



Questions During the Training?

If you have questions during the training session, please add them to the Chat. Additionally, you can e-mail the CAM team during the presentation. The CAM team's contact information is on the next slide. We will answer all questions after the presentation is completed.

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Housing Opportunity Through Modernization Act (HOTMA) 2025

COMPLIANCE AND ASSET MANAGEMENT DIVISION

This training provides guidance on HOTMA and the impact of HOTMA on Housing Credit Developments. The training should not solely be relied on for compliance and does not make THDA liable for Housing Credit Development noncompliance. Housing Credit Development Owners and Management Companies should discuss HOTMA with their legal counsel and syndicator to ensure they remain in compliance with Section 42.

What is HOTMA?

HOTMA makes consolidation changes to income calculation and net family assets for HUD housing programs.

HOTMA impacts Housing Credit Developments because Section 42 states *“Tenant income is calculated in a manner consistent with the determination of annual income under section 8 of the United States Housing Act of 1937 (Section 8)...”*

Legislative Actions

HOTMA sections 102 and 104 was signed into law on July 29, 2016.

HOMTA final regulations were issued on September 29, 2023.

HOTMA full implementation is extended until July 1, 2025.

THDA's Housing Credit Developments must implement HOTMA starting January 1, 2025.

Annual Inflationary Adjustments

HOTMA provides annual inflationary adjustments on net family assets and the annual passbook rate in August for implementation on 1/1 of the following year.

Annual Inflationary Adjustments

HOTMA provides annual inflationary adjustments and updates the annual passbook rate in August for implementation on 1/1 of the following year.



2025 HUD Passbook Savings Rate (Table 2): Effective January 1, 2025

| Adjusted Item | Regulatory Reference | Rate | Applicable Programs |
|-----------------------|----------------------|-------|---|
| Passbook Savings Rate | 24 CFR 5.609(a) | 0.45% | Section 8 PBRA, 202/8, 202/811 PRAC, 236 IRP, 811 PRA, SPRAC, HCV, Public Housing, Section 8 Mod Rehab, Section 8 Mod Rehab SRO, HOPWA, HOME, HTF |

Annual Inflationary Adjustments



2025 HUD Inflation-Adjusted Values (Table 1): Effective January 1, 2025

Note: If your agency/property/program administrator is not yet complying with Sections 102 and 104 of HOTMA, you will not utilize this table. Annual inflationary adjustments, the new thresholds (e.g., asset limitation), and the requirement to use this passbook rate are among the provisions of Sections 102 and 104 of HOTMA.

| Calculation Component | Adjusted Item | Regulatory Reference | Amount | Applicable Programs ¹ |
|-----------------------|---|---|-----------|---|
| Asset Limitation | Eligibility restriction on net family assets | 24 CFR § 5.618(a)(1)(i) | \$103,200 | Section 8 PBRA, 202/8, HCV, Public Housing, Section 8 Mod Rehab, Section 8 Mod Rehab SRO, HOPWA |
| | Threshold above which imputed returns must be calculated on net family assets | 24 CFR §§ 5.609(a)(2) and (b)(1) | \$51,600 | Section 8 PBRA, 202/8, 202/811 PRAC, 236 IRP, 811 PRA, SPRAC, HCV, Public Housing, Section 8 Mod Rehab, Section 8 Mod Rehab SRO, HOPWA, HOME, HTF |
| Annual Income | Threshold above which the total value of non-necessary personal property is included in net family assets | 24 CFR § 5.603(b) Definition <i>Net family assets</i> | \$51,600 | Section 8 PBRA, 202/8, 202/811 PRAC, 236 IRP, 811 PRA, SPRAC, HCV, Public Housing, Section 8 Mod Rehab, Section 8 Mod Rehab SRO, HOPWA, HOME, HTF |
| | | | | Section 8 PBRA. |

All HOTMA changes as described in this training should be implemented or begin on January 1, 2025. Pre-planned actions with an effective date of January 1, 2025, through April 30, 2025, such as annual recertifications, will be subject to phased in considerations.

Annual Income Definition

Annual income includes all amounts received from all sources by each member of the family who is 18 years of age or older, the head of household, or spouse of the head of household, in addition to unearned income received by or on behalf of each dependent who is under 18 years of age. ... Note: Annual income includes “all amounts received”, not the amount that a family may be legally entitled to receive but did not.

Does HOTMA Change Whose Income is Counted?

HOTMA changes the definition of family.

Definition of Family

From 24 CFR 5.609 Annual Income 5-4 A. 1.

...the family head, spouse or co-head (even if the family member is temporarily absent), or any other family member.

The (HOTMA) final rule revises the definition of family to also include a single person who:

- Is an otherwise eligible youth who has attained at least 18 years of age and not more than 24 years of age;
- Has left foster care, or will leave foster care within 90 days, in accordance with a transition plan described in section 475(5)(H) of the Social Security Act (42 USC 675(5)(H)); and
- Is homeless or is at risk of becoming homeless at age 16 or older.

Does HOTMA Change What Income is Counted?

HOTMA improves definitions for income sources.

Day Laborer, Independent Contractor, and Seasonal Worker

HOTMA defines day laborers, independent contractors and seasonal workers. Their income is NOT considered nonrecurring income and must be included in the annual income calculation.

Nonrecurring Income replaces Temporary, Nonrecurring and Sporadic

Income that will not be repeated beyond the coming year based on information provided by the family is considered nonrecurring income and is excluded from annual income. Examples include non-permanent US Census Bureau employment, federal tax refunds, gifts (birthday, anniversary, baby shower), in-kind donations, lump-sum additions to family assets (lottery, contest winnings), payments for the care of foster care family members, and insurance payments or settlements.

Child Support and Alimony

Note: Annual income includes “all amounts received”, not the amount that a family may be legally entitled to receive...

For example, a family’s child-support or alimony income must be based on payments received, not the amounts the family is entitled to receive based on any court or agency order.

Student Income

The treatment of student financial assistance depends on the type of financial assistance received by the student.

The two types of student financial assistance applicable are...

Amounts Received Under Section 479B of the Higher Education Act (HEA) of 1965, as amended (20 U.S.C. 1087uu)

Other Student Financial Assistance

Student Income

All assistance received under 479B of HEA by students participating in the Public Housing or non-Section 8 programs administered by MFH is excluded from income.

Other student financial assistance received by the student that, either by itself or in combination with HEA assistance, exceeds the actual covered costs is not excluded from income.

Student Income

The formula for calculating the amount of other student financial assistance that is excluded from income always begins with deducting the assistance received under 479B of the HEA from the total actual covered costs, because the 479B assistance is intended to pay the student's actual covered costs.

Student Income

The student's actual covered costs include

Tuition

Fees

Room & Board

Books

Supplies

Student Income

Steps in Calculating Amount of Other Student Financial Assistance

Step 1: Subtract the amount received under section 479B of the HEA from the actual covered costs to arrive at the amount of actual covered costs exceeding section 479B assistance.

Step 2: Subtract the actual covered costs exceeding section 479B assistance from the amount of other student financial assistance to arrive at the amount of student financial assistance included in income.

Student Income

Treatment of Student Financial Assistance in Non-Section 8 Programs

Julie is a full-time student. She received the following grants and scholarships to cover her first year of college: Federal Pell Grant: \$20,000, TN Promise \$1,500.00, Exchange Club Scholarship \$3,000.
Julie's actual covered costs at UT Knoxville (including room and board, tuition, books, fees and supplies) are \$28,000.

Total assistance received under 479B of HEA: \$20,000
Total other student financial assistance received: \$4,500

Julie's actual covered costs: \$28,000

Step 1

Actual Covered Costs – HEA = Remaining Covered Costs
 $\$28,000 - \$20,000 = \$8,000$

Step 2

Remaining Covered Costs – Other Student Financial Assistance =
(Student Income IF NEGATIVE)
 $\$8,000 - \$4,500 = \$3,500$

Julie has no student income to report because she still has \$3,500 in covered costs.

Unearned Income

Unearned income means any annual income that is NOT earned income. Assets are the main source of unearned income. Unearned income is included in the annual income calculation.

Does HOTMA change how income (or assets) are verified?

HOTMA provides a new verification hierarchy.

Verification Hierarchy From Highest Acceptability (Level 6) to Lowest (Level 1)

| | |
|--|--|
| Level 6. | Upfront Income Verification using HUD's EIV system* |
| * - Ineligible for use at Housing Credit Developments | |
| Level 5. | Upfront Income Verification using the Work Number or web-based state benefits system |
| Level 4. | Tenant-provided documentation as identified in Notice H 2023-10 J.5.a. Written, Third-Party Verification which includes "a minimum of two current and consecutive pay stubs" when relying on paystubs |
| When check stubs are used, ensure that overtime hours, holiday pay, etc. is included. | |
| Level 3. | Written third party verification documentation from source using THDA Form HO-0422 Employment Verification |
| Level 2. | Oral third party (phone call) verification |
| Level 1. | Non-third party verification: Applicant self-certification |

**Excerpts from HOTMA Attachment J: Topic:
Verification, Subtopic: J.5 Verification
Hierarchy Table J2**

Means Tested Verification

HOTMA allows the use of income certifications from other federal or state income qualifying programs such as:

TANF, Food Stamps, WIC, LIHEAP or Housing Choice Vouchers (Section 8).

Does HOTMA change how assets are calculated?

HOTMA provides new categories for assets.

Net Family Assets

Net family assets are defined as the net cash value of *all assets owned by the family*, after deducting reasonable costs that would be incurred in disposing of real property, savings, stocks, bonds and other forms of investment, *excluded in this notice*.

Net family assets are broken down into two categories:
Necessary and Non-Necessary Personal Property

Necessary Personal Property

Necessary personal property are items essential to the family for the maintenance, use and occupancy of the premises as a home; or they are necessary for employment, education, or health and wellness...They include personal effects...items that are convenient or useful to a reasonable existence, and items that support and facilitate daily life within the family's home.

Necessary Personal Property

Cars/vehicles relied on for transportation

Furniture, carpets, linens, kitchenware

Common appliances

Common electronics (TV, DVD player, gaming system)

Clothing

Personal effects such as toys, books

Wedding and engagement rings

Religious/cultural celebration jewelry and items

Medical equipment and supplies

Musical instruments used by the family

Non-Necessary Personal Property

Non-necessary personal property is NOT defined in HOTMA.

However, HOTMA notes...Necessary personal property does NOT include bank accounts, other financial investments or luxury items.

Further, HOTMA notes...Items of personal property that do not qualify as necessary personal property will be classified as non-necessary personal property.

Non-Necessary Personal Property

Recreational cars/vehicles not used day to day

Bank accounts or other financial investments

Recreational boats

Expensive jewelry without religious/cultural value

Collectables

Equipment/machinery not used for business income

Gems, artwork, antique cars

Non-Necessary Personal Property – Bank Accounts

Remember Bank Accounts, Investments and Stocks have actual cash value that may need to be calculated after accessing cash out penalties. Also, Bank Accounts, Investments and Stocks have unearned income that must be included in annual income.

Only the current Bank Account statements are necessary to verify the asset and determine the unearned income.

Necessary and Non-Necessary Personal Property

Necessary personal property is excluded from net family assets. Non necessary personal property with a combined value greater than \$50,000, as adjusted by inflation (\$51,600 as of 1/1/25), is considered part of net family assets.

When the combined value of all non-necessary personal property does not exceed \$50,000 (\$51,600 as of 1/1/25), all non-necessary personal property is excluded from net family assets.

Actual Income

Actual income from assets is always included in a family's annual income, regardless of the total value of net family assets or whether the asset itself is included or excluded from net family assets, unless that income is specifically excluded.

Asset Exclusions

The following assets are excluded from net family assets.

- IRAs and retirement plans
- Real property (land and buildings) that the family does not have the legal authority to sell
- Lawsuit and insurance settlements
- Coverdell and other qualified tuition plan accounts
- Baby bond accounts held in trust for children
- Family Self-Sufficiency accounts
- Federal tax refunds for 12 months after the receipt by the family
- Irrevocable Trusts
- Revocable Trusts when a family member is not a trustee

Unearned Income from Assets

Assets are items of value that may be turned into cash. Some assets actually earn income, such as savings accounts. Some assets do not earn income, such as money stuffed in an envelop hidden in a desk drawer. But even assets that do not earn income, have value that can be imputed and should be included in the income calculation.

Actual Income

Income or returns from assets are generally considered to be interest, dividend payments, and other actual income earned on the asset, and not the increase in market value of the asset.

Imputed Income

Imputed asset income must be calculated for specific assets when three conditions are met:

The value of net family assets exceeds \$50,000, as adjusted for inflation (\$51,600 as of 1/1/25);

The specific asset is included in net family assets; and

Actual asset income cannot be calculated for the specific asset.

Imputed Income

Imputed asset income is no longer determined based on the greater of actual or imputed income from the assets.

If actual income from assets can be calculated for some assets but not all assets...Owners must add up the actual income from the assets, where actual income can be calculated, then calculate the imputed income for the assets where actual income could not be calculated.

When the family's net family assets do not exceed \$50,000, as adjusted for inflation (\$51,600 as of 1/1/25), imputed income is not calculated.

| Net Family Assets Scenario | Actual Income | Imputed Returns | Amount Included in Income |
|--|--|---|---|
| Assets of \$50,000 or less | Included | Not calculated | Actual income only |
| Exceeds \$50,000 and actual income can be computed for ALL assets | Included | N/A | Actual income only |
| Exceeds \$50,000 and NO actual income can be computed for any assets | N/A | Calculated using HUD passbook rate for all assets | Imputed returns for all assets |
| Exceeds \$50,000, but actual income can only be computed for some assets | Included for those assets in which actual income can be computed | Calculated for any remaining assets in which actual income cannot be computed | Actual income that can be computed AND imputed returns for all remaining assets that cannot be computed |

Do the HOTMA eligibility changes impact Housing Credit Developments?

No. The HOTMA changes that impact the Housing Credit Program involve Sections 102 & 104 (Income and Assets), not Section 103 (Eligibility).

HOTMA Resources:

Housing Opportunity Through Modernization Act:

https://www.hud.gov/program_offices/housing/mfh/hotma

HOTMA Sections 102 and 104: Income and Assets Fact Sheet:

<https://files.hudexchange.info/resources/documents/Income-and-Assets-Fact-Sheet.pdf>

HOTMA Income and Income Exclusions Resource Sheet:

<https://www.hudexchange.info/resource/6876/hotma-income-and-income-exclusions-resource-sheet/>

Assets, Asset Exclusions, and Limitation on Assets Resource Sheet:

<https://files.hudexchange.info/resources/documents/Assets-Asset-Exclusions-and-Limitation-on-Assets-Resource-Sheet.pdf>

HOTMA Resources:

HOTMA Income and Assets Training Series – Implementation of Section 102 and 104

Part 1:

<https://www.hudexchange.info/trainings/courses/hotma-income-and-assets-training-series-implementation-of-section-102-and-104-part-1/4980/>

Part 2:

<https://www.hudexchange.info/trainings/courses/hotma-income-and-assets-training-series-implementation-of-section-102-and-104-part-2/4979/>

Questions?