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Prepared for Customers of Ross Business Development, Inc.

# RBD FASTFACTS – VERIFICATION OF CHECKING ACCOUNTS

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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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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.

# RBD FASTFACTS – VERIFICATION OF CHECKING ACCOUNTS

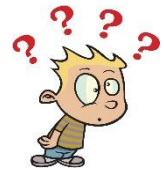
## VERIFICATION REQUIREMENTS – 120 DAYS

When an applicant or a resident has a checking account, HUD requires owner/agents to treat the checking account as an asset.

HH 4350.3 Appendix 3 indicates that owner/agents should use an average six month balance to determine the cash value of the checking account.

In Paragraph 5-16, HUD explains that verification documents cannot be more than 120 days old upon the date of receipt.

How do you make a bank statement that is six months old work for a verification that can be no more than 120 days old? No matter what, you can't make a six month old bank statement fit in to a 120 day cycle. It is impossible.



The trick, in this case, is to remember that you are verifying the average six month balance, not the monthly balance.

Verification of a six month average is based on the last statement. The six month average verified in the month of January may be based on certifications for July, August, September, October, November and December.

For example:

You have an AR effective 4/1/2021. Optimally, the AR is completed by 3/1 and submitted with the April voucher no later than 3/10/2021.

If the AR is completed by 3/1/2021, most information was probably gathered no later than 2/1/2021.

So, based on the 2/1/2021 date when the last of the paperwork is received by the manager, the statement dates for a checking account could be:

- July 1, 2020 – 210 days old on the date of receipt
- August 1, 2020 – 180 days old on the date of receipt
- September 1, 2020 – 150 days old on the date of receipt
- October 1, 2020 – 120 days old on the date of receipt
- November 1, 2020 – 90 days old on the date of receipt
- December 1, 2020 – 60 days old on the date of receipt

The average balance was derived on 2/1/2021 when the bank statements were provided by the resident to the OA – this is acceptable for a certification effective 4/1/2021.

The December bank statement is the most current document used to derive an average six month balance. Use December as the month used to derive compliance with the 120 day “term of verification” requirement.

December is within the 120 day cutoff for receipt on 2/1/2021; the December 2020 statement is about 60 days old on 2/1/2021.

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### AVERAGE SIX MONTH BALANCE

One of the most common errors we see involves determining the value of bank accounts.

- When determining the value of **savings accounts**, use the **current balance** indicated on the verification documents
- When determining the value of **checking accounts**, use the **average balance** over the last six months
  - HUD does not specify whether you should use the beginning or ending balance

Also, remember that, while the asset value cannot be negative, you do use any negative balance when determining the average monthly balance.

For example.

Ending Balance	Use	Do Not Use
100	100	100
25	25	25
-15	-15	0
10	10	10
-25	-25	0
80	80	80
Total = $175/6 = 29$	Cash value of the asset is \$29	Total = $215/6 = 36$

Alternatively, when the average six month balance is negative, the cash value is zero.

Ending Balance	Use
-100	-100
0	0
85	85
2	2
10	10
-12	-12
Total = $-15/6 = -2.5$	Cash value of the asset is zero.
TRACS will not accept an asset value that is less than zero.	