



For Customers of Ross Business Development,

RBDFASTFACTS CALCULATING INCOME FOR RESIDENTS WHO WORK PART OF THE YEAR (E.G. TEACHERS)

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FASTFacts
Calculating Income for Residents Who Work Part of the Year (e.g., Teachers)

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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.

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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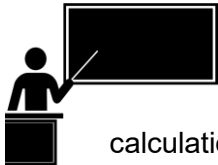
Owners and management should seek competent legal advice in developing and carrying out housing policies and procedures.

We have been diligent in our efforts to provide comprehensive and accurate regulatory instruction; Ross Business Development shall not be responsible for errors or inaccuracies.”

Some circumstances present more than the usual challenges. Examples of challenging situations include a household that has sporadic work or seasonal income or a resident who is self-employed.

In all instances, owners are expected to make a reasonable judgment as to the most reliable approach to estimating what the resident will receive during the year. In many of these situations, midyear or interim certifications may be required to reflect changing circumstances.

FULL TIME SCHOOL TEACHER



Calculating income for a full time school teacher can be challenging if the teacher is getting paid 9 out of 12 months.

The key here is to remember, you can only use Method 1 or Method 2 to perform the calculation. Don't combine the two methods.

Below are examples of calculating income for a school teacher using Method 1 or Method 2.

Method 1	
1/1 AR	
$4000 \times 12 =$	48000
$48000/12 =$	4000
$4000 \times .30 =$	1200 (TTP)
6/1 Interim	
$0 \times .30 = 0$	TTP = 25
9/1 Interim	
$4000 \times 12 =$	48000
$48000/12 =$	4000
$4000 \times .30 =$	1200 (TTP)
$1200 \times 9 =$	10800
$25 \times 3 =$	75
Total Annual TTP = \$10875	

Method 2	
9 months =	\$36000
3 Months =	\$0
$36000/12 =$	\$3000/month
$3000 \times .30 =$	900 (TTP)
$900 \times 12 =$	\$10800
Total Annual TTP = 10800	

Notice that the resident would actually pay more if they ask you to complete two certifications during the year.

There is no Method 3. A common mistake is to combine the two methods.

Incorrect
1/1 AR
$36000/12 = 3000$
$3000 \times .30 = 900$
6/1 Interim
$0 \times .30 = 0$ TTP = 25
9/1 Interim
$36000/12 = 3000$
$3000 \times .3 = 900$
$900 \times 9 = 8100$
$25 \times 3 = 75$
Total TTP = 8175



This example of a Method 3 illustrates an income calculation error. If this file is audited, you would receive a finding and any improper payment would be returned to HUD.

The certifications would have to be corrected and the resident is entitled to a 30-day Notice of Rent Increase.