

MoCARH

Multi-Family Housing Training

Presented by: Rural Development

May, 2008



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Agenda Topics

- Tenant Certification
 - Timeframes
 - Income
 - Deductions
 - Supporting Documentation & Verification
 - Common Errors

Tenant Certification Requirements

- All Tenant Certs are effective on the 1st of the month
 - New Move-ins – if move in after the 1st, TC will be effective the 1st of the next month
- All Tenant Certs must be transmitted by the 10th of the month in which it is effective
- All households must be recertified at least annually
 - If income changes by \$100 or more per month – must recertify when change of income occurs
 - If income changes of \$50 or more, must recertify IF tenant requests
 - If household size changes during the year, must recertify.

Recertification Process

- Two Notification Letters May Be Required
 - 1st – 75-90 days prior to effective date
 - 2nd – 30 days prior to effective date if no response from household
- Note – a tenant certification can be transmitted via MINC at anytime during the 90 day period prior to the effective date

UNITED STATES DEPARTMENT OF AGRICULTURE
MINC
Management Interactive Network Connection



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Expired/Late Tenant Certification

- An Expired or Late certification is when it is not transmitted via MINC to RD by the 10th of the effective month
 - If tenant does not provide required information to recertify
 - Household is no longer eligible
 - Household must pay Note Rate Rent
 - Lease termination should be started
 - If tenant provided information, and borrower is at fault
 - Borrower must pay difference between the greater of the net tenant contribution or basic rent and the note rate rent (i.e. Basic Rent is \$300, Tenant's Rent is \$325, Note Rent is \$400, Borrower would pay \$75)
 - Example #2 – Basic Rent is \$300, Tenant's Rent is \$200, Note Rent is \$400, Borrower would pay \$100
 - Borrower must pay the overage amount from non-project funds until recertification is complete



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Keep At Your Fingertips

- HB-2, Asset Management, Attachment 6-A, Annual Income Inclusions and Exclusions
- HUD Occupancy Handbook, Exhibit 5-1: Income Inclusions and Exclusions (www.hudclips.org)
 - Select Handbooks, Select Housing Handbooks, Select 4350.3
- HB-2, Asset Management, Attachment 6-D, Family Assets
- HB-2, Exhibit 6-3, Acceptable Income Verification Sources

Keep At Your Fingertips

- HB-2, Asset Management, Attachment 6-C, Allowable Deductions
- HUD Occupancy HB, Exhibit 5-3, Medical Expenses That Are Deductible and Nondeductible
- IRS Mileage Rates
- HUD Income Limits
- HB-2, Asset Management, Attachment 6-B, Zero Income Verification Checklist

This template will be available on the Missouri Homepage under MFH Information Documents.

Form RD 3560-8
(Rev. 04-06)

USDA—RURAL DEVELOPMENT
TENANT CERTIFICATION

Form Approved
OMB No. 0575-0189

1. The effective date of an initial or updated tenant certification form will always be the first day of the month. If tenant's move in date is after the 1st of the month the effective date will be the 1st of the next month.

1. Effective Date

M M D D Y Y
| | | | | |

Note: Check box indicating type of action

- Initial Certification
- Recertification
- Modify Certification
- Cotenant to Tenant
- Assign/Remove RA
- Vacate a Unit
- Certification Expired & Eviction in Process
- Designate 60 Day Absence
- End 60 Day Absence
- Tenant Transfer

PART I — PROJECT AND UNIT IDENTIFICATION

2. Project Name	3. Borrower ID and Project Number	4. Unit Type	5. Unit Number
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WARNING STATEMENT: Section 1001 of Title 18, United States Code provides: "Whoever, in any matter within the jurisdiction of a court of the United States, knowingly falsifies, conceals or covers up by any trick, scheme, or device a material fact, or makes any false, fictitious or fraudulent statements or representations, or makes or uses any false writing or document knowing the same to contain any false, fictitious or fraudulent statement or entry, shall be fined under this title or imprisoned not more than five years, or both."

2-5. Make sure the following information matches the project worksheet.

PART II — TENANT HOUSEHOLD INFORMATION

6. Tenant Subsidy Code (enter code)
- 0 — No Deep Tenant Subsidy
 - 1 — Rental Assistance (RA)
 - 2 — Project Based Section 8
 - 4 — Other Public RA
 - 5 — Private RA
 - 6 — HUD Voucher
 - 7 — Other Types at Basic Rent

[]

Enter appropriate code here. (Note: If property is receiving rental assistance from MHDC, enter code 4.)

STATEMENT REQUIRED BY THE PRIVACY ACT: Title V of the Housing Act of 1949 authorizes RHS to collect the information necessary to determine your eligibility or rejection. RHS will not deny eligibility if you refuse to disclose information. However, failure to disclose certain information may affect your eligibility for occupancy and to determine your tenant contribution for rent. However, the information collected may be released to appropriate Federal, State and Local Agencies, credit bureaus and servicing agents when relevant to civil, criminal or regulatory proceedings or to enforce regulations by manual or automated verification procedures.

Round all monetary figures up to the nearest dollar at .50 and above.

Other Subsidy Indicator (leave blank if none, P-Partial or F-Full) _____ Other Subsidy Amount (For Partial) \$ _____



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18a. Enter total annual income not monthly amount. And third party verifications must be obtained from the employer.

18b. Contact social security for percentage of annual increase.

18a-f. See Chap. 6 attach. 6-A for what is considered income.

15. Enter all net family assets even if less than \$5,000. (See Chapter 6, Att.D on what to include as a net family asset.)

17. Enter actual income received from assets. (See Chapter 6, Section 6.10 on calculating cash value of an asset.)

19a. \$480 per minor or full-time student. See chap. 6 sec. 2 for details.

19b. \$400 per elderly or disabled household

19c. If medical expenses are less than 3% of annual income (18f), enter zero. If expenses exceed the 3% rule enter only the amount over the 3%. (ie. Medical expense is 5,000, 3% of annual income is 2,000, you would enter 3,000)

PART III—ASSET INCOME

15. Net Family Assets (NOTE: If Line 15 is less than \$5,000, enter zero on Line 16.)
 16. Imputed Income from Assets (Bank Passbook Savings Rate (*) x Line 15.)
 17. Income from Assets

16. Passbook savings rate is 2%. See chap. 6 sec. 2.

PART IV—INCOME CALCULATIONS

18. Income

- a. Wages, Salaries, etc.
- b. Soc. Sec., Pensions, etc.
- c. Assistance
- d. Income Contributed by Assets (Greater of Line 16 or Line 17)
- e. Other
- f. Annual Income

\$							
\$							
\$							
\$							
\$							
\$							
\$							
\$							

19a-d. See chap. 6 attach. 6-C for allowable deduction

19. Adjustments to Income

- a. \$480 x total of Line 13
- b. \$400 if elderly status
- c. Medical exceeding 3% of Line 18f. (If elderly, handicapped or disabled)
- d. Child Care
- e. Total Adjustments

\$							
\$							
\$							
\$							
\$							
\$							
\$							
\$							

20. Adjusted Annual Income (Line 18.f. minus Line 19.e.)

g. Household Has Exempt Income

PART V—INCOME LEVELS

21. Number of Household Members

23. Date of Initial Project Entry

M	M	D	D	Y	Y

22. Current Eligibility Income Level (Enter Code)

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24. Eligibility Income Level at Initial Project Entry (Enter Code)

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PART VI—CERTIFICATION BY TENANT

I certify and acknowledge that if the Agency provides unauthorized assistance to the borrower/multi-family housing project owner for my benefit based on erroneous or fraudulent information provided by me on this tenant certification, I will reimburse the Agency for that unauthorized amount. If I do not, the Agency may use all remedies available to collect it, including those under the Debt Collection Act, to collect the debt directly from me.

a. Date:

M	M	D	D	Y	Y

b. Tenant Signature

c. Date:

M	M	D	D	Y	Y

d. Co-Tenant Signature

18g. Rural Development will not accept a tenant certification with zero income unless all income is specifically exempted. See chap. 6 attach. 6-A for exempted income.

Both Tenant and Co-tenant must sign and date.

22 & 24. VL = Very Low, L = Low, M = Moderate and A = Above Moderate income. Per Adjusted Income Limits HB-1-3550, Appendix 9.

23. Date tenant physically moved into apartment.

According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0575-0100. The time required to complete this information collection is estimated to average 30 minutes per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, reviewing and collecting the data, and reviewing and completing the collection of information.

Note: Be sure to complete this section.

27. If this is applicable it will be the amount the tenant household actually receives from the Public Assistance Agency for shelter.

PART VII—PRELIMINARY CALCULATIONS

25. Adjusted Monthly Income <i>(Line 20 ÷ 12)</i>	a. \$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>						x .30	= b. \$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>					
26. Monthly Income <i>(Line 18.f ÷ 12)</i>	a. \$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>						x .10	= b. \$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>					
27. Designated Monthly Welfare Shelter Payment \$ <table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>															
28. Highest of Line 25.b., Line 26.b., or Line 27. <table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>															
29. Gross Basic Rent															
a. Basic Rent	\$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>													
b. Utility Allowance	\$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>													
c. <i>(Line 29.a. + Line 29.b.)</i>	\$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>													
30. Gross Note Rate Rent															
a. Note Rate Rent	\$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>													
b. Utility Allowance	\$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>													
c. <i>(Line 30.a. + Line 30.b.)</i>	\$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>													

29. Enter approved basic rent from the project worksheet

Note: If utilities are included in rent enter zero.

29. Enter approved note rent from the project worksheet

PART VIII—DETERMINING GROSS TENANT CONTRIBUTION (GTC)

Decision: *(check one)*

- A. If tenant *receives rental assistance (RA)* enter Line 28 on Line 31 below. If Line 28 exceeds Line 29.c., go to Decision B since this Tenant will not receive RA.
- B. If tenant *does not receive RA* and this project receives Plan II Interest Credit, enter the greater of Line 28 or Line 29.c. (but not to exceed Line 30.c.) on Line 31 below.
- C. If tenant *does not receive RA* and this project is a Plan I, Full Profit or Labor Housing project, complete Lines C.1. thru C.3. and enter Line C.3. on Line 31.

1. Enter Line 30.c.	\$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>					
2. Add Plan I Surcharge (if any)	\$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>					
3. Total (enter on Line 31)	\$	<table border="1"><tr><td> </td><td> </td><td> </td><td> </td><td> </td></tr></table>					

Part VIII: Mark appropriate box



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PART IX—DETERMINING NET TENANT CONTRIBUTION (NTC)

31. GTC (From PART VIII)

32. Utility Allowance (Line 29.b. or Line 30.b.)

33. Final NTC (Line 31 minus Line 32)

(Amount Tenant pays Borrower for rent. If Line 33 is negative, Borrower pays the difference to Tenant for utilities.)

32. From project worksheet

Note: Be sure to complete this section. Based on what boxed is marked in Part VIII.

\$									
\$									
\$									

33. Line 31 minus line 32.

PART X—CERTIFICATION BY BORROWER

I certify that the information on this form has been verified as required by federal law and the tenant household

is eligible to live in the unit, or has been granted ineligible occupancy by RHS.

a. Date Signed

M	M	D	D

b. Signature of Borrower or Borrower's Representative

Note: A tenant or co-tenant has to be disabled or elderly to live in an elderly complex.

Note: If household is income ineligible, a wavier from the area office must be obtained.



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“Top 10” Tenant Cert Boo-Boos!

10. Assets are not properly reported and/or imputed on the TC
9. Renting to Zero Income tenants
8. Using net SS income vs gross SS income
7. Miscalculating unusual income
6. Not annualizing income that is temporary/sporadic
5. Incorrect Standard Deductions (i.e. \$400 vs. \$480)
4. Incorrect calculations of medical expenses/disability expenses
3. Incorrect calculation of child support income and/or child care deductions
2. Tenant Cert not completed in it's entirety or correctly
1. No supporting documentation in the tenant file of income/deductions



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BOO-BOO #10 - Assets are not properly reported and/or imputed on the TC

- Must consider at the time of initial certification and for all recertifications
- Must be verified in writing by third party
 - If unable to verify from 3rd party, can accept other forms of documentation (HB- 1, Section 6.11 A)
- Verifications are valid for 90 days and may be valid for an additional 90 days with oral verification. Can be no longer than 180 days
- Includes assets of all HH members
 - Refer Attachment 6-D, Asset Management Handbook
- Document, document, document

Case Study #1 - Assets

- Household has reported the following
 - \$500 checking account
 - \$2,000 Savings Account earning 1% interest
 - Life Insurance Policy with Face Value of \$10,000
 - Motor Boat valued at \$10,000
 - Prepaid funeral arrangements valued at \$20,000

How much would you reflect on Lines 15 through 17 of the Tenant Cert Form?



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Case Study #1 (Assets) – Answer

- Line #15: \$2,500 (checking and savings)
- Line #16: -0- (assets less than \$5,000)
- Line #17: \$20 (1% x \$2,000)
 - \$20 will be carried forward to Part IV, 18 d.
- Face Value of Insurance, Motor Boat and prepaid funeral expenses are exempted assets

Case Study #2 - Assets

- Household has reported the following
 - \$500 checking account
 - \$2,000 Savings Account earning 3% interest
 - Life Insurance Policy with Cash Value of \$10,000
 - Prepaid funeral arrangements valued at \$20,000
 - \$10,000 CD earning an interest rate of 4.5%; withdrawal penalty is \$200 and taxes of \$2,000

How much would you reflect on Lines 15 through 17 of the Tenant Cert Form?



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Case Study #2 (Assets) – Answer

- Line #15: \$20,300 (checking, savings, life insurance policy and CD)
 - CD cash value is market value minus withdrawal penalty minus taxes ($\$10,000 - \$200 - \$2,000 = \$7,800$)
- Line #16: \$406 ($2\% \times \$20,300$)
- Line #17: \$510 ($4.5\% \times \$10,000$ CD; $3\% \times \$2,000$)
 - \$510 will be carried forward to Part IV, 18 d. since it is greater than the imputed income on line 16
- Prepaid funeral expenses are exempted assets

Case Study #3 - Assets

- Household has reported the following
 - \$500 checking account
 - \$2,000 Savings Account earning 3% interest
 - \$20,000 CD earning an interest rate of 4.5%; withdrawal penalty is \$200 and taxes of \$2,000
 - 1 years ago a house valued at \$60,000 was sold for \$30,000; closing costs were \$2,000

How much would you reflect on Lines 15 through 17 of the Tenant Cert Form?

Case Study #3 (Assets) – Answer

- Line #15: \$48,300 (checking, savings, CD and the net value of home)
 - CD cash value is market value minus withdrawal penalty minus taxes ($\$20,000 - \$200 - \$2,000 = \$17,800$)
 - Count difference between the FMV (Fair Market Value) of asset and amount actually received:
 - Example: FMV - \$60,000
 - Costs - (2,000)
 - Sold - (30,000)
 - Cash Value - \$28,000
- Line #16: \$966 (2% x \$48,300)
- Line #17: \$960 (4.5% x \$20,000 CD; 3% x \$2,000)
 - \$966 will be carried forward to Part IV, 18 d. since it is greater than the actual income on line 17

Case Study #4 – Assets

- Household has reported the following
 - \$500 checking account
 - \$2,000 Savings Account earning 3% interest
 - \$60,000 IRA earning an interest rate of 5%; withdrawal penalty \$1,000; taxes \$2,000
 - 2½ years ago, tenant sold a house for \$40,000. It was valued at \$60,000; unpaid loan balance \$20,000; \$6,000 was the expense of selling the property

How much would you reflect on Lines 15 through 17 of the Tenant Cert Form?

Case Study #4 (Assets) – Answer

- Line #15: \$59,500 (checking, savings and IRA)
 - IRA cash value is market value minus withdrawal penalty minus taxes (\$60,000 - \$1,000 - \$2,000 = \$57,000)
 - Sale of house is not included as it was over 2 years ago
- Line #16: \$1,190 (2% x \$59,500)
- Line #17: \$3,060 (5% x \$60,000 IRA; 3% x \$2,000)
 - \$3,060 will be carried forward to Part IV, 18 d. since it is greater than the imputed income on line 16

BOO-BOO #9 – Renting to Zero Income Tenants

- Zero Income – RD’s policy is to not accept a tenant certification for an applicant or tenant with zero income unless all income is specifically exempted.
- If applicant or tenant states they have no household income, they will need to demonstrate financial capability to meet essential living expenses.

BOO-BOO #9 – Renting to Zero Income Tenants

- The basis for this income must be documented in the file. Document, document, document
- HB-2-3560, Attachment 6-B, Zero Income Verification Checklist can be used for this documentation.
- The borrower **MUST** review the circumstances of the tenant quarterly.
 - RD may wage match periodically
 - Borrower can request wage match from RD at any time

Case Study #5 – Zero Income

- Household has reported the following:
 - The household reported that they have no employment, they are not receiving any government benefits and their income is -0-
 - In conversation, the tenant mentioned that they receive \$50 per month from parents to buy groceries
 - Tenant owns a car and has a cell phone. According to the Zero Income worksheet, the tenant's father pays for the car insurance every 6 months in the amount of \$1,200 and the tenant pays for the upkeep and gas and their own cell phone
 - Occasionally the grandmother gives clothes valued at \$500 for the year to her grandchildren
 - A local charitable organization has awarded a grant in the amount of \$300 per month to assist with basic needs and utilities
 - The Tenant also receives \$150 per month by the management for picking up trash around the complex



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What would be counted as income and what line would this be on the Tenant Certification?

Case Study #5 (Zero Income) - Answer

- The following would be counted as income
 - \$50 per month since it is given in the form of cash ($\$50 \times 12 = \600) – Line 18 e.
 - The cost of the auto insurance - \$2,400 – Line 18 e.
 - \$300 per month ($\$300 \times 12 = \$3,600$) – Line 18 c.
 - Total Income = \$6,600
- Exempted Income
 - Clothing of \$500 would be exempted since occasional
 - Monthly Stipend since it is under \$200

BOO-BOO # 8 Using Net SS vs. Gross SS Income

- For income, always use the Gross Income
- Usually, in October it will be announced if SS will be increasing for the following year
 - Be sure to factor in this increase (could be 2 months at 2007 rate (Nov. & Dec. and 10 months at new rate)
- Be sure to factor any adjustments for prior overpayment of SS benefits

Case Study #6 - SS

- Tenant is receiving SS Benefits as shown below. Because there was an overpayment, the SS amount below is being reduced by \$50 for 6 mos.

What would be their SS Income on line 18b.?

Your Social Security benefits will increase by 2.7 percent in 2005, because of a rise in the cost of living. You can use this letter when you need proof of your benefit amount to receive food stamps, rent subsidies, energy assistance, bank loans, or for other business.

How Much Will I Get And When?

- Your new monthly amount (before deductions) is
- The amount we are deducting for Medicare is
(If you did not have Medicare as of Nov. 19, 2004,
or if someone else pays your premium, we show \$0.00.)
- The amount we are deducting for voluntary federal tax withholding is
(If you did not elect voluntary federal tax withholding as of
Nov. 19, 2004, we show \$0.00.)
- After taking any other deductions, we will deposit
into your bank account on Jan. 3, 2005.

\$720.20
\$78.20
\$0.00
\$642.00

If you disagree with any of these amounts, you should write to us within 60 days from the date you receive this letter.



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Case Study #6 – (SS) - Answer

- $\$670.20$ ($\$720.20 - \50) x 6 mos. $\$4,021.20$
- $\$720.20$ x 6 mos. = $\$4,321.20$
- Total SS Income $\$8,342.40$

BOO-BOO #7

Miscalculating Unusual Income

- Income from a Business
- Unemployment
- Withdrawal from IRAs or 401k Accounts

Income from a Business

- Must count Net Income
 - Net Income is Gross Income less expenses
 - If net income is a negative number, must use “0”
 - Must request most current tax return
 - Compare figures tenant provided with tax return

Case Study #7 – Business

- Household has Lawn Care Service/Snow Removal Business
- HH is reporting a negative loss of (\$2,754)
- According to previous year's tax return, the gross income was \$20,000, the expenses and depreciation were \$10,000, a net income was realized of \$10,000
- Recertification Period is October 1

What would be counted as business income and where would you reflect it on the TC?

Case Study #7 – (Business) - Answer

- Based on tax return, the answer would be \$10,000
 - Since 10 months have passed, tenant could provide additional documentation to support the negative figure of \$2,754
 - If accept new documentation, the answer would be “0”
- Business Income would be reflected on Line 18 e.

Annualizing Unemployment

- Unemployment is counted as income
- If household is receiving unemployment, must figure unemployment for entire 12 months even if verification reflects that unemployment is not available for the full year
- Would recertify at the end of the unemployment period if need be

Case Study #8 – Unemployment

- Household is receiving unemployment benefits for 12 weeks for \$125

What would their income be and what line would this be reflected on?

Case Study #8 – (Unemployment) - Answer

- 52 weeks x \$125 = \$6,500
- Need to recertify at the end of the 12 weeks since income will change
- Unemployment can be reflected on either 18 a. or 18c.

Withdrawals from IRAs and 401k Accounts

- The full amount of periodic payments from IRAs, Pensions, Insurance Policies, Retirement Funds, etc. is counted as income
 - Withdrawals from IRAs and Retirements funds that are not routine would not count as income
- Still need 3rd party verification
 - Yearend statements of Mutual Funds or 401k accounts can provide information about routine annual income

Case Study #9 – 401k

- Tenant has a 401k account and receives \$400 per month
- Tenant is also cashing in one of their IRAs valued at \$2,000 for a vacation

What would be counted as income and what line would this be reflected on the TC?

Case Study #9 - (401k) - Answer

- \$400 per month is considered routine income and would be counted as income ($\$400 \times 12 = \$4,800$)
 - Yearend statement of 401k should reflect this
 - Depending on how this 401k is established, it may or may not be counted as an asset – could have imputed income if it is an asset
- The IRA of \$2,000 would not be counted as income as it is not routine
 - However there could be some imputed income from the IRA since it is an asset
- This should be reflected on Line 18 b.

BOO-BOO #6 Not Annualizing Income that is Seasonal / Sporadic

- Some employment is not year round
 - Must estimate what the income will be for the year
- Must verify income
 - If seasonal, may have to request more than 1 year's history of employment
 - If worked 3 years, obtain all 3 years and average
 - If new, have employer project hours to be worked the next 12 months based on their knowledge of past work history

Case Study #10 – Annualizing Income

- Tenant is a construction worker in which the work is seasonal
 - He works for a company (not self-employed)
- He is paid \$15 per hour when working
 - Tenant stated that he works 40 hours per week for 6 months out of the year
 - Employer stated that he worked 40 hours per week for 6 months in 2007, 7 months in 2006 and 8 months in 2005

How much would you reflect on Line 18a as salary?



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Case Study #10

(Annualizing Income) - Answer

- Since tenant has worked 3 years
 - Average the total hours for all 3 years
 - 2007 – 1040 hours (26 weeks x 40 hours)
 - 2006 – 1213 hours (30.33 weeks x 40 hours)
 - 2005 – 1386 hours (34.66 weeks x 40 hours)
 - Total Hours = 3,639 / 3 years = 1213 hours x \$15 = \$18,195 would be the income reflected in 18a

BOO-BOO #5

Incorrect Standard Deductions

- \$480 deduction for each family member (not a tenant or co-tenant)
 - Under 18 years of age;
 - Does not include unborn child
 - If joint custody, both parents cannot claim the deduction for the child if both parents live in subsidized housing
 - If dispute which family gets to claim the deduction, must refer to any legal documents or IRS returns and deduction is claimed by the parent shown receiving the IRS deduction or identified in legal documents
 - A person with disabilities who is over 18 and not the tenant or co-tenant;
 - A full-time student of any age;
 - Must have documentation from school
 - Must still be living in household
 - Foster children are not eligible for the standard \$480 deduction

BOO-BOO #5

Incorrect Standard Deductions

- \$400 deduction for elderly or disabled
 - Must be the tenant or co-tenant
 - Only one deduction for the household, i.e. both tenant and co-tenant are over age 62, but only 1 \$400 deduction can be taken
 - Must be 62 years of age or have a disability at any age
 - Must have documentation to support \$400 deduction

Case Study #11 – Deduction

- Tenant & Co-Tenant are not elderly or disabled
- There are 3 children and one on the way, ages 10, 18 & 19
 - 18 year old is a full-time student, 19 year old is working but not a student
- The co-tenant's 64 year old disabled mother is living with them

What deductions are this family eligible for?



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Case Study #11 – (Deduction) -Answer

- \$480 deduction for 2 children (Ages 10 & 18)
 - 18 year old is a full time student
 - No deduction for unborn child
 - No deduction for 19 year old since over age and not a full-time student
 - Note – would need to count the income of the 19 year old
- \$480 for the disabled mother
 - Must have documentation of disability
 - No elderly deduction because mother is not the tenant or co-tenant
- Total Deduction = \$1,440

Case Study #12 - Deduction

- Tenant is 35, Co-Tenant is 30 and disabled
- Tenant has a child who is 4 and is sharing joint custody with his ex-wife who also lives in another RD complex. The child lives with the ex-wife during the week, but with the tenant every weekend and 6 weeks through the summer
 - The tenant (father) claims the child on his tax return

What deductions is this eligible for?

Case Study #12 – (Deduction) - Answer

- \$400 because the co-tenant is disabled
 - Documentation must be provided of disability
- \$480 deduction for the 4 year old child
 - Even though the child spends more time with the mother, the tenant (father) provided a copy of the divorce decree and tax return which allows him to claim the child as a dependent. The mother could not claim a deduction for the child at the other RD complex.

BOO-BOO #4 – Incorrect Calculations of Medical Expenses/Disability Expenses

- Medical expenses can be deducted for elderly/disabled household
 - If household qualifies for \$400 deduction, then the medical expenses for the entire household can be claimed
 - Expense to be claimed is what is anticipated for next 12 months based on past history
 - Can allow for past medical event that is not likely to recur (i.e. unplanned surgery, injuries from car accident, etc.) if not claimed previously

BOO-BOO #4 – Incorrect Calculations of Medical Expenses/Disability Expenses

- Reimbursed medical expenses cannot be claimed
- The amount of medical expenses that can be claimed as a deduction is anything over 3% of annual income (not adjusted)
- Must have documentation of medical expenses
 - Over the counter (OTC) medical expenses must be prescribed by licensed practitioner in order to claim deduction
 - Must have copies of receipts and prescriptions for OTC expenses

Case Study #13 – Medical Expenses

- Elderly Household had SS Income of \$600 per mo.
 - Tenant Cert is effective 1/1/2008
 - Medicare premium is \$100 per mo.
 - Supplemental Health Ins. Policy is \$200 per mo.
 - Pharmacy prescriptions reflect \$2,000 in 2007
 - Tenant is still taking the same prescriptions
 - Hospital Bill owed of \$500 in which tenant is paying \$100 per mo.
 - OTC receipts reflect \$200 (Aspirin, Pepto Bismol, Ben Gay, Band-Aids, etc.)
 - Hearing Aid purchased in 2007 for \$2,000 and Batteries of \$100
 - Supplemental insurance paid \$1,500 for the hearing aid



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What would the Medical Expense Deduction be?

Case Study #13 – (Medical Expenses) - Answer

- Allowable Medical Deductions -
 - \$1,200 for Medicare ($\100×12)
 - \$2,400 for Supplemental Health Ins. ($\$200 \times 12$)
 - \$2,000 Prescription Medicine
 - \$500 payment on hospital bill
 - \$600 for hearing aid and batteries
 - Allowed \$500 for hearing aid since this was not claimed in 2007 and was not reimbursed by insurance
- Not allowed - \$1,700
 - OTC Medicine since no prescriptions - \$200
 - Hearing Aid reimbursed by ins. - \$1,500
- Total medical expenses anticipated are \$6,700
- Total Deduction allowed - \$6,514
 - $3\% \times \$7,200$ (Line 18 f. which is $\$600 \text{ month} \times 12$) = \$216
 - $\$6,700 - 216 = \$6,484$

Disability Assistance Expense

- Deduction for unreimbursed, anticipated costs for attendant care and “auxiliary apparatus” for each disabled family member
 - HH does not have to qualify as an elderly household
- Qualification for Deduction
 - Must enable a family member 18 years of age or older (who may or may not be the disabled member) to be employed
 - If more than one family member enabled to work, must consider the combined incomes of those persons
 - Must have documentation of disability and need for animal/apparatus, etc.
- Allowable deduction is any cost over and above 3% of annual income (not adjusted)
 - Cannot exceed the earned income received by the family member(s) who are enabled to work



Case Study #14 – Disability Expenses

- Tenant and co-tenant are both 40 years old and have a 15 year old son who is disabled. It is determined the son would be allowed a seeing eye horse (allergic to dogs)
- Tenant is away from the family for a short stint in the military and earns \$10,000 per year; co-tenant stays at home with the son but has found a job and will earn \$6,000 per year
- It is determined that the cost of the seeing eye horse is \$5,000, \$2,000 of which is covered by a special grant from a service organization. Vet costs per year will be \$1,500, food for the year will be \$2,000 and supplies will be \$500

What would the Disability Assistance Deduction be?



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Case Study #14 – (Disability Expenses) - Answer

- Allowable Disability Assistance Expenses
 - \$3,000 for the seeing eye horse (\$5,000 - \$2,000 grant)
 - \$1,500 for vet visits
 - \$2,000 for food
 - \$500 for supplies
 - Total anticipated disability assistance expenses \$7,000
- Household's annual income of $\$16,000 \times 3\% = \480
 - Co-tenant is the one enabled to work and has an annual income but you use total household income to calculate 3% allowance
- Total available to claim would be $\$7,000 - \$480 = \$6,520$
- Total amount allowed for disability assistance expense is \$6,000
 - Amount of co-tenant's annual salary

Disability Assistance Expense

- For Elderly HH that is eligible for BOTH medical and the disability deduction, it must be calculated separately
 - Must calculate disability assistance first
 - Reminder – it cannot exceed the income of the person(s) that has been enabled to work
 - Then calculate allowable medical expenses
 - When family has both disability and medical expenses, review both to make sure no expense has been inadvertently included in both categories
 - Add Medical and Disability Assistance expenses and deduct from 3% of household annual income

Case Study #15 – Medical and Disability Expenses

- Elderly Household – Co-tenant is disabled
- Co-tenant needs a live-in aide in order to allow Tenant to work
- Tenant's income is \$20,000
- Live-in Aide expense is \$10,000 and the aide has other income of \$5,000
- Co-Tenant also needed auxiliary equipment (wheelchair) costing \$5,000
- They also have non-reimbursed medical expenses of \$3,000

What would the Disability Assistance and Medical Deduction be?

Case Study #15 – (Medical and Disability Expenses - Answer

- Disability Expense \$15,000
 - Live-in Aide was \$10,000
 - Auxiliary Equipment was \$5,000
- Medical Expense \$3,000
- Total Disability and Medical Expense \$18,000
- Less 3% of HH Annual Income - \$600
 - \$20,000 x 3%
- Total Allowable Deduction \$17,400
- Note – the Live-in Aides' other income of \$5,000 is excluded as it is not counted toward the household's income

BOO-BOO #3 Incorrect Calculation of Child Support Income and/or Child Care Expenses

- Child Support Income
 - Household must include all alimony or child support payments
 - Must have verification (court orders, statements from enforcement agencies, divorce decree, or other records to support payment)
 - The applicant/tenant must report what was paid in the last 12 months
 - If not receiving child support payments, the applicant/tenant must show that they have requested assistance from the state or local entity responsible for enforcement of payment



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**Note: If tenant/co-tenant is paying child support
– this is not an allowable deduction even if this
is being garnished from their salary**

Case Study #16 – Child Support

- Tenant has 2 children and is to receive child support payments of \$500 per month
 - Divorce Decree supports this amount
- Tenant states she is not receiving these payments and provides a copy of last month's bank statement which reflects that no child support was deposited

What would you count as income for the Child Support and what line would it be on the TC?

Case Study #16 – (Child Support) -Answer

- Child Support Income is: \$6,000
 - Applicant/Tenant did not provide evidence of what was received for the last 12 months; and
 - Applicant/Tenant had not pursued collection through State Agency or legal action
 - If documentation is provided then you could report whatever is presented as income
- Reflect on Line 18 e.

Child Care Expenses

- Reasonable child care expenses for the care of a child age 12 or under may be deducted from “annual (gross) income” if they:
 - Enable an adult family member to actively seek employment, be gainfully employed, or further his/her education; **and**
 - If the expenses are not reimbursed; **and**
 - If they have demonstrated that there are no other adult household members available for child care

Child Care Deduction

- The amount may not exceed the amount of income received from employment.
- The amount cannot be paid to a household member
- The amount of child care hours must parallel the hours household member works or goes to school including travel time.
- The applicant must identify the household member who can go to work or school as a result of the child care.
- The tenant file must contain justifying documentation to support the deduction.

Case Study #17 – Child Care

- Tenant earns \$18,000 & Co-Tenant works part-time 4 hours per day/5 days a week and earns \$4,000 and attends school part-time 4 hours per day/5 days a week
- The Tenant identified that the Co-Tenant would be able to work and go to school if child care was provided
- They have 2 children ages 13 & 11 and they pay \$5 per hour for 8 hours/5 days a week for each child.

What would the Child Care Deduction be and what line would it be on the TC?

Case Study #17 – (Child Care) - Answer

- Child care expense for the time the co-tenant is working is \$4,000
 - $\$5 \times 4 \text{ hours} = \$20 \text{ per day} \times 5 \text{ days} = \$100 \text{ per week} \times 52 \text{ weeks} = \$5,200$
 - Can only claim \$4,000 since income of co-tenant is less than child care expense
 - Cannot claim the expense for the 13 year old
- Child care expense for co-tenant while going to school is \$5,200
 - $\$5 \times 4 \text{ hours} = \$20 \text{ per day} \times 5 \text{ days} = \$100 \text{ per week} \times 52 \text{ weeks} = \$5,200$
 - Child care cost is not limited while attending school
- Total allowable Child Care Deduction is \$9,200 (\$4,000 + \$5,200) and would be reflected on Line 19d of Tenant certification

BOO-BOO #2 – Tenant Certification is not Completed in it's Entirety or Correctly

- Part I, Item 1., Action type is not correctly identified
 - i.e. Tenant moves out, and co-tenant becomes tenant, must mark Co-Tenant to Tenant Box
 - Must recertify because household composition changed
- Part II, 6. Tenant Subsidy Code is not completed correctly
 - If getting State RA, Code #4
 - Don't use Code #5, it is not working correctly at this time
 - Code #7 if other types of subsidy at basic rent (i.e. church is paying subsidy)
- Part II 7. – Social Security Numbers
 - All households members are not required to have a SS #
 - i.e. illegal immigrants may not have a SS#, complete field with all zeroes and MINC will assign a number



BOO-BOO #2 – Tenant Certification is not Completed in it's Entirety or Correctly

- Part II, 14. – Coding for Disabled (“D”) and Elderly (“E”)
 - Insert a “E” or “D” by only the Tenant and Co-Tenant – be sure to mark Elderly Status box if any of the above applies
- Part IV, Item 18 g. – if household has reported “zero” income, and the income is exempted, then this box must be marked.
- Part V, Item 23, be sure to show the actual date of move-in (does not have to be the 1st of month)
- Part V, Item 24, reflect income level at the time of move-in. This should not be changed on subsequent recertifications

BOO-BOO #2 – Tenant Certification is not Completed in it's Entirety or Correctly

- Part VII, Item 29 a. and 30 a, Basic Rent & Note Rate Rent – be sure rent is the same as the current approved budget
 - If project worksheet does not agree with budget, notify servicing office
- Part VII, Item 29 b. & 30 b., Utility Allowance
 - If utility costs are included in rent, enter “0”
 - Utility Allowance must agree with approved budget. If it does not agree, notify servicing office



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BOO-BOO #2 – Tenant Certification is not Completed in it's Entirety or Correctly

- Part X, Certification by Borrower
 - Be sure to indicate if household is eligible
 - This includes income eligible and occupancy eligible
 - If not eligible, must obtain waiver or approval from servicing office prior to renting to household
- Part VI & X, Tenant/Co-Tenant and Borrower Signatures
 - Even though tenant certification is transmitted, this form must still be signed by all parties and a copy provided to the tenant.
 - Signed tenant certification must be retained in the Tenant File



BOO-BOO #1 - No Supporting Documentation of Income, Deductions, Disability, etc.

- **Verify and Document**

**OPEN TIME FOR ADDITIONAL
QUESTIONS!!!!**

**THANKS, THANKS, THANKS
FROM
JANIE, COLLEEN, & RACHELLE**



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