclusion period begins “on the date a member who is a person with disabilities of a qualified family is first employed or the family first experiences an increase in annual income attributable to employment” [24 CFR 5.617(c)(1)]. However, in frequently asked questions on the EID, HUD has stated that, for tracking and administrative purposes, a PHA may begin the EID on the first day of the month following new employment or an increase in earnings.

**☑ Decision Point: When will the initial EID exclusion period begin?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The initial EID exclusion period will begin on the first of the month following the date an eligible member of a qualified family is first employed or first experiences an increase in earnings.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Second 12-Month Exclusion***

During the second exclusion period of 12 consecutive months, the PHA must exclude at least 50 percent of any increase in income attributable to employment or increased earnings.

**☑ Decision Point:** **How much earned income will be excluded during the second 12‑month period under the revised calculation method?**

Things to Consider:

* The streamlining final rule requires that PHAs exclude “at least 50 percent” of the applicable income increase during the second 12-month exclusion period. Therefore a PHA could choose to exclude 50 percent, 75 percent, 100 percent, or any percentage of the increase at or above 50 percent.
* For ease of administration, the default policy calls for excluding 100 percent of the income increase during the second 12-month period. Under Option 1, a qualifying participant would have 100 percent of the increase attributable to employment excluded for 24 consecutive months.
* If your PHA wishes to exclude less than 100 percent of the increase during the second year, select Option 2. Note that you must fill in a percentage amount of 50 percent or more.
* Option 2 includes an interim reporting requirement related to the EID. Without this policy the family could receive the benefit of the disallowance for a longer period than is appropriate.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

During the second 12-month exclusion period, the PHA will exclude 100 percent of any increase in income attributable to new employment or increased earnings.

🞎 *Option 2:**Exclude less than 100 percent of increased income during the second 12-month period. Indicate the desired percentage amount. Delete the model plan language and insert the following:*

During the second 12-month exclusion period, the PHA will exclude **[insert percentage number]** percent of any increase in income attributable to new employment or increased earnings.

During the 24-month eligibility period, the PHA will schedule and conduct an interim reexamination each time there is a change in the family member’s annual income that affects or is affected by the EID (e.g., when the family member’s income falls to a level at or below their baseline income, when one of the exclusion periods ends, and at the end of the lifetime maximum eligibility period).

🞎 *Option 3: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Lifetime Limitation***

**No PHA policy decisions are required.**

6-I.F. BUSINESS INCOME [24 CFR 5.609(b)(28) as updated for HOTMA; Notice PIH 2023-27]

24 CFR 5.609(b)(28) (as updated for HOTMA) indicates that net income from a business or profession must be included in annual income. The complete text of the regulation is provided in the model plan. PHA policies are required in the following areas:

* Definitions for calculating business income
* Treatment of negative net income
* Withdrawals from a business
* Co-owned businesses

**☑** **Decision Point: How will the PHA determine what qualifies as a business expense?**

Things to Consider

* IRS regulations provide a consistent standard for evaluating business expenses. However, IRS rules also address issues that are rare for the types of business that generally will be owned by families receiving housing assistance. The PHA may wish to develop its own description of business expenses that is tailored to the types of businesses actually encountered.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

To determine business expenses that may be deducted from gross income, the PHA will use current applicable Internal Revenue Service (IRS) rules for determining allowable business expenses [see IRS Publication 535], unless a topic is addressed by HUD regulations or guidance as described below.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Independent Contractors**

No PHA policy decisions are required.

**Business Expansion**

HUD rules specify that the cost of business expansion may not be used to determine net income from a business but does not define *business expansion*.

**☑** **Decision Point: How will the PHA define *business expansion*?**

Things to Consider

* The definition provided in the model plan is not found in IRS rules but provides a supportable, yet simple, definition of *business expansion*.

🞎 *Option 1*: *Use the model plan language shown below. No changes to the model plan are needed.*

*Business expansion* is defined as any capital expenditures made to add new business activities, to expand current facilities, or to operate a business in additional locations. For example, purchase of a street sweeper by a construction business for the purpose of adding street cleaning to the services offered by the business would be considered a business expansion. Similarly, the purchase of a property by a hair care business to open at a second location would be considered a business expansion.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Capital Indebtedness**

HUD rules specify that amortization of capital indebtedness cannot be counted as a business expense for the purpose of determining net income. The language included in the model plan explains what this means and clarifies how capital indebtedness is handled in rent calculations.

**☑** **Decision Point: How is *capital indebtedness* defined?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

*Capital indebtedness* is defined as the principal portion of the payment on a capital asset such as land, buildings, and machinery. This means the PHA will allow as a business expense interest, but not principal, paid on capital indebtedness.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Negative Business Income**

The model plan borrows language from HUD Handbook 4350.3 [p. 5-10] to clarify that no income will be counted if business income is negative and that losses cannot offset other income.

**Withdrawal of Cash or Assets from a Business**

The regulation requires the PHA to include in annual income the value of cash or assets withdrawn from a business unless the withdrawal reimburses a family member for investments the family has made in the business. However, it gives no guidance about what constitutes an investment that may be reimbursed.

**☑** **Decision Point: How will the PHA define investments in a business that may be reimbursed?**

Things to Consider

* The model plan identifies both cash investments and “in-kind” contributions that would be considered investments in a business. You may want to identify other types of investments that are typical of businesses encountered among HCV participants.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Acceptable investments in a business include cash loans and contributions of assets or equipment. For example, if a member of an assisted family provided an up-front loan of $2,000 to help a business get started, the PHA will not count as income any withdrawals from the business up to the amount of this loan until the loan has been repaid. Investments do not include the value of labor contributed to the business without compensation.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Co-owned Businesses**

The regulation and HUD guidance do not provide information about how to treat a business that is co-owned by someone who is not a member of the family.

**☑** **Decision Point: How will the PHA treat the income from a business that is co-owned by someone who is not a member of the family?**

Things to Consider

* Since HUD is silent on this subject, the administrative plan could also remain silent. If co-owned businesses are rare, you may wish to eliminate this language.
* The intent of including this language is to help staff evaluate whether the income the family claims from the business is realistic.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

If a business is co-owned with someone outside the family, the family must document the share of the business it owns. If the family’s share of the income is lower than its share of ownership, the family must document the reasons for the difference.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**6-I.G. STUDENT FINANCIAL ASSISTANCE [24 CFR 5.609(b)(9)]**

**Introduction**

No policy decisions are required.

**HOTMA Student Financial Assistance Requirements [24 CFR 5.609(b)(9)]]**

The regulations under HOTMA distinguish between two categories of student financial assistance paid to both full-time and part-time students. **No PHA policy decisions are required.**

**Calculating Income from Student Financial Assistance [HOTMA Student Financial Assistance Resource Sheet; Notice PIH 2023-27]**

There are two steps required as part of the calculation for Section 8 students. First, determine the student’s relationship to the household, age, and whether they have dependent children. Second, calculate whether any excess student financial assistance should be included in the family’s income.

**☑** **Decision Point: How will the PHA calculate income from student financial assistance?**

Things to Consider

* For situations where the HOTMA student rule is not applicable, Option 1 states the PHA will use Notice PIH 2015-21 as a guide to calculate income since this notice provides information on the Section 8 student rule.
* In situations where the HOTMA student rule is applicable, all assistance under Title IV HEA Assistance must be excluded from income. This exclusion must be taken first. Student Financial Assistance can then be applied to any remaining actual covered costs. Once actual costs are covered, any remaining Student Financial Assistance would be considered income. However, if there is no remaining actual covered costs, this assistance would be counted as income.
* In the Student Financial Assistance Resource Sheet, HUD lists the following steps to calculate student financial assistance. The model policy in Option 1 is based on these steps.
  1. Calculate the “actual covered costs.”
  2. Apply the Title IV HEA Assistance.
  3. Subtract the actual covered costs from the total amount of Title IV HEA Assistance.
     1. If the amount of assistance excluded as Title IV HEA Assistance is equal to or exceeds the actual covered costs, none of the assistance included under “Student Financial Assistance” would be excluded from income. This is because this assistance would no longer be needed to cover actual costs and therefore would not meet the definition of Student Financial Assistance.
     2. If the amount of Title IV HEA Assistance is less than the actual covered costs, go to the next step.
  4. Exclude the amount of Student Financial Assistance up to the amount of the remaining actual covered costs (those not covered by Title IV HEA Assistance).
* Student financial assistance excluded from income is the lower of either:
  + The total amount of scholarships and grants the student received that are not covered by 479B of the of the HEA or
  + The amount by which the student’s actual covered costs exceeds the assistance the student received that is excluded under section 479B of the HEA.

🞎 *Option 1: Use the model admin plan language shown below. No changes to the model admin plan are needed.*

If the student does not live with their parents and is the head of household, cohead, or spouse, and is 23 or younger or does not have dependent children, then Title IV HEA assistance will be considered when determining the student’s total financial assistance to be included in annual income. The PHA will use Notice PIH 2015-21 as a guide to determine the total amount of the student’s tuition plus required fees and charges. The PHA will subtract the total tuition plus required fees and charges from the total student financial assistance. If the result is zero or exceeds the amount of total financial assistance from all sources, then no student financial assistance will be included in annual income. Any amount of student financial assistance that exceeds the total tuition plus required fees and charges will be included in annual income.

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| **Example 1**   * Tuition and required fees and charges: $20,000 * Title IV HEA assistance: $10,000 * Other student financial assistance: $15,000 * Total student financial assistance: $10,000 + $15,000 = $25,000 * Included income: $25,000 in financial assistance - $20,000 tuition and required fees = $5,000 |

If a student is head, spouse, or cohead, and is over 23 with dependent children or lives with their parents, the following applies:

If a student only receives financial assistance under Title IV of the HEA and does not receive any other student financial assistance, the PHA will exclude the full amount of the assistance received under Title IV from the family’s annual income. The PHA will not calculate actual covered costs in this case.

If the student does not receive any assistance under Title IV of the HEA but does receive assistance from another source, the PHA will first calculate the actual covered costs to the student in accordance with 24 CFR 5.609(b)(ii). The PHA will then subtract the total amount of the student’s financial assistance from the student’s actual covered costs. The PHA will include any amount of financial assistance in excess of the student’s actual covered costs in the family’s annual income.

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| **Example 1**   * Actual covered costs: $20,000 * Other student financial assistance: $25,000 * Excluded income: $20,000 ($25,000 in financial assistance -  $20,000 in actual covered costs) * Included income: $5,000 |

When a student receives assistance from both Title IV of the HEA and from other sources, the PHA will first calculate the actual covered costs to the student in accordance with 24 CFR 5.609(b)(ii). The assistance received under Title IV of the HEA will be applied to the student’s actual covered costs first and then the other student financial assistance will be applied to any remaining actual covered costs.

If the amount of assistance excluded under Title IV of the HEA equals or exceeds the actual covered costs, the full amount of the other financial assistance will be included in the family’s annual income.

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| **Example 2**   * Actual covered costs: $25,000 * Title IV HEA assistance: $26,000 * Title IV HEA assistance covers the students entire actual covered costs. * Other Student Financial Assistance: $5,000 * Excluded income: The entire Title IV HEA assistance of $26,000 * Included income: All other financial assistance of $5,000 |

If the amount of assistance excluded under Title IV of the HEA is less than the actual covered costs, the PHA will exclude the amount of other student financial assistance up to the amount of the remaining actual covered costs.

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| **Example 3**   * Actual covered costs: $22,000 * Title IV HEA assistance: $15,000 * The remaining amount not covered by Title IV HEA assistance is $7,000 ($22,000 in actual covered costs - $15,000 in Title IV HEA assistance). * Other Student Financial Assistance: $5,000 * $7,000 in remaining actual covered costs - $5,000 in other financial assistance * Excluded income: $15,000 entire amount of the Title IV HEA Assistance + $5,000 in other financial assistance * Included income: $0 |

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| **Example 4**   * Actual covered costs: $18,000 * Title IV HEA Assistance: $15,000 * The remaining amount not covered by Title IV HEA assistance is $3,000 ($18,000 in actual covered costs - $15,000 in Title IV HEA Assistance) * Other student Financial Assistance: $5,000 * When other student financial assistance is applied, financial assistance exceeds actual covered costs by $2,000 ($3,000 in actual covered costs - $5,000 in other financial assistance). * Included income: $2,000 (the amount by which the financial aid exceeds the student's actual covered costs. |

🞎 *Option 2: Use PHA-established policy. Edit the model admin plan language or delete it and insert the PHA’s policy.*

6-I.H. PERIODIC PAYMENTS [Notice PIH 2023-27]

HUD regulations specify periodic payments that are not included in annual income.

**Lump-Sum Payments for the Delayed Start of a Periodic Payment [24 CFR 5.609(b)(16) as updated for HOTMA]**

HUD requires that PHAs include in annual income most lump-sums and prospective amounts that are received as the result of delays in the processing of ongoing forms of periodic income. However, the regulation specifically exempts deferred Social Security and SSI lump-sum payments, and deferred disability benefits from the Department of Veterans Affairs from this requirement. Deferred lump-sum payments from these sources are **not** counted as income whether they are paid in a single lump-sum or in prospective monthly amounts [24 CFR 5.609(b)(16) as updated for HOTMA].

There are three issues the PHA must address related to lump-sums received as a result of the delayed start of a periodic payment:

* When must the family report receipt of the payments?
* When the lump-sum is reported, will the PHA make a retroactive adjustment of the family’s share or include the amount in prospective rent calculations?
* If the family owes the PHA as a result of a retroactive calculation, under what circumstances will the PHA offer a repayment agreement?

**☑** **Decision Point: How will the PHA handle lump-sum delayed-start payments?**

Things to Consider

* **Interim Reporting.** The PHA will need to consider whether the amounts received would trigger an interim under the regulations. If so, then the PHA is required to conduct an interim.
* **Prospective and Retroactive Calculations.** The second major consideration is whether the PHA will include the lump sum prospectively (as anticipated income at the time of a new reexamination) or complete a retroactive calculation of family share and PHA subsidy. This will largely depend on whether the PHA is conducting an annual or an interim recertification at the time the lump sum is reported.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will include in annual income lump sums received as a result of delays in processing periodic payments (other than those specifically excluded by the regulation), such as unemployment or welfare assistance.

When a delayed-start payment is received that is to be included and the family reports during the period in which the PHA is processing an annual reexamination, the PHA will adjust the family’s rent retroactively for the period the payment was intended to cover.

If the delayed-start payment is received outside of the time the PHA is processing an annual reexamination, then the PHA will consider whether the amount meets the threshold to conduct an interim reexamination. If so, the PHA will conduct an interim in accordance with PHA policies in Chapter 11. If not, the PHA will consider the amount when processing the family’s next annual recertification.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Retirement Accounts [24 CFR 5.609(b)(26)** **as updated for HOTMA; Notice PIH 2023-27]**

No PHA policy decisions are required.

**Social Security Benefits [Notice PIH 2023-27]**

The regulations do not address overpayments by the Social Security Administration.

**☑** **Decision Point: How will the PHA handle overpayments by the Social Security Administration?**

Things to Consider

* The gross amount of Social Security benefit income, prior to Medicare or other deductions, must be counted as income. However, if Social Security benefits are reduced to make up for prior overpayments, HUD’s previous policy dictated that PHAs count the income the Social Security Administration will provide (the amount received)—not the amount that would have been provided if no error had been made.
* Notice PIH 2023-27 states “Annual income includes ‘all amounts received,’ not the amount that a family may be legally entitled to receive but which they do not receive.”
* Based on previous HUD guidance and the statement in Notice PIH 2023-27, the model states the PHA will include the lower amount of the payment when it results from a previous overpayment by the SSA.
* However, this does not apply when the family member’s benefits are garnished, levied, or withheld to pay restitution, child support, tax debt, student loan debt, or other debts. The PHA must use the gross amount of the income, prior to the reduction, to determine a family’s annual income.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

Annual income includes “all amounts received,” not the amount that a family may be legally entitled to receive but which they do not receive. When the SSA overpays an individual, resulting in a withholding or deduction from their benefit amount until the overpayment is paid in full, the PHA will use the reduced benefit amount after deducting only the amount of the overpayment withholding from the gross benefit amount.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**6-I.I. NONRECURRING INCOME [24 CFR 5.609(B)(24)** **as updated for HOTMA and Notice PIH 2023-27]**

The regulations define nonrecurring income as income that will not be repeated in the coming year based on information provided by the family, is excluded from annual income. 24 CFR 5.609(b)(24) (as updated for HOTMA) provides a list of income that is excluded as temporary, nonrecurring or sporadic. **No PHA policy decisions are required.**

6-I.J. STATE PAYMENTS TO ALLOW INDIVIDUALS WITH DISABILITIES TO LIVE AT HOME [24 CFR 5.609(b)(19) as updated for HOTMA]

No PHA policy decisions are required.

**6-I.K.** **CIVIL RIGHTS SETTLEMENTS [24 CFR 5.609(b)(25)** **as updated for HOTMA; FR Notice 2/14/23]**

No PHA policy decisions are required.

6-I.L. ADDITIONAL EXCLUSIONS FROM ANNUAL INCOME [24 CFR 5.609(b) as updated for HOTMA; FR Notice 1/31/2024]

Other exclusions contained in 24 CFR 5.609(b) as updated for HOTMA and FR Notice 1/31/2024 are listed here.

***State and Local Employment Training Programs [24 CFR 5.609(b)(12)(iv) as updated for HOTMA]***

Incremental earnings and benefits to any family member resulting from participation in qualifying state or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff are excluded from annual income. 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 training program.

**☑** **Decision Point: How will the PHA treat income from state and local employment training programs?**

Things to Consider

* The PHA must clarify the meaning of *training program* and *incremental earnings and benefits.* Since both of these terms were defined by HUD in expired Notice PIH 98-2, the model plan adopts these HUD definitions as safe harbor.
* The PHA must develop a policy indicating how it will determine pre-enrollment income. HUD permits the PHA to make a policy that would define pre-enrollment income based upon recent history rather than current circumstances [see expired Notice PIH 98-2].
* The regulation permits this exclusion only while the individual participates in the training program. Therefore, the PHA must specify what kind of notification is required when the family member stops participating in the training program. The model plan references the PHA’s reexamination policy. Therefore, the family would be required to report the end of the training program only if the PHA’s interim reporting policy covers this kind of change. You may wish to consider modifications to your interim reporting policy.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA defines *training program* as “a learning process with goals and objectives, generally having a variety of components, and taking place in a series of sessions over a period of time. It is designed to lead to a higher level of proficiency, and it enhances the individual’s ability to obtain employment. It may have performance standards to measure proficiency. Training may include but is not limited to: (1) classroom training in a specific occupational skill, (2) on-the-job training with wages subsidized by the program, or (3) basic education” [expired Notice PIH 98-2, p. 3].

The PHA defines *incremental earnings and benefits* as the difference between (1) the total amount of welfare assistance and earnings of a family member prior to enrollment in a training program and (2) the total amount of welfare assistance and earnings of the family member after enrollment in the program [expired Notice PIH 98-2, pp. 3-4].

In calculating the incremental difference, the PHA will use as the pre-enrollment income the total annualized amount of the family member’s welfare assistance and earnings reported on the family’s most recently completed HUD-50058.

End of participation in a training program must be reported in accordance with the PHA’s interim reporting requirements (see Chapter 11).

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

6-I.M. ASSETS [24 CFR 5.609(b)(3); 24 CFR 5.603(b)]

**Overview**

There is no asset limitation for participation in the HCV program. However, HUD requires that the PHA include in annual income the anticipated “interest, dividends, and other net income of any kind from real or personal property” [24 CFR 5.609(b)(3)]. This section provides guidance on how different types of assets are valued and how income from these assets is established.

The section begins with a discussion of general policies related to assets and then provides HUD rules and PHA policies related to each type of asset. Each type of asset covered in the model plan is identified below. Only those that require a PHA policy are discussed. Read the model plan to make sure your PHA is following HUD’s rules.

Optional policies for family self-certification of assets are found in Chapter 7.

**General Policies**

***Income from Assets***

The PHA generally will use current circumstances to determine both the value of an asset and the anticipated income from the asset. The model plan provides a policy clarifying how the PHA will deal with situations in which something other than current circumstances is used to determine income from an asset.

**☑** **Decision Point: What actions will the PHA take when information other than current circumstances is used to determine income from an asset?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Anytime current circumstances are not used to determine asset income, a clear rationale for the decision will be documented in the file. In such cases the family may present information and documentation to the PHA to show why the asset income determination does not represent the family’s anticipated asset income.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Valuing Assets***

**☑** **Decision Point: What are considered reasonable costs that would be incurred when disposing of an asset?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Reasonable costs that would be incurred when disposing of an asset include, but are not limited to, penalties for premature withdrawal, broker and legal fees, and settlement costs incurred in real estate transactions [HCV GB, p. 5-28].

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy*.

***Lump-Sum*** ***Additions to Net Family Assets [24 CFR 5.609(b)(24)(viii)*** ***as updated for HOTMA; Notice PIH 2023-27]***

The regulations exclude income from lump-sum additions to family assets, including lottery or other contest winnings as a type of nonrecurring income [24 CFR 5.609(b)(24)(vii) as updated for HOTMA]. Lump-sums received as part of civil rights settlements or judgments, including settlements or judgments for back pay are also excluded under the regulations [24 CFR 5.609(b)(24)(viii) as updated for HOTMA].

**☑** **Decision Point:** **When will lump sum receipts be counted as assets?**

Things to Consider

* PHAs would consider any actual or imputed returns from lump-sum receipts as income at the next applicable income examination. Policies related to conducting interims when a lump sum is received are found in Chapter 11.
* Income generated on the settlement or judgment amount after it has become a net family asset is not excluded from income. For example, if the family received a settlement or back pay and deposited the money in an interest-bearing savings account, the interest from that account would be income at the time the interest is received. As an example, consider a family with no net family assets that receives a civil rights settlement in the amount of $20,000. Upon receiving the settlement, the family’s assets increased to $20,000, but the $20,000 settlement is not included in the family’s income. At the family’s next income examination, any actual income earned from the $20,000 (e.g., interest or investment income) will be included in the family’s income. For instance, if at the family’s next annual income examination after the family received the $20,000 civil rights settlement, the actual income earned from investing the $20,000 is $500, then $500 will be included in the family’s income.

🞎 *Option 1*: *Use the model plan language shown below. No changes to the model plan are needed.*

Any lump-sum receipts are only counted as assets if they are retained by a family in a form recognizable as an asset. [RHIIP FAQs]. For example, if the family receives a $10,000 lump sum for lottery winnings, and the family immediately spends the entire amount, the lump sum will not be counted toward net family assets.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Imputing Income from Assets [24 CFR 5.609(b)(3), Notice PIH 2012-29***]

**☑** **Decision Point: How will the PHA establish the passbook savings rate for imputed asset income?**

Things to Consider

* Notice PIH 2012-29 requires PHAs to establish an imputed asset passbook savings rate based on the national average rate. The rate was previously established by the HUD field offices.
* The imputed asset income calculation is only performed if the net value of the family’s assets exceeds $5000.
* The PHA may establish the rate within 0.75 percent (three quarters of one percent) of the national rate. This is “safe harbor” guidance from the notice. The rate must be reviewed at least annually to ensure that it is still within the safe harbor range.
* Acceptable strategies could include:
* Setting the rate at the amount of the national average
* Rounding the rate to the nearest quarter-percent within the safe harbor range
* Setting the rate at zero percent, as long as the national rate does not exceed 0.75 percent
* Setting the rate at 0.75 percent. Using this method, the PHA would remain in compliance with the safe harbor guidance when the national rate is anywhere from zero percent to 1.5 percent.
* Option 1 states that the PHA will initially use the current national rate. The rate itself is not specified in the default policy. This reduces the administrative burden by enabling the PHA to adjust the rate as required without seeking Board approval for future adjustments.
* Option 1 also provides that the PHA passbook rate will be reviewed annually, but will not be revised unless the current PHA rate is no longer within HUD’s safe harbor. If it is necessary to revise the rate, the current national rate will be used.
* For audit purposes, Option 1 states that the passbook rate will be reviewed annually in December, and that any resulting change will be effective on February 1 of the following year. This is to ensure that the PHA will not need to recalculate asset income for annual reexaminations which have already been completed.
* Option 2 permits the PHA to set the rate at zero percent. While this method also reduces administrative burdens, it requires the PHA to adjust the rate if the national rate increases to more than 0.75 percent.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA initially set the imputed asset passbook rate at the national rate established by the Federal Deposit Insurance Corporation (FDIC).

The PHA will review the passbook rate annually. The rate will not be adjusted unless the current PHA rate is no longer within 0.75 percent of the national rate. If it is no longer within 0.75 percent of the national rate, the passbook rate will be set at the current national rate.

The effective date of changes to the passbook rate will be determined at the time of the review.

🞎 *Option 2: Delete the model plan language and substitute the following.*

The PHA initially set the imputed asset passbook rate at zero percent.

The PHA will review the passbook rate annually. If the national rate is at or below 0.75 percent, the PHA will continue to use zero percent. If the national rate exceeds 0.75 percent at the time of the annual review, the PHA will adjust the rate to the current national rate.

🞎 *Option 3: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Determining Actual Anticipated Income from Assets***

No PHA policy decisions are required.

***Jointly Owned Assets***

In its “Summary of Asset Inclusions and Exclusions,” the *HCV Guidebook* states the following [p. 5-25]:

* Assets include “assets which, although owned by more than one person, allow unrestricted access by the applicant.”
* Assets do **not** include “assets not controlled by or accessible to the family and which provide no income for the family.”

**☑** **Decision Point: What guidance will the PHA give staff related to assets that are owned by more than one person?**

Things to Consider

* The model plan follows the safe harbor guidance in the *HCV Guidebook* by adopting a narrow interpretation of *access*.
* Handbook 4350.3 (for multifamily housing programs) takes a more liberal approach, one that would allow the PHA discretion in dealing with situations in which a family member may legally have unrestricted access to an asset but does not effectively own it. A common example would be a family member whose name is on the checking account of an elderly parent for emergency purposes only. This discretion is offered as Option 2. Since Option 2 does not follow HUD’s safe harbor recommendation for the HCV program, a HUD reviewer could question the decision. However, choosing Option 2 and following it consistently should not result in a monitoring finding.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

If an asset is owned by more than one person and any family member has unrestricted access to the asset, the PHA will count the full value of the asset. A family member has unrestricted access to an asset when they can legally dispose of the asset without the consent of any of the other owners.

If an asset is owned by more than one person, including a family member, but the family member does not have unrestricted access to the asset, the PHA will prorate the asset according to the percentage of ownership. If no percentage is specified or provided for by state or local law, the PHA will prorate the asset evenly among all owners.

🞎 *Option 2: Use the policy permitted by Handbook 4350.3. Delete the language in the model plan and insert the language below.*

If an asset is owned by more than one person and any family member has unrestricted access to the asset, the PHA will count the full value of the asset unless the family presents evidence that the asset is not effectively owned by the family member. A family member has unrestricted access to an asset when they can legally dispose of the asset without the consent of any of the other owners. An asset is not effectively owned by a family member when (1) the asset and any income it earns accrue to the benefit of someone else who is not a member of the family and (2) that other person is responsible for income taxes incurred on income generated by the asset.

If an asset is owned by more than one person, including a family member, but the family member does not have unrestricted access to the asset, the PHA will prorate the asset according to the percentage of ownership. If no percentage is specified or provided for by state or local law, the PHA will prorate the asset evenly among all owners.

🞎 *Option 3: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Assets Disposed of for Less than Fair Market Value***

HUD regulations require the PHA to count as a current asset any business or family asset that was disposed of for less than fair market value during the two years prior to the effective date of the examination/reexamination, except as noted below.

***Minimum Threshold***

The *HCV Guidebook* permits the PHA to set a threshold below which assets disposed of for less than fair market value will not be counted [HCV GB, p. 5-27].

**☑** **Decision Point: What minimum threshold will the PHA establish for disregarding small amounts of assets disposed of for less than fair market value?**

Things to Consider

* Establishing such a policy enables the PHA to disregard minimal amounts given as charitable contributions or cash gifts to persons outside the family.
* The amount should be high enough to relieve the PHA and the family of dealing with small gifts or contributions. The model plan language is consistent with guidance given for HUD’s multifamily housing programs in Handbook 4350.3. Although this handbook does not apply to the HCV program, it does reflect an amount that HUD has determined is reasonable.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will not include the value of assets disposed of for less than fair market value unless the cumulative fair market value of all assets disposed of during the past two years exceeds the gross amount received for the assets by more than $1,000.

When the two-year period expires, the income assigned to the disposed asset(s) also expires. If the two-year period ends between annual recertifications, the family may request an interim recertification to eliminate consideration of the asset(s).

Assets placed by the family in nonrevocable trusts are considered assets disposed of for less than fair market value except when the assets placed in trust were received through settlements or judgments.

🞎 *Option 2: Keep the model plan language but change the threshold from $1,000 to $\_\_\_\_\_\_\_\_\_.*

🞎 *Option 3: Do not establish a threshold. Delete the model plan language related to this item.*

🞎 *Option 4: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Separation or Divorce***

The regulation also specifies that assets are not considered disposed of for less than fair market value if they are disposed of as part of a separation or divorce settlement and the applicant or tenant receives “important consideration” not measurable in dollar terms. The regulation does not specify what important consideration might be.

**☑** **Decision Point: How will the PHA address the regulatory requirement to determine whether a family member received important consideration in a separation or divorce settlement?**

Things to Consider

* The PHA is not in a position to assess the nature or value of the consideration an individual receives as a result of a divorce or separation. Therefore the model plan specifies that in the case of separation or divorce, the PHA will always assume the family member receives acceptable consideration.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

All assets disposed of as part of a separation or divorce settlement will be considered assets for which important consideration not measurable in monetary terms has been received. In order to qualify for this exemption, a family member must be subject to a formal separation or divorce settlement agreement established through arbitration, mediation, or court order.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Foreclosure or Bankruptcy***

No PHA policy decisions are required.

***Family Declaration***

**☑** **Decision Point: The PHA needs to describe the declaration process.**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Families must sign a declaration form at initial certification and each annual recertification identifying all assets that have been disposed of for less than fair market value or declaring that no assets have been disposed of for less than fair market value. The PHA may verify the value of the assets disposed of if other information available to the PHA does not appear to agree with the information reported by the family.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Types of Assets**

***Checking and Savings Accounts***

The PHA must count amounts in a family’s savings and checking accounts as assets. The model plan establishes how the value of these assets will be determined and how the anticipated income from these assets will be calculated.

**☑** **Decision Point: How will checking and savings accounts be treated?**

Things to Consider

* Using the current balance for savings and the 6-month average balance for checking accounts is a common industry practice. This is a former HUD requirement which is now obsolete but which remains widely accepted.
* Current HUD guidance allows the PHA to establish a policy to determine which balance will be used in determining the value of savings and checking accounts.
* In order to ease administrative burden, the PHA could elect to use the current balance for both savings and checking accounts. Under this policy, applicants and participants would be required to provide only the most recent statement for either type of account.
* Option 1 calls for using the current balance in determining the value of these accounts.
* Option 2 calls for using the current balance for savings and the six-month average for checking.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

In determining the value of a checking account and savings accounts, the PHA will use the current balance.

In determining the anticipated income from an interest-bearing checking or savings account, the PHA will multiply the value of the account by the current rate of interest paid on the account.

🞎 *Option 2: Delete the model plan language and insert the following:*

In determining the value of a checking account, the PHA will use the average monthly balance for the last six months.

In determining the value of a savings account, the PHA will use the current balance.

In determining the anticipated income from an interest-bearing checking or savings account, the PHA will multiply the value of the account by the current rate of interest paid on the account.

🞎 *Option 3: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***ABLE Accounts [24 CFR 5.609(b)(10) as updated for HOTMA; Notice PIH 2019-09]***

No PHA policy decisions are required.

***Investment Accounts Such as Stocks, Bonds, Saving Certificates, and Money Market Funds***

When family assets are held in investment accounts, calculating asset value and anticipated income can be difficult because of fluctuations in value and rates of return. The model plan provides a clarification of HUD policy related both to how assets are valued and how income is determined.

**☑** **Decision Point: How will the value of investment accounts and income from these investments be established?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

In determining the market value of an investment account, the PHA will use the value of the account on the most recent investment report.

How anticipated income from an investment account will be calculated depends on whether the rate of return is known.

For assets that are held in an investment account with a known rate of return (e.g., savings certificates), asset income will be calculated based on that known rate (market value multiplied by rate of earnings).

When the anticipated rate of return is not known (e.g., stocks), the PHA will calculate asset income based on the earnings for the most recent reporting period.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Equity in Real Property or Other Capital Investments***

Equity is the estimated current market value of an asset (such as a house) less the unpaid balance on all loans secured by the asset and reasonable costs (such as broker fees) that would be incurred in selling the asset [HCV GB, p. 5-25].

The model plan lists types of property and capital investment that are not counted and explains how assets and income are determined for two types of capital investment: (1) family ownership of a mortgage or deed of trust and (2) joint ownership of real property with someone outside the family unit.

**☑** **Decision Point: What will be the PHA’s methodology in determining market value for the calculation of equity?**

Things to Consider

* Calculating equity is an essential part of the process of determining the net cash value of real property. Further, in order to calculate equity in real property, the PHA must determine the market value of the property.
* Notice PIH 2012-3 stipulates that PHAs should determine what methods they will use for determining the market value of residential properties and include this information in their administrative plans.
* The notice offers two equally acceptable approaches for determining the market value of a residential property. The first involves examining recent sales of at least three properties in the surrounding or similar neighborhood that possess comparable factors that affect market value. The notice states that local assessors’ offices should be able to provide lists of recent sales to browse and compare, and that some municipalities and private companies (including some internet-based companies) provide local sales information online at little or no cost. In addition, local newspapers often publish sales reports in the real estate or business sections. PHAs may conduct the sales comparison themselves, or may rely on independent sales comparison to assess the market value. The model policy, in line with the notice, opts for this first approach.
* As an alternate approach, the notice states that in most jurisdictions, properties in cities, towns, or villages must be assessed at market value for local tax purposes, and that the PHA can obtain this market value by reviewing the local assessment roll of the owner’s most recent property tax liability bill. However, because this may not be the case in every jurisdiction, the model policy has chosen to adopt the first option. Should this be the case in your PHA’s jurisdiction, you could modify the model policy to choose this option.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

In determining the equity, the PHA will determine market value by examining recent sales of at least three properties in the surrounding or similar neighborhood that possess comparable factors that affect market value.

* *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*
* **Decision Point: How will the PHA determine the payoff amount for the loan in the equity calculation?**

Things to Consider

* Notice PIH 2012-3 states that the participant’s monthly mortgage statement will usually contain information on the loan balance remaining on the mortgage. The statement may also include a payoff amount for the loan, which refers to the amount of money (including any prepayment penalty) that it will take to pay off a loan in full.
* The payoff amount is different from the loan balance because the payoff amount often changes depending on how the interest is compounded. For this reason, it gives a more accurate picture of the actual amount that would need to be subtracted from the market value to determine the equity.
* In line with the notice, the model policy states that the PHA will first use the payoff amount for the loan in the equity calculation, if it is available. If not, the PHA will use the loan balance information.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will first use the payoff amount for the loan (mortgage) as the unpaid balance to calculate equity. If the payoff amount is not available, the PHA will use the basic loan balance information to deduct from the market value in the equity calculation.

* *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**☑** **Decision Point: In determining the net cash value of real property, how will the PHA calculate the expenses to convert to cash?**

Things to Consider

* Notice PIH 2012-3 states that the PHA must also deduct from the equity the reasonable costs for converting the asset to cash. Using the formula for calculating equity specified in the notice, the net cash value of real property is the market value of the loan (mortgage) minus the expenses to convert to cash. The notice makes it clear that PHAs should have policies that address the methodology for determining the net cash value of real property in the administrative plan.
* The notice states that expenses to convert to cash may include costs such as sales commissions, settlement costs, and transfer taxes. Realtor expenses traditionally range from about four to six percent of the sales price; taxes (both transfer and property taxes) and any legal fees associated with closing and finalizing the sale of the property generally account for approximately two to four percent. In addition, some mortgages may also contain a prepayment penalty, which could be deducted from the proceeds of the sale.
* However, obtaining the actual costs is not possible because no transaction is taking place. In light of this, for the purposes of calculating expenses to convert to cash for real property, Notice PIH 2012-3 establishes a safe harbor of up to ten percent of the market value of the home. The model policy conforms to this safe harbor standard.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

For the purposes of calculating expenses to convert to cash for real property, the PHA will use ten percent of the market value of the home.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**☑** **Decision Point: How will the PHA value real property owned jointly with others outside the family?**

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

In the case of capital investments owned jointly with others not living in a family’s unit, a prorated share of the property’s cash value will be counted as an asset unless the PHA determines that the family receives no income from the property and is unable to sell or otherwise convert the asset to cash.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Trusts [24 CFR 5.609(b)(2) as updated for HOTMA]***

No PHA policy decisions are required.

***Retirement Accounts***

No PHA policy decisions are required.

***Personal Property***

HUD rules exclude from assets necessary items of personal property such as furniture and automobiles [24 CFR 5.603(b)]. However, they do not exclude personal property held as an investment. The model plan establishes how the PHA will value personal property held as an investment and what items of personal property it will consider necessary.

**☑** **Decision Point: How will the PHA determine the value of personal property held as an investment?**

Things to Consider

* The intent of this provision is to prevent families from “hiding” valuable assets as personal property. It is not intended that the PHA make life-style decisions about how a family spends its money.

🞎 *Option 1*: *Use the model plan language shown below. No changes to the model plan are needed.*

In determining the value of personal property held as an investment, the PHA will use the family’s estimate of the value. The PHA may obtain an appraisal to confirm the value of the asset if there is reason to believe that the family’s estimated value is off by $50 or more. The family must cooperate with the appraiser, but cannot be charged any costs related to the appraisal.

Generally, personal property held as an investment generates no income until it is disposed of. If regular income is generated (e.g., income from renting the personal property), the amount that is expected to be earned in the coming year is counted as actual income from the asset.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**☑ Decision Point: What items of personal property will the PHA consider necessary?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Necessary personal property consists of only those items not held as an investment, and may include clothing, furniture, household furnishings, jewelry, and vehicles, including those specially equipped for persons with disabilities.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Life Insurance***

No PHA policy decisions are required.

6-I.N. WELFARE ASSISTANCE

The model plan identifies welfare assistance as a type of income that must be counted. It also summarizes the rules for counting welfare income when a sanction has been imposed by a welfare agency for noncompliance with certain requirements. Read the language in the model plan to make sure that your PHA is in compliance.

**☑** **Decision Point: Does the PHA operate in an as-paid welfare rent jurisdiction?**

Things to Consider

* The regulation at 24 CFR 5.609(b)(6)(ii) gives special rules for counting welfare assistance in “as-paid” welfare localities. Since “as-paid” localities are the exception, not the rule, the model plan does not include these special rules. Therefore, PHAs whose jurisdictions include as-paid welfare localities must add the rules to section 6-I.N in the plan.
* Each as-paid locality works somewhat differently, and many are subject to court-ordered modifications to the basic policy. Hence the PHA may need to consult with legal counsel to determine the specific language that must be included in the plan.

🞎 *Option 1:* *No. No changes to the model plan are needed.*

🞎 *Option 2: Yes, as-paid welfare assistance applies to the PHA’s jurisdiction. (This answer should be consistent with the choice you make in section 6-III.A.) Insert the following subsection after the “Overview” paragraph in the model plan.*

**Special Rules for As-Paid Welfare Localities [24 CFR 5.609(b)(6)(ii)]**

An as-paid welfare assistance system is used in the PHA’s jurisdiction. (See also “Welfare Rent” in section 6-III.A.)

In an as-paid jurisdiction a family receives an amount from a welfare agency specifically for shelter and utilities, and that amount is adjusted based upon the actual amount the family pays for shelter and utilities. The welfare assistance amount specifically designated for rent and utilities is called the “welfare rent.” Because an as-paid welfare assistance system is used, a special calculation of public assistance income is required for welfare recipients who receive HCV assistance.

To determine annual income for public assistance recipients in as-paid localities, the PHA will include: (1) the amount of the family’s grant for other than shelter and utilities and (2) the maximum amount the welfare department can pay for shelter and utilities for the family’s size (i.e., the welfare rent). This may be different from the amount the family is actually receiving.

6-I.O. PERIODIC AND DETERMINABLE ALLOWANCES [24 CFR 5.609(b)(7)]

**Alimony and Child Support**

The PHA must count alimony or child support amounts awarded as part of a divorce or separation agreement *unless* the PHA verifies that the payments are not being made. The PHA must determine what documentation is required to show that the family receives less than the court-ordered amount [HCV GB, p. 5-23].

**☑** **Decision Point: How will the PHA treat alimony and child support payments when the family reports receiving less than the court-ordered amount?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will count all regular payments of alimony or child support awarded as part of a divorce or separation agreement unless the family certifies and the PHA verifies that the payments are not being made.

*Family Claims No Payments Being Received:* In order to verify that payments are not being made, the PHA will review child support payments over the last three months. If no payments have been made in the past three months and there are no lump sums, the PHA will not include alimony or child support in annual income.

*Payments Being Received:* If payments are being made regularly, the PHA will use the amount received during the last 12 months (excluding any lump sums received). If payments have been made for a period less than 12 months, the PHA will average all payments that have been made.

*Lump Sum Payments:* At new admission or interim recertification, if any lump sum payments were made in the past 12 months, the PHA will determine the likelihood of the family receiving another similar payment within the next 12 months before deciding whether or not this amount will be included in the calculation of annual income.

If the PHA determines and can appropriately verify that the family in all likelihood will not receive a similar payment, then the amount will not be considered when projecting annual income.

If the PHA determines that it is likely that the family will receive a similar payment and can appropriately verify it, the amount will be included when projecting annual income.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**PART II: ADJUSTED INCOME**

6-II.A. INTRODUCTION

**Overview**

Part II of the model plan discusses five mandatory deductions from annual income provided for in the regulations at 24 CFR 5.611. These deductions include:

* $480 for each dependent
* $400 for any elderly family or disabled family
* Unreimbursed health and medical care expenses
* Unreimbursed disability assistance expenses that enable a family member to work
* Reasonable childcare expenses that enable a family member to seek work, be employed, or pursue his or her education

Section 6-II.A of the model plan discusses PHA policies with respect to anticipating expenses.

**Anticipating Expenses**

In the same way that the PHA must anticipate income for the coming year, it must also anticipate family circumstances to determine the deductions for which a family qualifies.

**☑ Decision Point: How will the PHA anticipate expenses related to the five deductions?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Generally, the PHA will use current circumstances to anticipate expenses. When possible, for costs that are expected to fluctuate during the year (e.g., childcare during school and nonschool periods and cyclical medical expenses), the PHA will estimate costs based on historic data and known future costs.

If a family has an accumulated debt for medical or disability assistance expenses, the PHA will include as an eligible expense the portion of the debt that the family expects to pay during the period for which the income determination is being made. However, amounts previously deducted will not be allowed even if the amounts were not paid as expected in a preceding period. The PHA may require the family to provide documentation of payments made in the preceding year.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

6-II.B. DEPENDENT DEDUCTION

No PHA policy decisions are required.

6-II.C. ELDERLY OR DISABLED FAMILY DEDUCTION

No PHA policy decisions are required.

**6-II.D.** **HEALTH AND MEDICAL CARE EXPENSES DEDUCTION [24 CFR 5.611(a)(3)(i) and 5.603(b) as updated for HOTMA]**

Unreimbursed health and medical care expenses may be deducted to the extent that, in combination with any disability assistance expenses, they exceed three percent of annual income.

PHA policies are required in two areas related to medical expenses:

* Definition of *health and medical care expenses*
* Classifying health and medical care expenses and disability expenses when either could apply

**Definition of *Medical Expenses***

Although HUD revised the definition of *health and medical care expenses* to reflect the Internal Revenue Service (IRS) general definition of medical expenses, HUD is not permitting PHAs to specifically align their policies with IRS Publication 502 for determining which expenses are included in HUD’s mandatory deduction for health and medical care expenses. PHAs must review each expense to determine whether it is eligible in accordance with HUD’s definition of *health and medical care expenses*.

**☑ Decision Point: Will the PHA further define *health and medical care expenses* beyond the HUD-definition?**

Things to Consider

* While PHA policies may not specifically align with IRS Publication 502, HUD recommends PHAs use it as a standard for determining allowable expenses, and the PHA may list examples of allowable expenses in their policy provided they comply with HUD’s definition at 24 CFR 5.603.
* The PHA may not define *health and medical care expenses* more narrowly than the regulation.
* The PHA may simply list HUD’s definition of health and medical care expenses in its policy without further elaborating on allowable expenses, however, Option 1 lists some typical allowable expenses in order to cut down on inconsistencies in interpretation. Note, the chart is not all inclusive and the PHA may allow other types of health and medical care expenses.
* The chart in Option 1 uses IRS Publication 502 as a guide. While the PHA could develop its own list of eligible medical expenses, this would be time-consuming and would likely not be substantially different from the IRS list.
* NMA recognizes the multitude of fair housing issues that arise when setting medical expense policies. We strongly suggest that you consult with all available HUD and FHEO resources before finalizing this portion of your policy.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will use the most current IRS Publication 502 as a standard for determining if expenses claimed by eligible families qualify as health and medical care expenses. However, under no circumstances will the PHA deduct any expenses listed in IRS Publication 502 that do not conform with HUD’s definition of *health and medical care expenses.*

|  |  |
| --- | --- |
| **Summary of Typical Allowable Health and Medical Care Expenses** | |
| Services of medical professionals  Surgery and medical procedures that are necessary, legal, and non-cosmetic  Services of medical facilities  Hospitalization, long-term care, and in-home nursing services  Prescription medicines and insulin, but not nonprescription medicines even if recommended by a doctor  Improvements to housing directly related to medical needs (e.g., ramps for a wheelchair, handrails)  Medical insurance premiums or the cost of a health maintenance organization (HMO)  Medicare Part B and Part D premiums | Substance abuse treatment programs  Psychiatric treatment  Ambulance services and some costs of transportation related to medical expenses. The PHA will use the most current medical mileage rate listed in IRS Publication 502.  The cost and care of necessary equipment related to a medical condition (e.g., eyeglasses/lenses, hearing aids, crutches, and artificial teeth)  The costs of buying, training, and maintaining a guide dog or other service animal to assist a visually impaired or hearing disabled person, or a person with other physical disabilities. In general, this includes any costs, such as food, grooming, and veterinary care, incurred in maintaining the health and vitality of the service animal so that it may perform its duties. |
| **Note:** This chart provides a summary of eligible health and medical care expenses only. In all cases, the PHA will consider whether health and medical expenses care expenses claimed by the family are eligible under HUD’s definition. | |

Before placing health, medical, or disability expense bills and documentation in the tenant file, the PHA will redact all personally identifiable information.

If the PHA receives documentation from a verification source that contains the individual’s specific diagnosis, information regarding the individual’s treatment, and/or information regarding the nature or severity of the person’s disability, the PHA will immediately dispose of this confidential information; this information will never be maintained in the individual’s file. If the information needs to be disposed of, the PHA will note in the individual’s file that verification was received, the date received, and the name and address of the person/organization that provided the verification. Under no circumstances will PHA include an applicant’s or resident’s medical records in the file [Notice PIH 2010-26].

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Families That Qualify for Both Health and Medical Care and Disability Assistance Expenses**

In elderly or disabled households, it is possible that the same expense could be considered either a health and medical care expense or a disability assistance expense. The PHA must clarify for staff how these expenses will be handled.

**☑ Decision Point: How will the PHA count expenses that could be classified as either health and medical care or disability assistance expenses?**

Things to Consider

* It might appear to make no difference as long as the expense is deducted. But, the decision can have a significant impact on a family’s adjusted income because health and medical care expenses are not limited by the earned income of a person enabled to work. See the example below.

|  |  |
| --- | --- |
| **Example: Impact of Counting an Expense as Medical or Disability Assistance**  A family consists of a head of household and a spouse who is a person with disabilities. The family has expenses of $10,000 annually in nursing care for the spouse. The family’s annual income is $15,000, including $8,000 earned by the head of household and $7,000 from other sources. | |
| If the care is considered a health and medical care expense, the PHA will deduct $9,550 from annual income.  All health and medical care expenses that exceed 3% of annual income will be deducted:  0.03 × $15,000 = $450  $10,000 – $450 = $9,550 | If the care is considered a disability assistance expense, the PHA will deduct $8,000 from annual income.  The expense will be capped by the income that the disability assistance allows the head of household to earn, or $8,000. |

* The model plan provides the maximum allowable benefit to families by recommending that expenses that could be classified as either health and medical care or disability assistance expenses be classified as health and medical care expenses.
* This does not prevent the PHA from determining that some expenses must be classified as disability assistance expenses. For example, if a person with disabilities is the one who is enabled to work, an expense that is obviously completely work related (such as special equipment used only to permit a deaf person to communicate with other employees) would not be considered a medical expense.
* The alternatives to the model plan language would be (1) to count all such expenses as disability assistance expenses or (2) to develop a list of expenses and explain how each should be handled.
* The decision here should be consistent with the language used in section 6-II.E below.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

This policy applies only to families in which the head or spouse is 62 or older or is a person with disabilities.

When expenses anticipated by a family could be defined as either health and medical care or disability assistance expenses, the PHA will consider them health and medical care expenses unless it is clear that the expenses are incurred exclusively to enable a person with disabilities to work.

🞎 *Option 2: Count all expenses that could be classified either way as disability assistance expenses. Delete the model plan language and insert the following:*

This policy applies only to families in which the head or spouse is 62 or older or is a person with disabilities.

When expenses anticipated by a family could be defined as either health and medical care or disability assistance expenses, the PHA will consider them disability assistance expenses.

🞎 *Option 3: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

6-II.E. DISABILITY ASSISTANCE EXPENSES DEDUCTION [24 CFR 5.603(b) and 5.611(a)(3)(ii)]

Unreimbursed disability assistance expenses may be deducted to the extent that the sum of those expenses and any medical expenses for which a family is eligible exceed three percent of annual income.

HUD recommends that PHAs further define and describe eligible auxiliary apparatus [VG, p. 30]. The model plan recommends that the PHA further elaborate on the following topics:

* Implementing the earned income limit, including determining which family is enabled to work
* Defining eligible, necessary, and reasonable disability expenses
* Classifying medical and disability expenses

**Earned Income Limit on the Disability Assistance Expense Deduction**

When more than one family member is enabled to work, the PHA must establish whose earned income to count when determining the cap on disability expenses. The earned income used to limit the deduction is earned income before any exclusions or disallowances are taken (column 7d of form HUD-50058).

**☑ Decision Point: How will the PHA determine who is enabled to work as a result of disability assistance expenses?**

Things to Consider

* Determining which family member is enabled to work may be straightforward in some situations, but in others it can be quite complex (e.g., when the person with disabilities and another family member are both enabled to work or when a family includes two other working adults).
* A family may be able to demonstrate that disability assistance expenses enable more than one family member to work. The model plan follows the safe harbor guidance in the *Public Housing Occupancy Guidebook,* which states that, in such instances, the incomes of the family members enabled to work are to be combined to determine the cap on expenses.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The family must identify the family members enabled to work as a result of the disability assistance expenses. In evaluating the family’s request, the PHA will consider factors such as how the work schedule of the relevant family members relates to the hours of care provided, the time required for transportation, the relationship of the family members to the person with disabilities, and any special needs of the person with disabilities that might determine which family members are enabled to work.

When the PHA determines that the disability assistance expenses enable more than one family member to work, the expenses will be capped by the sum of the family members’ incomes.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Eligible Disability Expenses**

***Eligible Auxiliary Apparatus***

Although the *HCV Guidebook* gives examples of auxiliary apparatus, some additional explanation is recommended.

**☑ Decision Point: How will the PHA define auxiliary apparatus expenses?**

Things to Consider

* The model plan elaborates on HUD policy to specifically address the maintenance and upkeep of auxiliary apparatus.
* The language concerning service animals was derived from IRS Publication 502.
* The alternative would be for the PHA to develop its own list of eligible expenses.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Auxiliary apparatus items may include expenses for wheelchairs, ramps, adaptations to vehicles, guide dogs, assistance animals, or special equipment to enable a person who is blind or has low vision to read or type or special equipment to assist a person who is deaf or hard of hearing [Notice PIH 2023-27].

Expenses incurred for maintaining or repairing an auxiliary apparatus are eligible. In the case of an apparatus that is specially adapted to accommodate a person with disabilities (e.g., a vehicle or computer), the cost to maintain the special adaptations (but not maintenance of the apparatus itself) is an eligible expense. The cost of service animals trained to give assistance to persons with disabilities, including the cost of acquiring the animal, veterinary care, food, grooming, and other continuing costs of care, will be included.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Eligible Attendant Care***

When a family includes a person with disabilities, the family determines the type of attendant care, if any, that is appropriate for the person. HUD has not provided detailed guidance on the types of attendant care that are eligible for deduction. To ensure consistency, the PHA should elaborate on what this care includes.

**☑** **Decision Point: What activities can be considered attendant care?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Examples of attendant care expenses can include teaching a person with disabilities how to perform day-to-day tasks independently like cleaning, bathing, doing laundry, and cooking. Attendant care can be 24-hour care, or care during sporadic periods throughout the day [Notice PIH 2023-27].

Attendant care also includes, but is not limited to, reasonable costs for home medical care, nursing services, in-home or center-based care services, interpreters for persons with hearing impairments, and readers for persons with visual disabilities.

Attendant care expenses will be included for the period that the person enabled to work is employed plus reasonable transportation time. The cost of general housekeeping and personal services is not an eligible attendant care expense. However, if the person enabled to work is the person with disabilities, personal services necessary to enable the person with disabilities to work are eligible.

If the care attendant also provides other services to the family, the PHA will prorate the cost and allow only that portion of the expenses attributable to attendant care that enables a family member to work. For example, if the care provider also cares for a child who is not the person with disabilities, the cost of care must be prorated. Unless otherwise specified by the care provider, the calculation will be based upon the number of hours spent in each activity and/or the number of persons under care.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Payments to Family Members***

No policy decisions required.

**Necessary and Reasonable Expenses**

The regulation requires disability assistance expenses to be “necessary” and “reasonable,” but HUD provides no further definition of these terms. It is not appropriate for PHA staff to determine the medical or care needs of a person with disabilities. Therefore the person’s family, not the PHA, must determine the type of attendant care or auxiliary apparatus that is necessary. However, the PHA must still determine whether the cost of the disability assistance is reasonable.

**☑** **Decision Point: How will the PHA determine whether disability assistance expenses are necessary and reasonable?**

Things to Consider

* The model plan language requires the PHA to investigate typical costs in order to determine what is reasonable in the area. You may wish to elaborate on this discussion to describe how the PHA will collect the information (e.g., whether a formal or informal survey will be conducted, who will be contacted, how often, etc).

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA determines the reasonableness of the expenses based on typical costs of care or apparatus in the locality. To establish typical costs, the PHA will collect information from organizations that provide services and support to persons with disabilities. A family may present, and the PHA will consider, the family’s justification for costs that exceed typical costs in the area.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Families That Qualify for Both Medical and Disability Assistance Expenses**

In elderly or disabled households, it is possible that the same expense could be considered either a medical expense or a disability assistance expense. The PHA must clarify for staff how these expenses will be handled.

**☑ Decision Point: How will the PHA count expenses that could be classified as either medical or disability assistance expenses?**

Things to Consider

* See section 6-II.D for a full discussion of this issue.
* To ensure consistency, the PHA should specifically address this issue and be consistent in the language stated here and in section 6-II.D.
* The alternatives to the model plan language would be (1) to count all such expenses as disability assistance expenses or (2) to develop a list of expenses and specify how each would be counted.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

This policy applies only to families in which the head or spouse is 62 or older or is a person with disabilities.

When expenses anticipated by a family could be defined as either medical or disability assistance expenses, the PHA will consider them medical expenses unless it is clear that the expenses are incurred exclusively to enable a person with disabilities to work.

🞎 *Option 2:* *Count all expenses that could be classified either way as disability assistance expenses. Delete the model plan language and insert the following:*

This policy applies only to families in which the head or spouse is 62 or older or is a person with disabilities.

When expenses anticipated by a family could be defined as either medical or disability assistance expenses, the PHA will consider them disability assistance expenses.

🞎 *Option 3: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

6-II.F. CHILDCARE EXPENSE DEDUCTION

HUD provides a definition of *childcare expenses* in the regulations at 24 CFR 5.603(b), and additional guidance is found in the *HCV Guidebook* and in HUD’s verification guidance. All of this information is in the model plan. The PHA must clarify implementation issues including:

* How the family qualifies for each eligible activity
* How the earned income limit on childcare that enables a family member to work is administered
* What childcare expenses are eligible, reasonable, and necessary

**Qualifying for the Deduction**

***Determining Who Is Enabled to Pursue an Eligible Activity***

Reasonable childcare expenses that enable a family member to be gainfully employed, to seek work, or to pursue their education can be deducted from annual income.

HUD leaves to the PHA the determination of who is enabled to work, seek employment, or further their education. When this section uses the term *eligible activity,* it means one or more of these three purposes.

**☑ Decision Point: How will the PHA determine which family member is enabled to pursue an eligible activity?**

Things to Consider

* While the determination may be straightforward in some situations, in others it can be quite complex (e.g., the care may enable one adult to further their education and another to work at different times during the day).
* The model plan language places on the family responsibility for identifying which family members are enabled to pursue an eligible activity and provides criteria that the PHA can use in evaluating the family’s assessment.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The family must identify the family member(s) enabled to pursue an eligible activity. The term *eligible activity* in this section means any of the activities that may make the family eligible for a childcare deduction (seeking work, pursuing an education, or being gainfully employed).

In evaluating the family’s request, the PHA will consider factors such as how the schedule for the claimed activity relates to the hours of care provided, the time required for transportation, the relationship of the family member(s) to the child, and any special needs of the child that might help determine which family member is enabled to pursue an eligible activity.

🞎 *Option 2:* *Use PHA-developed policy. Edit or delete the model plan language and insert the PHA’s policy.*

The model plan clarifies how the PHA will determine whether the family qualifies based upon the type of eligible activity. A decision point is provided below for each of the activities.

***Seeking Work***

**☑ Decision Point: How will the PHA determine whether a family qualifies for the childcare expense deduction because a family member is “seeking work”?**

Things to Consider

* For family members seeking work, the PHA must establish a method for confirming that an individual is actively seeking employment.
* Individuals receiving welfare or unemployment assistance must comply with rules regarding level of effort that are imposed by the agencies providing the assistance. Information about a family member’s efforts may be available directly from the family or from these sources.
* The PHA should select a method of tracking and documenting the family member’s efforts to seek employment that is not unduly burdensome to PHA staff or the family member. The model plan assumes that the PHA will address the adequacy of the family member’s job-seeking efforts only in conjunction with a reexamination. Alternatively, the PHA could establish a policy of conducting more frequent interim reexaminations for families in this category.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

If the childcare expense being claimed is to enable a family member to seek employment, the family must provide evidence of the family member’s efforts to obtain employment at each reexamination. The deduction may be reduced or denied if the family member’s job search efforts are not commensurate with the childcare expense being allowed by the PHA.

🞎 *Option 2:* *Use PHA-developed policy. Edit or delete the model plan language and insert the PHA’s policy.*

***Furthering Education***

The PHA must define the types of educational activities that would qualify a family for childcare based upon furthering education.

**☑ Decision Point: How will the PHA determine whether a family qualifies for the childcare expense deduction because a family member is “furthering their education”?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

If the childcare expense being claimed is to enable a family member to further their education, the member must be enrolled in school (academic or vocational) or participating in a formal training program. The family member is not required to be a full-time student, but the time spent in educational activities must be commensurate with the childcare claimed.

🞎 *Option 2:* *Use PHA-developed policy. Edit or delete the model plan language and insert the PHA’s policy.*

***Being Gainfully Employed***

The PHA must determine whether a family qualifies for the childcare expense deduction because a family member is gainfully employed.

**☑ Decision Point: How will the PHA determine whether a family qualifies for the childcare expense deduction because a family member is “gainfully employed”?**

Things to Consider

* Although the PHA will be verifying each family member’s employment as part of determining annual income, the request for a childcare expense deduction may require additional information (such as more information about a family member’s work schedule).

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed*.

If the childcare expense being claimed is to enable a family member to be gainfully employed, the family must provide evidence of the family member’s employment during the time that childcare is being provided. Gainful employment is any legal work activity (full- or part-time) for which a family member is compensated.

🞎 *Option 2:* *Use PHA-developed policy. Edit or delete the model plan language and insert the PHA’s policy.*

**Earned Income Limit on Childcare Expense Deduction**

When more than one family member may be enabled to work, the PHA must determine whose earned income to count when determining the cap on childcare expenses. The earned income used to limit the deduction is earned income after any disallowances or exclusions are applied (column 7f of form HUD-50058).

**☑ Decision Point: How will the PHA determine which family member is enabled to work?**

Things to Consider

* HUD rules state that the PHA cannot automatically choose the family member with the lowest income but do not specify another method for determining who is enabled to work.
* The policy the PHA establishes for childcare should be consistent with its policy for disability assistance expenses.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed*.

When the childcare expense being claimed is to enable a family member to work, only one family member’s income will be considered for a given period of time. When more than one family member works during a given period, the PHA generally will limit allowable childcare expenses to the earned income of the lowest-paid member. The family may provide information that supports a request to designate another family member as the person enabled to work.

🞎 *Option 2:* *Use PHA-developed policy. Edit or delete the model plan language and insert the PHA’s policy.*

**Eligible Childcare Expenses**

HUD permits each assisted family to determine the type of childcare to be provided. The PHA may not refuse to give a family the childcare expense deduction because there is an adult family member in the household that may be available to provide childcare [VG, p. 26].

To ensure consistency, the PHA should specify:

* What activities are included under the definition of *childcare*
* How the PHA will determine whether childcare expenses are necessary and reasonable

***Allowable Childcare Activities***

**☑ Decision Point: What activities are included under the definition of *childcare*?**

Things to Consider

The model plan provides clarification related to several common issues as follows:

* The model plan tries to make a distinction between childcare and school by stating that, for school-age children, costs for activities provided by a school during normal school hours are not considered childcare. An option would be for the PHA to make a distinction between classroom time and other activities that happen during the day (e.g., field trips).
* The model plan clarifies that general housekeeping is not eligible and that childcare paid to a family member living in a family’s unit is not eligible.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

For school-age children, costs attributable to public or private school activities during standard school hours are not considered. Expenses incurred for supervised activities after school or during school holidays (e.g., summer day camp, after-school sports league) are allowable forms of childcare.

The costs of general housekeeping and personal services are not eligible. Likewise, childcare expenses paid to a family member who lives in the family’s unit are not eligible; however, payments for childcare to relatives who do not live in the unit are eligible.

If a childcare provider also renders other services to a family or childcare is used to enable a family member to conduct activities that are not eligible for consideration, the PHA will prorate the costs and allow only that portion of the expenses that is attributable to childcare for eligible activities. For example, if the care provider also cares for a child with disabilities who is 13 or older, the cost of care will be prorated. Unless otherwise specified by the childcare provider, the calculation will be based upon the number of hours spent in each activity and/or the number of persons under care.

🞎 *Option 2:* *Use PHA-developed policy. Edit or delete the model plan language and insert the PHA’s policy.*

***Necessary and Reasonable Costs***

HUD regulations require childcare expenses to be “necessary” and “reasonable,” but HUD provides no further definition of these terms. It is not appropriate for PHA staff to determine the childcare needs of individual children. Therefore the family, not the PHA, must determine the type of childcare that is necessary. However, PHA staff must still evaluate whether the timing and duration of the childcare are consistent with the eligible activities and whether the costs are reasonable for the type of care being provided.

**☑ Decision Point: How will the PHA determine that childcare expenses claimed by a family are necessary and reasonable?**

Things to Consider

* The plan enables a family to claim childcare expenses not only for the period of time that a family member is engaged in an eligible activity but also for “reasonable transportation time.” This general statement leaves it to staff to determine what is reasonable. An alternative would be for the PHA to impose a specific time (e.g., up to one hour per day for transportation).
* For childcare expenses that enable a family member to go to school, the model plan allows one hour of study for each hour spent in class. The PHA could decide to allow no study time at all or change the time allowed.
* The model plan states that, in determining the reasonableness of childcare expenses, the PHA will use the schedule of childcare costs from a qualified local entity that either subsidizes childcare costs or licenses childcare providers. This is the simplest and most cost-effective method of determination. However, you may need or prefer to collect your own data. If so, you may want to use a method similar to the one used for determining whether disability assistance expenses are necessary and reasonable (see section 6-II.E).

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Childcare expenses will be considered for the time required for the eligible activity plus reasonable transportation time. For childcare that enables a family member to go to school, the time allowed may include not more than one study hour for each hour spent in class.

To establish the reasonableness of childcare costs, the PHA will use the schedule of childcare costs from a qualified local entity that either subsidizes childcare costs or licenses childcare providers. Families may present, and the PHA will consider, justification for costs that exceed typical costs in the area.

🞎 *Option 2: Use PHA-developed policy. Edit or delete the model plan language and insert the PHA’s policy.*

PART III: CALCULATING FAMILY SHARE AND PHA SUBSIDY

6-III.A. OVERVIEW OF RENT AND SUBSIDY CALCULATIONS

This section of the model plan presents the regulatory formula for calculating total tenant payment (TTP). The application of payment standards is covered separately in section 6-III.C, and utility allowances are discussed in section 6-III.D.

Only three policy decisions must be made by the PHA in this section:

* + 1. The PHA must specify whether any part of its jurisdiction is an “as-paid” welfare locality.
    2. The PHA must establish a minimum rent from $0 to $50.
    3. The PHA must determine to whom utility reimbursement payments will be made.

Each of these decisions is discussed below.

**TTP Formula [24 CFR 5.628]**

A family’s total tenant payment (TTP) is the greatest of:

* 30 percent of the family’s monthly adjusted income
* 10 percent of the family’s monthly gross income
* The welfare rent (in as-paid jurisdictions only)
* The minimum rent (established by the PHA)

***Welfare Rent [24 CFR 5.628]***

The third item considered when determining TTP is the welfare rent, which is defined at 24 CFR 5.628(a)(3) as follows: “If the family is receiving payments for welfare assistance from a public agency and a part of those payments, adjusted in accordance with the family’s actual housing costs, is specifically designated by such agency to meet the family’s housing costs, the portion of those payments which is so designated [is considered the welfare rent].”

24 CFR 5.628 requires the PHA to enter a welfare rent as part of the TTP formula when welfare assistance in the jurisdiction is provided “as paid.” *As paid* refers to a system in which a separate amount within a family’s welfare grant is specifically designated for shelter and utilities and is adjusted based upon the family’s actual housing costs.

**☑** **Decision Point: Does welfare rent apply in the PHA’s jurisdiction?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Welfare rent does not apply in this locality.

🞎 *Option 2: If only some parts of the PHA’s jurisdiction have as-paid welfare systems, delete the sentence in the model plan and insert the following text:*

Welfare rent applies only in the following areas of the PHA’s jurisdiction:

[Enter the appropriate areas.]

**Note:** The as-paid system also requires a special calculation of annual income. This requirement is discussed in section 6-I.J.

***Minimum Rent [24 CFR 5.630]***

HUD requires the PHA to establish a minimum rent that may be from $0 to $50.

Minimum rent applies only when the PHA-established minimum rent is the highest amount in the TTP calculation. See below for an example of how the minimum rent applies.

|  |  |
| --- | --- |
| **Example: Impact of Minimum Rent on TTP Calculations**  A family receives $3,000 annually, or $250 monthly, in welfare assistance. The family has three children and no other deductions. The dependent deduction for the three children amounts to $480 × 3 = $1,440, so the family’s annual adjusted income is $3,000 – $1,440 = $1,560, making its monthly adjusted income $1,560 ÷ 12 = $130. The family’s utility allowance is $65. The welfare rent is not applicable. | |
| **With Minimum Rent of $0**  TTP equals the greatest of:  $39 Monthly adjusted income × 0.30  $25 Monthly gross income × 0.10  N/A Welfare rent (N/A)  $0 Minimum Rent  $39 TTP  –65 Utility allowance  $26 Utility reimbursement | **With Minimum Rent of $50**  TTP equals the greatest of:  $39 Monthly adjusted income × 0.30  $25 Monthly gross income × 0.10  N/A Welfare rent (if applicable)  $50 Minimum Rent  $50 TTP  –65 Utility allowance  $15 Utility reimbursement |

HUD regulations provide for hardship exemptions from minimum rent. See section 6-III.B for a discussion of hardship policies.

**☑** **Decision Point: What amount will the PHA establish as its minimum rent?**

Things to Consider

* Imposing a minimum rent greater than $0 saves subsidy funds by reducing the required subsidy for some very low income families and addresses the concern that all families should pay something.
* But a minimum rent may place a hardship on some families who do not qualify for the hardship exemption. In addition, the higher the minimum rent, the more likely it is that the PHA will be processing requests for hardship exemptions.
* Since the PHA is required to establish a minimum rent, the model plan enables the PHA to establish $0 as the minimum rent, rather than saying that the PHA has no minimum rent.
* The model plan assumes that the PHA has chosen $0 as its minimum rent.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The minimum rent for this locality is $0.

🞎 *Option 2: Establish a minimum rent greater than $0. Delete $0 and enter the minimum rent established by your PHA.*

**Utility Reimbursement [24 CFR 982.514(b); 982.514(c)]**

When the PHA subsidy exceeds a family’s rent to owner, the family is due a utility reimbursement. HUD permits the PHA to make the utility payment to the family or directly to the utility provider.

**☑** **Decision Point: To whom will the PHA make utility reimbursement payments?**

Things to Consider

Three general policy options are available:

* Pay the utility reimbursement to the family in all cases. This is consistent with the overall HCV program philosophy of a private market relationship between the family and housing and utility providers.
* Pay the utility reimbursement to the provider in all cases. Providing the funds to the utility provider has the advantage of ensuring that the amount actually is used for utility costs.
* Pay the utility reimbursement to the provider at the request of the family.

The model plan follows the first option.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will make utility reimbursements to the family.

🞎 *Option 2: Make utility reimbursements to the family except when requested. Delete the model plan language and insert the following:*

Generally the PHA will pay any utility reimbursement to the family. However, if requested by the family, the PHA will pay the utility reimbursement directly to the utility provider.

🞎 *Option 3: Make utility reimbursements to the provider. Delete the model plan language and insert the following:*

The PHA will make any utility reimbursements directly to the utility provider.

🞎 *Option 4: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

The PHA may make all utility reimbursement payments to qualifying families on a monthly basis or may make quarterly payments when the monthly reimbursement amount is $15.00 or less. If the PHA decides to make quarterly payments, reimbursements that exceed $15.00 per month must still be made on a monthly basis. Under this option, reimbursements of $15.00 or less must be made once per calendar-year quarter and must be prorated if the family leaves the program in advance of its next quarterly reimbursement. The PHA must state how any outstanding payments will be reconciled and whether payments will be made prospectively or retroactively. Prospective payments must be made prior to the start of each quarter; while retroactive payments must be made before the end of the each quarter.

If the PHA decides to make retroactive quarterly payments, the PHA must also adopt hardship policies for families for whom receiving quarterly reimbursement would create an undue financial hardship.

**☑** **Decision Point: Will the PHA issue quarterly utility reimbursements for families whose monthly reimbursement amount is $15 or less?**

Things to Consider

* The option for quarterly utility reimbursements is intended to reduce administrative burden by reducing the need for monthly check writing and mailing.
* The option may not represent an actual cost savings since PHAs exercising it are required to establish a hardship policy and many families may receive monthly payments anyway. PHAs would also have to account for partial quarters when there is a change in unit, program admission, recertification or termination of assistance as well as reconciling payments when families leave the program.
* The default policy, Option 1, calls for monthly issuance of utility reimbursements.
* If you wish to implement quarterly reimbursements, select Option 2. **You will also need to paste the accompanying hardship policy into the model plan.**
* The hardship policy states that the PHA will make retroactive payments. If the PHA will instead make prosp payments, the PHA must state whether the hardship exemption will take the form of monthly reimbursements or quarterly prospective payments.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will issue all utility reimbursements monthly.

🞎 *Option 2: Make utility reimbursements on a quarterly basis when the family’s monthly reimbursement amount is $15.00 or less. Delete the model plan language and insert the following:*

The PHA will issue monthly utility reimbursements for any amount in excess of $15.00. The PHA will issue utility reimbursements retroactively prior to the end of each calendar year quarter for any amount that is $15.00 or less per month.

Upon admission or recertification, if the family’s utility reimbursement is $15.00 or less per month, the PHA will inform the family that reimbursements will be made retroactively at the end of each calendar year quarter.

Prorated payments for a shorter period will be made when there is a change of unit, admission to the program, a recertification or termination of assistance.

If the family leaves the program with an outstanding credit for a utility reimbursement, the PHA will reconcile the credit with the family prior to the expiration of the lease.

**☑** **Decision Point: What requirements must be met in order for a family to receive monthly utility reimbursements due to hardship?**

Things to Consider

* If you chose Option 1 above, you do not need a hardship policy. Do not paste this policy into your administrative plan.
* For ease of administration, the default policy states that families may receive monthly reimbursements if they certify that quarterly payments would create a financial hardship. The policy only applies to families receiving utility reimbursements, who are most likely already experiencing financial hardship.

🞎 *Option 1:* *Use the model plan language shown below. No changes to the model plan are needed.*

Families who wish to receive monthly reimbursements must certify in writing that quarterly payments would create a financial hardship. If the family qualifies, the PHA will begin issuing monthly reimbursements at the end of the first calendar year quarter after the month the family makes the request. The hardship will continue as long as the family receives a utility reimbursement payment.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

6*-*III.B. FINANCIAL HARDSHIPS AFFECTING MINIMUM RENT [24 CFR 5.630]

The regulations governing financial hardship exemptions from minimum rent apply only to PHAs that establish a minimum rent greater than $0 (see section 6-III.A). Hence the first decision point concerns this choice.

**☑ Decision Point: Did the PHA establish a minimum rent greater than $0?**

🞎 *Option 1: No. Leave the first paragraph of the model plan in place, as shown below, and ignore the rest of the material in section 6-III.B. No changes to the model plan are needed.*

The financial hardship rules described below do not apply in this jurisdiction because the PHA has established a minimum rent of $0.

🞎 *Option 2: No. Delete the words “described below” from the first paragraph of the model plan and all of the text in section 6-III.B of the model plan following the first paragraph.*

🞎 *Option 3: Yes. Delete the first paragraph of the model plan and continue.*

**Overview**

The financial hardship exemption applies only to the payment of the minimum rent and not to a family’s inability to pay based upon other elements of the TTP formula. HUD identifies four types of hardship in the regulations and permits the PHA to add other hardship criteria.

When a family requests a financial hardship exemption, the steps required by the regulations depend on whether the PHA determines that the request is valid and whether the hardship will be temporary or long-term. HUD’s requirements and PHA decision points are described below.

**HUD-Defined Financial Hardship**

HUD-defined hardships specified in 24 CFR 5.630(b) include:

(1) The family has lost eligibility for or is awaiting an eligibility determination for a federal, state, or local assistance program. This includes a family member who is a noncitizen lawfully admitted for permanent residence under the Immigration and Nationality Act who would be entitled to public benefits but for Title IV of the Personal Responsibility and Work Opportunity Act of 1996.

The administrative plan should clarify:

* What distinctions, if any, will be made in the treatment of families who have lost eligibility, been denied eligibility, or are awaiting an eligibility determination
* How the end of a hardship will be determined
* Whether families who have lost eligibility as a result of fraud will be permitted to receive a hardship exemption

**☑ Decision Point: How will the PHA implement HUD’s mandatory hardship criteria related to families who have lost or are awaiting federal, state, or local assistance?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

A hardship will be considered to exist only if the loss of eligibility has an impact on the family’s ability to pay the minimum rent.

For a family waiting for a determination of eligibility, the hardship period will end as of the first of the month following: (1) implementation of assistance, if approved, or (2) the decision to deny assistance. A family whose request for assistance is denied may request a hardship exemption based upon one of the other allowable hardship circumstances.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

(2) The family would be evicted because it is unable to pay the minimum rent.

**☑ Decision Point: How will the PHA implement HUD’s mandatory hardship criteria related to families who may be evicted?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

For a family to qualify under this provision, the cause of the potential eviction must be the family’s failure to pay rent to the owner or tenant-paid utilities.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

(3) Family income has decreased because of changed family circumstances, including the loss of employment.

No PHA policy decisions are required.

(4) A death has occurred in the family.

**☑ Decision Point: How will the PHA implement HUD’s mandatory hardship criteria related to a death in the family?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

In order to qualify under this provision, a family must describe how the death has created a financial hardship (e.g., because of funeral-related expenses or the loss of the family member’s income).

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

(5) The family has experienced other circumstances determined by the PHA.

The PHA is permitted to establish additional hardship criteria.

**☑ Decision Point: Does the PHA wish to add any hardship criteria?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA has not established any additional hardship criteria.

🞎 *Option 2: Add PHA-developed criteria. Edit or delete the model plan language and insert the PHA’s policy.*

**Implementation of Hardship Exemption**

***Determination of Hardship***

When a family requests a financial hardship exemption, the PHA must suspend the minimum rent requirement beginning the first of the month following the family’s request. When the minimum rent is suspended, the family share reverts to the highest of the remaining components of the calculated TTP. To further explain this requirement, the model plan contains a chart that illustrates that the family’s share is not automatically reduced to zero in hardship cases.

The PHA then determines whether the financial hardship exists and whether the hardship is temporary or long-term. Since HUD does not define temporary or long term hardship, the PHA must decide what these terms mean. The model plan uses 90 days or less for its definition of temporary hardship because the PHA may not impose the minimum rent during the 90 day period beginning the month following the date of the family’s request for a hardship exemption..

**☑ Decision Point: How will the PHA define temporary and long term hardships?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA defines temporary hardship as a hardship expected to last 90 days or less. Long-term hardship is defined as a hardship expected to last more than 90 days.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

The regulation is silent on submission requirements and only requires that the PHA make its determination “promptly” [24 CFR 5.630(b)(2)(ii)(B)]. The model plan specifies family submission requirements and requires the PHA to make a decision within 30 days of the family’s request.

**☑ Decision Point: What requirements will the PHA impose for the family’s submission and how soon will the PHA make a decision?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

To qualify for a hardship exemption, a family must submit a request for a hardship exemption in writing. The request must explain the nature of the hardship and how the hardship has affected the family’s ability to pay the minimum rent.

The PHA will make the determination of hardship within 30 calendar days.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***No Financial Hardship***

The regulation requires that if there is no financial hardship, the PHA must reinstate the minimum rent and require the family to repay the amounts suspended on terms and conditions set by the PHA [24 CFR 5.630(b)(2)(iii)(A)].

**☑ Decision Point: How long will the PHA give a family to repay suspended rent if the family does not qualify for a hardship suspension or exemption?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will require the family to repay the suspended amount within 30 calendar days of the PHA’s notice that a hardship exemption has not been granted.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Temporary Hardship***

If the PHA determines that a qualifying financial hardship is temporary, the PHA must suspend the minimum rent for the 90-day period beginning the first of the month following the date of the family’s request for a hardship exemption.

At the end of the 90-day suspension period, the family must resume payment of the minimum rent and must repay the PHA the amounts suspended. HUD requires the PHA to offer a reasonable repayment agreement on terms and conditions established by the PHA. The PHA also may determine that circumstances have changed and the hardship is now a long-term hardship. The model plan permits the PHA and the family to agree on a repayment schedule in accordance with the PHA’s policy.

**☑ Decision Point: How will the PHA require the family to repay amounts suspended for a temporary hardship?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will enter into a repayment agreement in accordance with the procedures found in Chapter 16 of this plan.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Long-Term Hardship***

If the PHA determines that the financial hardship is long-term, the PHA must exempt the family from the minimum rent requirement for so long as the hardship continues. The exemption will apply from the first of the month following the family’s request until the end of the qualifying hardship. Repayment of the minimum rent for the period of the long-term hardship is not required.

The model plan specifies when the hardship ends. The policy addresses hardships based upon loss of income and hardship-related expenses.

**☑ Decision Point: How will the PHA determine when a long-term hardship has ended?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The hardship period ends when any of the following circumstances apply:

(1) At an interim or annual reexamination, the family’s calculated TTP is greater than the minimum rent.

(2) For hardship conditions based on loss of income, the hardship condition will continue to be recognized until new sources of income are received that are at least equal to the amount lost. For example, if a hardship is approved because a family no longer receives a $60/month child support payment, the hardship will continue to exist until the family receives at least $60/month in income from another source or once again begins to receive the child support.

(3) For hardship conditions based upon hardship-related expenses, the minimum rent exemption will continue to be recognized until the cumulative amount exempted is equal to the expense incurred.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

6-III.C. APPLYING PAYMENT STANDARDS [24 CFR 982.505(c) and Notice PIH 2024‑34]

**Changes in Payment Standards**

When the PHA revises its payment standards during the term of the HAP contract for a family’s unit, it will apply the new payment standards in accordance with HUD regulations. Regulations governing increases and decreases in the payment standard have changed, with a required compliance date of December 3, 2024.

***Decreases* [24 CFR 982.505(c)(3) and Notice PIH 2024-34]**

If a PHA changes its payment standard schedule, resulting in a lower payment standard amount, during the term of a HAP contract, the PHA is not required to reduce the payment standard used to calculate subsidy for families under HAP contract as long as the HAP contract remains in effect [FR Notice 11/16/16].

**☑ Decision Point: If the PHA decreases their payment standards, will the reduction apply to families under HAP contract?**

Things to Consider

* Regulations governing increases and decreases in the payment standard have changed, with a required compliance date of December 3, 2024.
* The regulations require PHAs to apply reduced payment standards only to new admissions and families who move. The PHA is not required to apply decreased payment standards to families who remain under HAP contract. If the PHA adopts this policy, the PHA should consider funding availability and the number of households that the PHA will be able to serve, as not reducing the payment standards for families under contract will result in a higher per unit cost (PUC) than an alternative policy.
* On the other hand, the PHA should also consider that reductions in the payment standard will affect the amount of subsidy a family will receive, and the amount of rent they will pay. Implementing this policy will protect participants from payment standard fluctuations based on local market conditions.
* Further, this option eliminates the administrative burden and potential audit risk to the PHA from tracking payment standard reductions for a two-year period for every family under HAP contract. Therefore, under Option 1, the PHA will not implement a payment standard decrease during the term of the HAP contract.
* For changes effective 12/3/24 and later: If the PHA does choose to reduce the payment standard for families currently under HAP contract, the initial reduction to the payment standard may not be applied any earlier than **two years following the effective date of the decrease in the payment standard and only with proper written notice to the family in accordance with 24 CFR 982.505(c)(3)(iii)**.
* For reference and audit purposes, for changes effective 12/2/24 and earlier: If the PHA increased the payment standard during the term of the HAP contract, the increased payment standard was to be used to calculate the monthly housing assistance payment for the family beginning on the effective date of the family’s first regular reexamination on or after the effective date of the increase in the payment standard.
* If the PHA does apply reductions in the payment standard to families that remain under HAP contract, after two years the PHA has two options:
* Apply the current amount in effect on the PHA’s payment standard schedule, or
* Reduce the payment standard to another amount that is higher than the normally applicable amount on the schedule.
* In order to balance the PHA’s desire to serve as many families as possible while considering the effect a decrease in subsidy may have on participants, Option 2 of the model policy allows the PHA to implement the full reduction in the payment standard at the family’s second regular reexamination.
* This option provides limited protection for participants. Families may elect to move to a unit with a lower gross rent prior to the implementation of the reduced payment standard in order to avoid increases in total family share or family rent to owner.
* If the PHA would like to instead gradually implement a reduced payment standard, select Option 3. The PHA may continue reducing the payment standard for families under HAP contract, as long as subsequent reductions continue to result in an amount that meets or exceeds the normally applicable amount on the PHA’s payment standard schedule.
* This policy may add to administrative tracking requirements, increase program audit risk, and be confusing for residents and owners. If the PHA wishes to adopt this policy, HUD has not provided any guidance on reasonable phase-in periods or dollar amounts. This option requires the PHA to determine a percentage or dollar amount limiting the annual payment standard decrease and to determine whether a time limit will be applied to the phase-in. If you adopt this policy, the model policy will need to be edited to include the phase-in period.
* In any case, the PHA must provide the family with at least 12 months’ notice that the payment standard is being reduced before the effective date of the change.
* For changes effective 12/3/24 and later: In the written notice, the PHA must state the new payment standard amount, explain that the family’s new payment standard amount will be the greater of the amount listed in the current written notice or the new amount (if any) on the PHA’s payment standard schedule at the end of the 12-month period, and make clear where the family will find the PHA’s payment standard schedule.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

If a PHA changes its payment standard schedule resulting in a lower payment standard amount, during the term of a HAP contract, the PHA will not reduce the payment standard used to calculate subsidy for families under HAP contract as long as the HAP contract remains in effect.

🞎 *Option 2: Delete model plan language and substitute language as shown below.*

When the payment standard schedule is decreased during the term of the HAP contract, the PHA will determine the payment standard for families currently under a HAP contract as follows:

**Step 1:** At the first regular reexamination following the decrease in the payment standard, the PHA will determine the payment standard for the family using the lower of the payment standard for the family unit size or the size of the dwelling unit rented by the family.

**Step 2:** The PHA will compare the payment standard from Step 1 to the payment standard last used to calculate the monthly housing assistance payment for the family. The payment standard used by the PHA at the first regular reexamination following the decrease in the payment standard will be the higher of these two payment standards. The PHA will advise the family that the application of the lower payment standard will be deferred until the second regular reexamination following the effective date of the decrease in the payment standard.

**Step 3:** At the second regular reexamination following the decrease in the payment standard, the current (lower) payment standard will be used to calculate the monthly housing assistance payment for the family unless the PHA has subsequently increased the payment standard, in which case the payment standard will be determined in accordance with procedures for increases in payment standards.

🞎 *Option 3: Delete model plan language and substitute language as shown below.*

If a PHA changes its payment standard schedule resulting in a lower payment standard amount, during the term of a HAP contract, the PHA will apply the reduced payment standard at the family’s second regular reexamination following the reduction in the payment standard amount. The reduction in the payment standard will gradually be implemented. **[Insert PHA’s phase-in policy here]**

🞎 *Option 4: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**☑ Decision Point: Will the PHA establish different policies for decreases in the payment standard by zip code area?**

Things to Consider

* The PHA may establish different policies for decreases in the payment standard for designated areas within their jurisdiction (e.g., different zip code areas). These policies must apply to all families under HAP contract at the time of the effective date of the decrease within the designated area.
* The PHA may not limit or otherwise establish different protections or policies for certain families under HAP contract. For example, the PHA may not establish different policies for certain groups such as elderly or disabled voucher holders.
* Establishing different policies on reductions in payment standards by zip code area would aid the PHA in encouraging families to stay in housing in lower poverty areas by increasing the subsidy available in specific zip codes. If your PHA wishes to implement different policies by zip code area, select Option 2. The policy will need to be modified to include specific zip code areas.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will not establish different policies for decreases in the payment standard for designated areas within their jurisdiction.

🞎 *Option 2: Delete model plan language and substitute language as shown below.*

The PHA will establish different policies for designated areas within the PHA’s jurisdiction (e.g., different zip code areas). **[Identify policies by zip code area]**

These policies apply to all families under HAP contract at the time of the effective date of the decrease within that designated area.

***Increases* [24 CFR 982.505(c)(4) and Notice PIH 2024-34]**

Changes effective 12/3/24 and later:If the payment standard is increased during the term of the HAP contract, the increased payment standard will be applied no later than the earliest of:

* The effective date of an increase in the gross rent that would result in an increase in the family share;
* The family’s first regular or interim reexamination; or
* One year following the effective date of the increase in the payment standard amount.

The PHA may adopt a policy to apply a payment standard increase at any time earlier than the date calculated above [24 CFR 982.505(c)(5)].

For reference and audit purposes, for changes effective 12/2/24 and earlier:If the PHA increased the payment standard during the term of the HAP contract, the increased payment standard was to be used to calculate the monthly housing assistance payment for the family beginning on the effective date of the family’s first regular reexamination on or after the effective date of the increase in the payment standard.

**☑ Decision Point: Will the PHA adopt a policy to apply payment standard increases at any time earlier than the date calculated above?**

Things to Consider

* HUD states that the approach to increasing payment standards listed in the regulations provides participating families the benefit of these increases more consistently to ensure their rent remains affordable. While PHAs are required to apply payment standard increases as listed in the regulation, the regulation also gives PHAs the flexibility to adopt policies to apply increases sooner.
* Increased payment standards result in an increased average per unit costs (PUC), which typically results in the PHA being able to assist fewer families in the area. The sooner an increased payment standard is applied, the greater the impact on PUC and PHA leasing ability.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will not adopt payment standard increases earlier than the date required by the regulations.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

***Changes in Family Unit Size (Voucher Size)* [24 CFR 982.505(c)(6) and Notice PIH 2024-34]**

Changes effective 12/3/24 and later:Irrespective of any increase or decrease in the payment standard, if the family unit size increases or decreases during the HAP contract term, the new family unit size may be used to determine the payment standard immediately but no later than the family’s first regular reexamination following the change in family unit size.

For reference and audit purposes, for changes effective 12/2/24 and earlier: Irrespective of any increase or decrease in the payment standard, if the family unit size increased or decreased during the HAP contract term, HUD required the new family unit size to be used to determine the payment standard for the family beginning at the family’s first regular reexamination following the change in family unit size.

**☑ Decision Point: When will changes in the family unit size be used to determine the payment standard for the family?**

Things to Consider

* Since the regulation states the PHA “may” apply the new unit size at the family’s first regular (annual) reexamination after the change, PHA policy must clarify when the change will be effective. Since older regulations required the PHA to make these changes at annual rather than interim, the default policy adopts this language. The PHA may instead make this change at an interim reexamination.
* Adopting policy to apply the increased or decreased payment standard at interim will impact average PUC. Applying the increase at interim will increase costs. Although applying the decrease at interim will decrease costs, it will not provide families with adequate notice to make decisions regarding moving to avoid increased family share. This is an additional reason the default policy adopts the language to apply the new unit size at the family’s first regular reexamination after the change.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

If the family unit size (voucher size) changes during the term of a HAP contract, the new family unit size will be used to determine the payment standard at the family’s first regular reexamination following the change in family unit size.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

6-III.D. APPLYING UTILITY ALLOWANCES [24 CFR 982.517]

A PHA-established utility allowance schedule is used to determine family share and PHA subsidy.

**Flat Fees [24 CFR 982.517(b)(2)(iii)]**

The PHA may base its utility allowance payments on actual flat fees charged by an owner for utilities that are billed directly by the owner, but only if the flat fee charged by the owner is no greater than the PHA’s applicable utility allowance for the utilities covered by the fee. If the owner charges a flat fee for some but not all utilities, the PHA must pay a separate allowance for any tenant-paid utilities not covered in the flat fee.

**☑ Decision Point: Will the PHA base utility payments on actual flat fees charged by the owner?**

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The PHA will not base utility allowance payments on flat fees charged by the owner.

🞎 *Option 2: Allow for the use of actual flat fees charged by the owner. Delete the model plan language and insert the language below.*

When the owner charges a flat fee for utilities, the PHA will base the utility allowance payment on the actual flat fee charged by the owner provided that the fee is no greater than the PHA’s applicable utility allowance for the utilities covered by the fee. The PHA will use the lesser of the amount charged by the owner or the PHA’s applicable utility allowance. If the owner charges a flat fee for some but not all utilities, the PHA will use the lesser of the amount charged by the owner or the PHA’s applicable utility allowance for those utilities where the owner charges a flat fee and will pay a separate utility allowance based on the PHA’s applicable utility allowance for those utilities that are tenant-paid and not covered by the fee.

🞎 *Option 3: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**PBV Developments [24 CFR 982.517(b)(2)(iv)]**

**No PHA policy decisions are required.**

**Reasonable Accommodation and Individual Relief**

PHAs must make exceptions to their utility allowances when needed as a reasonable accommodation to make the program accessible to and usable by the family with a disability.

Further, the PHA may grant requests for relief from charges in excess of the utility allowance on reasonable grounds, such as special needs of the elderly, ill, or residents with disabilities, or special factors not within control of the resident, as the PHA deems appropriate.

**☑ Decision Point: What criteria will the PHA consider as valid reasons for providing individual relief?**

Things to Consider

* HUD’s Utility Allowance Guidebook states that the PHA may grant requests for relief from charges in excess of the utility allowance on reasonable grounds, such as special needs of the elderly, ill, or residents with disabilities, or special factors not within control of the resident, as the PHA deems appropriate.
* The guidebook cites the regulation at 24 CFR 965.508, which states that PHAs must develop criteria for granting individual relief and to notify residents about the availability of individual relief, the criteria for granting the relief, and the procedures for requesting the relief [Utility Allowance GB, p. 19]. While this regulation applies to public housing and some other forms of PHA-owned housing, it does not explicitly apply to the HCV program. However, since the guidebook applies to PIH programs, the default policy includes the criteria for granting individual relief.
* The criteria listed in Option 1 include each consideration laid out in the Utility Allowance Guidebook. Should the PHA wish to add to or subtract from these criteria, select Option 2.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

The family must request the higher allowance and provide the PHA with information about the amount of additional allowance required.

The PHA will consider the following criteria as valid reasons for granting individual relief:

The family’s consumption was mistakenly portrayed as excessive due to defects in the meter or errors in the meter reading.

The excessive consumption is caused by a characteristic of the unit or owner-supplied equipment that is beyond the family’s control, such as a particularly inefficient refrigerator or inadequate insulation. The allowance should be adjusted to reflect the higher consumption needs associated with the unit until the situation is remedied. The resident should be granted individual relief until the allowance is adjusted.

The excessive consumption is due to special needs of the family that are beyond their control, such as the need for specialized equipment in the case of a family member who is ill, elderly, or who has a disability.

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

**Utility Allowance Revisions**

At reexamination, the PHA must use the PHA current utility allowance schedule [HCV GB, p. 18-8].

**☑ Decision Point: At which reexamination will revised utility allowances be applied, interim or annual?**

Things to Consider

* The regulations state that the PHA must use the current utility allowance schedule at reexamination. They do not specify as to annual or interim reexamination.
* The HCV Guidebook states that revised allowances will be used to calculate a family’s gross rent at its next annual reexamination.
* The model plan adopts the safe harbor language from the HCV Guidebook and states that revised utility allowances will be applied at the first annual reexamination that is effective after the allowance is adopted.
* A PHA could choose to use an updated schedule at interim reexamination. However, if this decision is made, changes in payment standards and utility allowances will be implemented at different times because the payment standard effective dates are regulatory.

🞎 *Option 1: Use the model plan language shown below. No changes to the model plan are needed.*

Revised utility allowances will be applied to a family’s rent and subsidy calculations at the first annual reexamination that is effective after the allowance is adopted [HCV GB, p. 18-9].

🞎 *Option 2: Use PHA-established policy. Edit the model plan language or delete it and insert the PHA’s policy.*

6-III.E. PRORATED ASSISTANCE FOR “MIXED” FAMILIES [24 CFR 5.520]

No PHA policy decisions are required.

**FINALIZING THE DOCUMENT**

Take a final look at the changes you have made in this chapter of the administrative plan.  
Have you:

(1) Added or subtracted any exhibits at the end of the chapter?  Yes  No.

(2) Added, subtracted or reordered any major sections (at the A, B, or C level?)  Yes  No

If you answered yes to either of these questions, you must adjust the chapter to match your changes.

**☑ Decision Point: Are any changes required to this chapter?**

No. No changes to the model plan are needed.

Yes. Edits only. Edit and insert PHA language as appropriate.

Yes. PHA changed the organization of the chapter. Adjust the chapter to reflect your changes **and** review the rest of the document to make sure that any references to section numbers are correct.

**☑ Decision Point: Are changes required in other chapters as a result of changes to this chapter?**

Check the “Things to Consider” under each decision point to identify if changes to the model plan policy will require changes to policies in other chapters of the plan.

No. Changes to other chapters are not necessary.

Yes. Changes to the following chapters are also required: