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# RBD FASTFACTS - THE COLA INCREASE 2021

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FASTFacts  
The COLA Increase 2021

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Disclaimer

The material contained in this document is not comprehensive of the continually emerging issues surrounding policies in The Multifamily Housing industry. In addition, the handbook guidance is derived from The HUD Handbook 4350.3 Rev 1 Change 4 released in August 2013 and in December 2013 and subsequent notices and memos from HUD.

These materials were updated 1/2021.

The reader should understand that these materials are not designed for, nor should be relied upon, as a source of legal guidance or as a final authority with respect to any particular circumstance.

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# FASTFacts The COLA Increase 2021

## **THE COLA INCREASE**



Every year, the federal government decides whether or not to provide an increase to federal benefits. This increase is commonly referred to as the Cost of Living Adjustment (COLA) Increase.

The Social Security Administration adjusts Retirement, Survivors, Disability and Insurance benefits (RSDI) and Supplemental Security Income (SSI) benefits to reflect the annual cost of living adjustment (COLA) effective January 1st of each year.

For 2021, the COLA increase is 1.3%.

## **COLA AND EIV**

For HUD programs, property managers are required to use EIV to verify Social Security Income. COLA benefits are not reflected in EIV until December 31 of each year.

For those property managers completing annual certifications, January and usually February certifications may be complete after the COLA increase is announced, but before the increase is reflected in EIV.

So, what does a property manager do? Currently, HH 4350.3 R1, C4, Paragraph 9-6 provides the following guidance.

*When processing recertifications with an effective date of **January 1, February 1, March 1 and April 1**, the owner must use one of the methods below for determining the tenant's income.*

- *Use the benefit information reported in EIV that does not include the COLA as third-party verification as long as the tenant confirms that the income data in EIV is what he/she is receiving;*
- *Use the SSA benefit, award letter or Proof of Income Letter provided by the tenant that includes the COLA adjustment if the date of the letter is within 120 days from the date of receipt by the owner;*
- *Determine the tenant's income by applying the COLA increase percentage to the current verified benefit amount and document the tenant file with how the tenant's income was determined; or*
- *Request third party verification directly from SSA when the income in EIV does not agree with the income the tenant reports he/she is receiving. (See Paragraph 9-15)*
- *All recertifications effective after April 1 **must** reflect the SSA benefit that includes the COLA*

While this instruction is still current in most cases, owner/agents should know that you have been given more flexibility in regards to option 4 above.

## **CHANGES INTRODUCED IN MARCH 2016 – STREAMLINING FINAL RULE**

On March 8, 2016, HUD released a new Federal Register Notice (Final Rule) entitled Streamlining Administrative Regulations for Public Housing, Housing Choice Voucher, Multifamily Housing, and Community Planning and Development Programs.

The approved changes described in this Final Rule were effective April 7, 2016.

On October 3, 2016, HUD released a subsequent Notice – HUD HSG Notice 2016-09 [Streamlining Administrative Regulations for Multifamily Housing Programs](#) providing additional information.

## **FIXED INCOME VERIFICATION**

*(This provision applies to the HCV/PBV, Section 8 (other than Moderate Rehabilitation), 202/811, and PH programs. It does not apply to the Rent Supplement, Section 236, Sections 221(d)(3) or (d)(5) programs.)*

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The Streamlining Final Rule provides for a new, Streamlined Income Determination (verification) for any fixed source of income.

24 CFR will include the following language:

**§ 5.657 Section 8 project-based assistance programs: Reexamination of family income and composition. \* \* \* \***

*(d) Streamlined income determination. For any family member with a fixed source of income, an owner may elect to determine that family member's income... by means of a streamlined income determination.*

*A streamlined income determination must be conducted by applying, for each fixed-income source, the verified cost of living adjustment (COLA) or current rate of interest to the previously verified or adjusted income amount.*

*(1) "Family member with a fixed source of income" is defined as a family member whose income includes periodic payments at reasonably predictable levels from one or more of the following sources:*

- (i) Social Security, Supplemental Security Income, Supplemental Disability Insurance;*
- (ii) Federal, state, local, or private pension plans;*
- (iii) Annuities or other retirement benefit programs, insurance policies, disability or death benefits, or other similar types of periodic receipts; or*
- (iv) Any other source of income subject to adjustment by a verifiable COLA or current rate of interest.*

*(2) An owner must use a COLA or current rate of interest specific to the fixed source of income in order to adjust the income amount. The owner must verify the appropriate COLA or current rate of interest from a public source or through tenant-provided, third party-generated documentation. If no such verification is available, then the owner must obtain third-party verification of income amounts in order to calculate the change in income for the source.*

*(3) For any family member whose income is determined pursuant to a streamlined income determination, an owner must obtain third-party verification of all fixed-income amounts every 3 years...*

This was a pleasant surprise and has significant impact on property managers whose residents rely on state or federal benefits as the primary source of income.

### **WHAT IS THE NEW PROCESS?**

Third-party verification of all income amounts must be obtained for all family members, and a full re-examination and determination of fixed income must be performed every 3 years.

In the interim, the new streamlined verification method may be used to verify the amount of a fixed source of income. This is done by taking a previously verified income amount and applying a verified cost of living adjustment (COLA) amount.

### **IMPACT ON CURRENT PROCESSES - EIV**



This new instruction may conflict directly with requirements for using EIV. See HH 4350.3 R1, C4 Paragraph B1 and Exhibit 9-5.

*It is mandatory that owners use the EIV system as the third-party source to verify employment and income information of tenants during recertification (annual and interim) of family composition and income.*

Our recommendation is to continue to use EIV to verify Social Security, Dual Entitlement, and SSI Income when the income information is available in EIV.

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However, there are situations when an OA cannot use EIV:

- EIV Information is not available/No information in EIV (survivor's benefits, exempt residents, etc.)
- Resident Disputes EIV Information
- EIV Information is not complete (reductions for child support, repayment of FHA loans, etc.)
- Verification is being conducted for non-HUD program (Tax Credit/515)

Let's break it down.

### **NEW METHOD VERIFYING SS INCOME AND INCLUDING THE COLA INCREASE**

The method used to verify Social Security income when the COLA increase is not reflected in EIV depends on what information is available in EIV.

When creating ARs for January through April and if residents' Social Security Income information **IS AVAILABLE** in EIV, you should:

- Use the current benefit amount reflected in EIV (*if EIV shows cents, use cents, if EIV does not show cents, do not use cents*); or
- Take the amount in EIV and manually calculate the increase. Include a printed copy of the COLA information from the SSA web site as verification of the increase (*if the amount is not a whole number, you must include the cents when projecting annual income*); or
- Require the resident to provide a new award/benefit letter showing the 2017 increase

When creating ARs for January through April and if residents' Social Security Income information **IS NOT AVAILABLE** in EIV, you should:

- Require the resident to provide a new award/benefit letter showing the 2021 increase; or
- Take the amount shown in EIV for the prior year and manually calculate the increase. Include a printed copy of the COLA information from the SSA web site as verification of the increase (*if the amount is not a whole number, you must include the cents when projecting annual income*); or
- Take the amount shown on the award letter used for last year's certification and manually calculate the increase. Include a printed copy of the COLA information from the SSA web site as verification of the increase (*if the amount is not a whole number, you must include the cents when projecting annual income*)

Please note, the new Streamlined Verification Method applies to other sources of fixed income as well.

We have provided an example, below, to illustrate how this new methodology can make the verification process easier.

### **EXAMPLE OF NEW VERIFICATION METHOD**

Let's take a look at a specific scenario and explain how the change would affect your verification process at each annual certification.

- In November 2019, owner/agent meets with resident for the February 2020 AR.
- Resident discloses the following income and expenses:
  - Social Security Survivor's Benefits - \$515.00/month (\$6180) (income cannot be verified using EIV)
  - Annuity distribution of \$500.00/month with an annual cost of living percentage increase of 5%
  - Pension - \$275.00/month – amount will never change

just an  
Example

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### For February 2020 AR (Year 1):

- ❖ OA accepts a printout from myssa.gov to verify SS survivor's benefits income \$525.30/month
- ❖ OA accepts a printed statement from the insurance carrier to verify annuity income. Since the asset is making regular periodic payments of \$500/month, the OA does not include cash value of the asset
- ❖ OA accepts letter from the Pension Plan manager stating that the resident receives \$275 per month and that the amount will never change

### For February 2021 AR (Year 2):

- ❖ Social Security announces a 1.3% COLA increase – Notice of the increase is provided to the resident via an award letter provided at the end of 2020. This information is also published on the Social Security Administration web site at <https://www.ssa.gov/news/press/releases/2020/#10-2020-1>. A copy of the original SS verification (from 2020) and the verification of the COLA increase (e.g., award/benefit letter or myssa.gov printout) should be attached to the 2021 AR in the tenant file.
- ❖ Resident Survivor's Benefits are not provided in EIV, so EIV cannot be used to verify SS income.
- ❖ OA applies the 1.3% increase to the previous year's award of \$525.30. Result is  $525.30 + 1.3\% = 532.13 \times 12 = 6385.56$ . The resident file must contain some document showing the COLA increase. For example, this could be the printout of the Social Security web site announcement.
- ❖ OA makes a copy of the 2020 letter from the Pension Plan manager stating that the resident receives \$275 per month and that the amount will never change and includes that letter in the tenant file with other paperwork used to create the 2021 AR
- ❖ OA applies the 5% increase to the annuity amount because the annuity paperwork guarantees a 5% annual increase.  $500.00 + 5\% = 525.00 \times 12 = \$6300.00$ . A copy of the original verification paperwork (from 2020) and the verification showing the 5% annual increase should be attached to the 2021 AR in the tenant file. No additional verification paperwork is necessary.
- ❖ OA verifies the cash value and interest earnings of the life insurance with the life insurance provider

### For February 2022 AR (Year 3):

- ❖ Let's say that, in 2021, Social Security announces a 3% COLA increase for 2022 – Notice of the increase is provided to the resident via an award letter provided at the end of 2021. This information is also published on the Social Security Administration web site at [www.ssa.gov](http://www.ssa.gov).
- ❖ Resident Survivor's Benefits are not provided in EIV, so EIV cannot be used to verify SS income.
- ❖ A copy of the original SS verification (from 2021), verification of the COLA increase for 2020 and the verification of the 2021 COLA increase (e.g. award/benefit letter or myssa.gov printout) should be attached to the AR in the tenant file.
- ❖ OA applies the 3% increase to the previous year's award of \$532.13/month. Result is  $548.09 \times 12 = 6577.08$ . The resident file must contain some document showing the COLA increase. For example, this could be a printout of the web site announcement.
- ❖ OA makes a copy of the 2020 letter from the Pension Plan manager stating that the resident receives \$275 per month and that the amount will never change and includes that letter in the tenant file with other paperwork used to create the 2022 AR
- ❖ OA applies the 5% increase to the annuity amount because the annuity paperwork guarantees a 5% annual increase.  $525.00 + 5\% = 551.25 \times 12 = \$6615.00$ . A copy of the original verification paperwork (from 2020) and the verification showing the 5% annual increase should be attached to the 2022 AR in the tenant file. No additional verification paperwork is necessary.

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### For February 2023 AR (Year 1):

- ❖ Social Security announces a 4% COLA increase – Notice of the increase is provided to the resident via an award letter provided at the end of 202022. This information is also published on the Social Security Administration web site at [www.ssa.gov](http://www.ssa.gov).
- ❖ OA accepts a printout from myssa.gov to verify SS survivor's benefits income or an SSA award/benefit letter that is not more than 120 days old at the time of receipt
- ❖ OA accepts a printed statement from the insurance carrier to verify annuity income. Since the asset is making regular periodic payments, the OA does not include cash value of the asset
- ❖ OA accepts letter from the Pension Plan manager stating that the resident receives \$275 per month and that the amount will never change

### **EXAMPLES OF SITUATIONS THAT ARE SIMPLIFIED DUE TO CHANGES TO FIXED INCOME VERIFICATION**



Using the new methods to determine annual income from fixed income described in the Streamlining Final Rule is optional. I would estimate that about 80% of people verifying for HUD can (and we think MUST) use EIV for verification of most SS income based on HUD's instruction. But it's not just about SS benefits. Below are examples of how this new methodology will help make lives easier for most property managers.

### **Survivor's Benefits**

- Resident receives survivor's benefits via a deceased spouse's SSN. This information is not provided in EIV. In these cases, the owner/agent can obtain a verification letter (no more than 120 days old) at MI or AR (we are advising not to start the first year when creating an IR).
- In year two, when issuing the 120-day notice, the OA may state that the resident needs to bring in the award letter provided at the beginning of the year showing that years increase (or decrease). If the resident does not have the letter, the OA can go to the SSA web site and print the page showing the increase amount and apply that to the previous year's benefit amount.
- In year three, the OA would follow the same process.
- In year four, the OA would have to verify using current verification methods described in HH 4350.3

### **Resident Not Verified or Failed Verification (EIV Summary Report)**

- Resident is "Not Verified" or Failed Verification in EIV because the Social Security Administration has incorrect data and the birth date is "off" by a day or a year. In these cases, no income information is reflected in EIV.
- In these cases, the owner/agent can obtain a verification letter (no more than 120 days old) at MI or AR (we are advising not to start the first year when creating an IR).
- In year two, when issuing the 120-day notice, the OA may state that the resident needs to bring in the award letter provided at the beginning of the year showing that years increase (or decrease). If the resident does not have the letter, the OA can go to the SSA web site and print the page showing the increase amount and apply that to the previous year's benefit amount.
- In year three, the OA would follow the same process.
- In year four, the OA would have to verify using current verification methods described in HH 4350.3

### **Veteran's Benefits including Aid & Attendance and VA Disability**

- Resident receives VA benefits. VA benefits are not reflected in EIV.
- In these cases, the owner/agent can obtain a verification letter (no more than 120 days old) at MI or AR (we are advising not to start the first year when creating an IR).
- In year two, when issuing the 120-day notice, the OA may state that the resident needs to bring in the award letter provided at the beginning of the year showing that year's increase (or decrease). If the resident does not have the letter, the OA can go to the VA web site and print the page showing the increase amount and apply that to the previous year's benefit amount.
- In year three, the OA would follow the same process.
- In year four, the OA would have to verify using current verification methods described in HH 4350.3

### **Railroad Retirement or Other Retirement**

- Resident receives Railroad Retirement pension or any other type of pension. Pensions are not reflected in EIV.
- In these cases, the owner/agent can obtain a verification letter (no more than 120 days old) at MI or AR (we are advising not to start the first year when creating an IR).
- In year two, when issuing the 120-day notice, the OA may state that the resident needs to bring in the notification of the cost of living increase from the provider.
- In year three, the OA would follow the same process.
- In year four, the OA would have to verify using current verification methods described in HH 4350.3

### **Annuity Income**

- Resident has an annuity. Annuity pays a regular periodic payment. Annuity benefits include a cost of living adjustment each year.
- In these cases, the owner/agent can obtain verification (no more than 120 days old) at MI or AR (we are advising not to start the first year when creating an IR).
- In year two, when issuing the 120-day notice, the OA may state that the resident needs to bring in the notification of the cost of living increase from the insurance provider.
- In year three, the OA would follow the same process.
- In year four, the OA would have to verify using current verification methods described in HH 4350.3

### **Welfare Payment or Other State Payments**

- Receives state benefits. These state benefits may include a cost of living adjustment each year.
- In these cases, the owner/agent can obtain verification (no more than 120 days old) at MI or AR (we are advising not to start the first year when creating an IR).
- In year two, when issuing the 120-day notice, the OA may state that the resident needs to bring in the notification of the cost of living increase from the state.
- In year three, the OA would follow the same process.
- In year four, the OA would have to verify using current verification methods described in HH 4350.3

### **Resident receives overseas retirement/pension benefit**

- In these cases, the owner/agent can obtain a verification letter (no more than 120 days old) at MI or AR (we are advising not to start the first year when creating an IR).
- In year two, when issuing the 120-day notice, the OA may state that the resident needs to bring in the notification of the cost of living increase from the provider. If the resident does not have the notice, the OA may have to use alternative verification methods.
- In year three, the OA would follow the same process.
- In year four, the OA would have to verify using current verification methods described in HH 4350.3