FASTFacts—Streamlined Verification of Fixed Income

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Introduction

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 change to income determination/verification when the income is fixed affects both Public & Indian Housing (PIH) and Multifamily Housing programs.

Applicability & Deadlines

This provision applies to

❖ The HCV/PBV,
❖ Section 8 (other than Moderate Rehabilitation),
❖ 202/811 PAC/PRAC programs, and
❖ Public Housing programs

It does not apply to the Rent Supplement, Section 236, Sections 221(d)(3) or (d)(5) programs.)

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

Fixed Income Verification

The Streamlining Final Rule provides for a new, streamlined income determination (verification) for any fixed 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, a streamlined income determination may be performed for a family member with a fixed source of income by applying to a previously determined or verified source of income a cost of living adjustment (COLA) or interest rate adjustment specific to each source of fixed income.

We would recommend implementing the process at MI, IC or AR. This way, the 3-year review is tied to the AR cycle. The chance of error is greatly reduced.

Verifying most federal benefits will be less time-consuming. Social Security, Supplemental Security Income, and Supplemental Disability Insurance (when the resident is not employed) is clearly defined as fixed income.

Social Security Benefits

Verify the Social Security income information in year one using acceptable verification described in HH 4350.3, R1, C4, Paragraph 5-13, and then apply any COLA increase for the next two years.

To verify the COLA increase, the OA may use the award letter provided to the resident at the beginning of the year or may use a printout of the SSA web page announcing the COLA increase.
Other Fixed Income Sources

This new rule applies to any other source of income subject to adjustment by a verifiable COLA such as Veterans Administration benefits, Federal Employees' Retirement System (FERS), etc.

Private income sources can be verified using this new method as well. This includes IRAs, annuities, insurance payment and private pension plans and other similar types of periodic payments.

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.

HUD clearly states that you can use Streamlined Verification in HUD HSG Notice 16-09 Streamlining Regulations for HUD’s Multifamily Housing Programs.

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. 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) Please note – this is only allowable if the state agency approves use of this new methodology. Check with your state monitoring agency.

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 2016, Owner/agent meets with resident for AR. Resident discloses the following income and expenses:

❖ Social Security Survivor’s Benefits - $515.00/month (income cannot be verified using EIV)
❖ Annuity distribution of $500.00/month with an annual cost of living percentage increase of 5%
❖ Medicare 104.00
❖ Pension - $275.00/month – amount will never change
❖ Medical Expenses $2250.00
❖ Life Insurance – Cash value of asset = $100,000.00
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In 2016 (Year 1):
- OA accepts a printout from myssa.gov or an SSA award/benefit letter that is not more than 120 days old at the time of receipt to verify SS survivor’s benefits income and Medicare Part B premium
- 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
- OA accepts 12 months of receipts including the prescription print out from the pharmacy that is not more than 120 days old (based on the date of receipt, not the date of the 50059) to estimate other medical expenses for the upcoming year
- OA verifies the cash value and interest earnings of the life insurance with the life insurance provider

In 2017 (Year 2):
- Social Security announces a .3% COLA increase – Notice of the increase is provided to the resident via an award letter provided at the end of 2016. This information is also published on the Social Security Administration web site at www.ssa.gov. A copy of the original SS verification (from 2016) and the verification of the 2017 COLA increase (e.g. award/benefit letter or myssa.gov printout) should be attached to the AR in the tenant file.
- OA uses last year Medicare Part B Premium or OA accepts the award letter for 2017 showing the Medicare Part B premium
- Resident Survivor’s Benefits are not provided in EIV, so EIV cannot be used to verify SS income.
- OA applies the .3% increase to the previous year’s award of $515.00. Result is $516.55 x 12 = 6198.54. The resident file must contain some document showing the COLA increase. For example, this could be the notice provided to the resident or a printout of the Social Security web site announcement.
- OA makes a copy of the 2016 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 2017 AR
- OA applies the 5% COLA increase to the annuity amount because the annuity paperwork guarantees a 5% annual increase. 500.00 + 5% = $525.00 x 12 = $6300.00. A copy of the original verification paperwork (from 2016) and the verification showing the 5% annual increase should be attached to the 2017 AR in the tenant file. No additional verification paperwork is necessary.
- OA accepts 12 months of receipts including the prescription print out from the pharmacy that is not more than 120 days old (based on the date of receipt, not the date of the 50059) to estimate other medical expenses for the upcoming year
- OA verifies the cash value and interest earnings of the life insurance with the life insurance provider
In 2018 (Year 3):
❖ 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 2017. This information is also published on the Social Security Administration web site at 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 2016), verification of the COLA increase for 2017 and the verification of the 2018 COLA increase (e.g. award/benefit letter or myssa.gov printout) should be attached to the AR in the tenant file.
❖ OA applies the 4% increase to the previous year’s award of $516.55. Result is $537.21 x 12 = $6446.52. The resident file must contain some document showing the COLA increase. For example, this could be the notice provided to the resident or a printout of the Social Security web site announcement.
❖ OA uses last year Medicare Part B Premium or OA accepts the award letter for 2017 showing the Medicare Part B premium
❖ OA makes a copy of the 2016 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 2018 AR
❖ OA applies the 5% COLA increase to the annuity amount because the annuity paperwork guarantees a 5% annual increase. 525.00 + 5% = $551.25 x 12 = $6615.00. A copy of the original verification paperwork (from 2016) and the verification showing the 5% annual increase should be attached to the 2018 AR in the tenant file. No additional verification paperwork is necessary.
❖ OA accepts 12 months of receipts including the prescription print out from the pharmacy that is not more than 120 days old (based on the date of receipt, not the date of the 50059) to estimate other medical expenses for the upcoming year
❖ OA verifies the cash value and interest earnings of the life insurance with the life insurance provider

In 2019 (Year 1):
❖ OA accepts a printout from myssa.gov or an SSA award/benefit letter that is not more than 120 days old at the time of receipt to verify SS survivor’s benefits income and Medicare Part B premium
❖ 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
❖ OA accepts 12 months of receipts including the prescription print out from the pharmacy that is not more than 120 days old (based on the date of receipt, not the date of the 50059) to estimate other medical expenses for the upcoming year
❖ OA verifies the cash value and interest earnings of the life insurance with the life insurance provider

**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. This works for Social Security income, but there are a lot of other fixed income sources. This new methodology will make lives easier for most property managers.
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State SSI
- Property manager is in one of the 33 states that do not provide state SSI income amounts through EIV. These managers report problems getting verifications from the state. 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).
- 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

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 year’s 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 year’s 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

Unexplained SS Deductions
- Resident’s SS benefits are being reduced for prior overpayment, unpaid child support, unpaid student loans, unpaid VA benefits
- In these cases, the income information reflected in EIV is not complete.
- 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 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
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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

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

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

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
Now here is the big one and we are trying to get confirmation from the state agencies. Check with your state agency before using this verification method for LIHTC or other programs.

❖ Owner/agent is verifying information for Tax Credits, HOME or 515 programs.
❖ Owner/agents are prohibited from using EIV for verification purposes.
❖ Owner/agent can verify information using the streamlining methodology.

These are just some examples of situations where the Streamlining Final Rule makes the verification process easier.