

FASTFacts – Interim Recertification with HOTMA Changes



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Owner/agents are not required to have a written Hardship Exemption Policy but it is strongly recommended.

The material contained in this document is not comprehensive of the continually emerging issues surrounding policies in HUD’s multi-family housing program. Handbook guidance is derived from The HUD Handbook 4350.3 Rev 1 Change 4 released in 2013, HSG Notice 2023-10 and subsequent notices and resources provided on HUD’s MFH HOTMA web page. RBD makes no warranty to the usability, compliance or legality of this document.

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This FASTFact was created using information available as of 8/2024.

FASTFacts – Interim Recertification with HOTMA Changes

INTRODUCTION

Note from RBD: We strongly suggest that owner/agents delay implementation of the new MFH Interim Recertification Rules until implementation of HOTMA compliant site software.

The rules for Interim Recertification are complex under HOTMA. First of all, owner/agents have to separate earned and unearned income.

GENERAL CHANGES

Currently, regardless of the change, residents are required to report changes that would result in an Annual Income increase of \$200 or more per month (\$2400 per year). Residents are required to report this change and:

1. Any change to household composition;
2. Any new employment if a resident was unemployed.

Residents may, but are not required to report changes that would result in an Annual Income decrease.

Owner/agents must process an Interim Recertification regardless of the amount of the decrease unless the owner/agent knows that the income will be fully or partially restored. Even a \$3.00 reduction requires an IR.

Under HOTMA, HUD indicates that residents must report any change that would result in an Annual Adjusted Income increase of 10% or more, but with certain caveats.

Residents may report changes that will result in an Annual Adjusted Income decrease; but owner/agents are not required to submit an Interim Recertification unless the change results in an Annual Adjusted Income decrease of 10% or more (or a lower percentage based on the owner/agent's written policy).

INCREASE TO EARNED INCOME

Under HOTMA, if a resident reports an **earned income increase**, regardless of the percentage, the owner/agent will not consider the earned income increase when determining whether Annual Adjusted Income (AAI) has increased 10% or more unless an IR reducing income has been submitted since the last AR.

See the examples starting on the next page.

FASTFacts – Interim Recertification with HOTMA Changes

Example: Earned Income Increase & Expense Increase No IR Reducing Income Since Last AR

- ✧ The Jordan family’s AR is effective 8/1/2025.
- ✧ In November, 2025, Jacinda moves from a part time job to a full time job and her income increases.
- ✧ Because Jacinda is working more hours, childcare has increased as well.
- ✧ Because there has been no IR reducing income for the Jones’ since the 8/1/2025 AR, the owner/agent will not consider any increase to earned income when determining if an IR is required. This is true even if the increase to earned income exceeds 10% of Annual Adjusted Income.
- ✧ **Since the change to earned income is not considered, the owner/agent does not have to verify the increased earned income amount until the next AR.**
- ✧ The change to childcare must be verified. Childcare cannot exceed the earned income amount shown on the 50059.

Jimmy (HOH), Jacinda (Spouse) and Jasmine (Minor Dependent) Jordan 8/1/2025 AR		Jimmy (HOH), Jacinda (Spouse) and Jasmine (Minor Dependent) Jordan IR Request 11/12/2024 Increase to earned income & increased childcare	
Jimmy's Earned Income	\$18,000	Jimmy's Earned Income	\$18,000
Jimmy's Unearned Income	\$0	Jimmy's Unearned Income	\$0
Jacinda's Earned Income (Part time)	\$12,000	Jacinda's Earned Income (Full time) Starting 11/1/2025, increase of \$12,000 (to \$24,000) but is not considered because IR reducing income has not been submitted since last AR.	\$12,000
Jacinda's Unearned Income	\$0	Jacinda's Unearned Income	\$0
Jasmine's Unearned Income	\$0	Jasmine's Unearned Income	\$0
Income from Assets (Checking Acct. Savings Acct)	\$119	Income from Assets (Checking Acct. Savings Acct)	\$119
Total Annual Income	\$30,119	Total Annual Income	\$30,119
Dependent Deduction	\$480	Dependent Deduction	\$480
Childcare	\$5,720	Childcare	\$10,920
Annual Adjusted Income	\$23,919	Annual Adjusted Income	\$18,719
		AAI Variance \$ (23919 – 18719)	-\$5,200
		AAI Variance % (5200 / 23919)	-21.74%

- ✧ In this example, since AAI has decreased by more than 10%, an IR is submitted to increase the Childcare Deduction.
- ✧ However, because the owner/agent has not submitted an IR to reduce income since the last AR, the owner/agent will not increase **earned income**.
- ✧ Because TTP is lower, the IR will be effective 12/1/2025.
- ✧ If the change to income is a permanent change, the increase to earned income should be included when the next AR is completed.

FASTFacts – Interim Recertification with HOTMA Changes

Note: This is a Two-Part Example

Example Cortez Family – No IR Reducing Income Since Last AR Reported Earned Income Increase, Unearned Income Decrease & Increase to Childcare Expense

- ✧ The Cortez family’s AR is effective 4/1/2025.
- ✧ In July, 2025, Carlita’s unemployment stops because she becomes employed. (Earned income increases and unearned income decrease). She will stop receiving unemployment benefits 7/23/2025. Her employment will start 7/21/2025.
- ✧ Because Carlita is now working, childcare has increased as well.
- ✧ Because there has been no IR reducing income for the Cortez family, the owner/agent will not consider any earned income increase when determining if an IR is required. This is true even if the earned income increase exceeds 10% of Annual Adjusted Income.
- ✧ Since change to earned income is not considered, the owner/agent does not have to verify the increased earned income amount until the next AR.
- ✧ The discontinuation of Unemployment must be verified.
- ✧ The change to childcare must be verified.

Carlos (HOH), Carlita (Spouse), Corrina (Minor Dependent) and Cesar (Minor Dependent) Cortez		Carlos (HOH), Carlita (Spouse), Corrina (Minor Dependent) and Cesar (Minor Dependent) Cortez IR Request	
Carlos's Earned Income	\$18,000	Carlos's Earned Income	\$18,000
Carlos's Unearned Income	\$0	Carlos's Unearned Income	\$0
Carlita's Earned Income	\$0	Carlita's Earned Income - new job \$8600 but not considered because IR reducing income has not been submitted since last AR	\$0
Carlita's Unearned Income (Unemployment)	\$16,380	Carlita's Unearned Income (Unemployment)	\$0
Corrina's Unearned Income	\$0	Corrina's Unearned Income	\$0
Cesar's Unearned Income	\$1	Cesar's Unearned Income	\$1
Income from Assets (Checking Acct. Savings Acct)	\$119	Income from Assets (Checking Acct. Savings Acct)	\$119
Total Annual Income	\$34,500	Total Annual Income	\$18,120
Dependent Deduction	\$960	Dependent Deduction	\$960
Childcare	\$3,900	Childcare	\$5,000
Annual Adjusted Income	\$29,640	Annual Adjusted Income	\$12,160
Monthly Adjusted Income	\$2,470	Monthly Adjusted Income	\$1,013
TTP	\$741	TTP	\$304
		AAI Variance \$ (12160 - 29640)	-\$17,480
		AAI Variance % (-17480 / 29640)	-58.97%

- ✧ In this example, an IR is submitted to reflect the unearned income decrease and increase the Childcare Deduction.
- ✧ However, because the owner/agent has not submitted an IR to reduce income since the last AR, the owner/agent will not increase earned income.
- ✧ Because TTP is lower, the IR will be effective 8/1/2025.
- ✧ If the change to income is a permanent change, the increase to earned income should be included when the next AR is completed.

FASTFacts – Interim Recertification with HOTMA Changes

**Note. This IR is reducing income. If the Cortez family reports another earned income increase before the next AR, the owner/agent will include this earned income increase and the reported earned income increase when creating the next IR (before the next AR) See the next example.*

Example Cortez Family (continued) – Second IR Request Reported Earned Income Increase

- ✧ On 10/1/2025, the Cortez family reports that Carlos received a raise.
- ✧ Since an IR reducing income has been submitted since the last AR, the owner/agent will now consider increases to earned income.
- ✧ Both the earned income increase for Carlita and the earned income increase for Carlos must be verified.
- ✧ Both increases will be included on the new 50059.

Carlos (HOH), Carlita (Spouse), Corrina (Minor Dependent) and Cesar (Minor Dependent) Cortez IR Request - Carlita gets a job 7/21/2025		Carlos (HOH), Carlita (Spouse), Corrina (Minor Dependent) and Cesar (Minor Dependent) Cortez IR Request - Carlos gets a raise 10/1/2025	
Carlos's Earned Income	\$18,000	Carlos's Earned Income increase is now considered because IR reducing income has been submitted since last AR	\$22,000
Carlos's Unearned Income	\$0	Carlos's Unearned Income	\$0
Carlita's Earned Income - new job \$8600 but not considered because IR reducing income has not been submitted since last AR	\$0	Carlita's Earned Income - new job \$8600 is now considered because IR reducing income has been submitted since last AR	\$8,600
Carlita's Unearned Income (Unemployment)	\$0	Carlita's Unearned Income (Unemployment)	\$0
Corrina's Unearned Income	\$0	Corrina's Unearned Income	\$0
Cesar's Unearned Income	\$1	Cesar's Unearned Income	\$1
Income from Assets (Checking Acct. Savings Acct)	\$119	Income from Assets (Checking Acct. Savings Acct)	\$119
Total Annual Income	\$18,120	Total Annual Income	\$30,720
Dependent Deduction	\$960	Dependent Deduction	\$960
Childcare	\$5,000	Childcare	\$5,000
Annual Adjusted Income	\$12,160	Annual Adjusted Income	\$24,760
Monthly Adjusted Income	\$1,013	Monthly Adjusted Income	\$2,063
TTP	\$304	TTP	\$619
		AAI Variance \$	\$12,600
		AAI Variance %	103.62%

- ✧ The owner/agent sends a Notice of Rent Increase (which includes a Notice of Requirement to sign) to the Cortez family on October 15, 2025.
- ✧ The new IR is effective on 12/1/2025.

Owner/agents also have the option to disregard ANY increases to earned income except at MI, IC and AR (no IR). When this is the case, the owner/agent is no longer required to review the EIV New Hires Report.

Owner/agents must document their practice and it must be explained in the property TSP. The deadline for updating the TSP was May 31, 2024.

FASTFacts – Interim Recertification with HOTMA Changes

INCREASE TO UNEARNED INCOME

If a resident reports an increase to **unearned income**, the owner/agent must determine if that increase results in an AAI increase of 10% or more. If it does, then the owner/agent **MUST** submit an IR. An owner/agent must not modify the 10% for income increases.

Example Mr. Beck - IR Request Reported Unearned Income Increase

- ✧ Mr. Beck is a senior living in Sterling Estates – a Section 8 Elderly Property.
- ✧ Mr. Beck’s AR is effective on June 1.
- ✧ On September 1, Mr. Beck reports that he will begin receiving \$574 per month SSI starting 9/1/2025.

Mr. Beck is a senior living in Sterling Estates. AR is 6/1/2025.		Mr. Beck is a senior living in Sterling Estates. AR is 6/1/2025. IR Request to add SSI income.	
Mr. Beck's Social Security Income	\$12,000	Mr. Beck starts receiving SSI	\$18,888
Mr. Beck's Income from Assets	\$625	Mr. Beck's Income from Assets	\$625
Mr. Beck’s Annual Income	\$12,625	Mr. Beck’s Annual Income	\$19,513
10% of Annual	\$1,263	10% of Annual	\$1,951
Mr. Beck’s Medical Expenses	\$2,758	Mr. Beck’s Medical Expenses	\$2,758
Mr. Beck's Medical Expense Deduction	\$1,496	Mr. Beck's Medical Expense Deduction	\$807
Elderly Disabled Family Deduction	\$525	Elderly Disabled Family Deduction	\$525
Annual Adjusted Income	\$10,605	Annual Adjusted Income	\$18,181
Monthly Adjusted Income	\$884	Monthly Adjusted Income	\$1,515
TTP	\$265	TTP	\$455
		AAI Variance \$	\$7,577
		AAI Variance %	71.45%

- ✧ The owner/agent sends a Notice of Rent Increase (which includes a Notice of Requirement to sign) to Mr. Beck on September 15, 2025.
- ✧ The new IR is effective on 11/1/2025.

INCOME DECREASES

For income decreases, the owner/agent is required to submit an IR if the income decrease results in an AAI decrease of 10% or more.

The owner/agent may establish a lower percentage.

This must be described in the property TSP no later than May 31, 2024.

FASTFacts – Interim Recertification with HOTMA Changes

This is a Two-Part Example Example Aziz Family (continued) –IR Request Reported Earned Income Decrease – No IR

- ✧ The Aziz Family lives in Azalea Gardens – a Section 8 Family community.
- ✧ The Aziz family’s AR is effective 2/1/2025.
- ✧ In April, 2025, Amina reports that she changed jobs on March 20 and her income decreases.
- ✧ The owner/agent verifies the start date and new earned income amount.

Amal (HOH), Amina (Spouse) and Akbar & Alima (Minor Dependents) Aziz		Amal (HOH), Amina (Spouse) and Akbar & Alima (Minor Dependents) Aziz IR Request	
Amal's Earned Income	\$26,500	Amal's Earned Income	\$26,500
Amal's Unearned Income	\$0	Amal's Unearned Income	\$0
Amina's Earned Income (Full time)	\$18,000	Amina's Earned Income (Part-time) Decreased to \$16,000.	\$16,000
Amina's Unearned Income	\$0	Amina's Unearned Income	\$0
Akbar's Unearned Income	\$0	Akbar's Unearned Income	\$0
Alima's Unearned Income	\$0	Alima's Unearned Income	\$0
Income from Assets (Checking Acct. Savings Acct. Money Market)	\$519	Income from Assets (Checking Acct. Savings Acct)	\$519
Total Annual Income	\$45,019	Total Annual Income	\$43,019
Dependent Deduction	\$960	Dependent Deduction	\$960
Childcare	\$11,500	Childcare	\$11,500
Annual Adjusted Income	\$32,559	Annual Adjusted Income	\$30,559
Monthly Adjusted Income	\$2,713	Monthly Adjusted Income	\$2,547
TTP	\$814	TTP	\$764
		Variance \$	-\$2,000
		Variance %	-6.14%

- ✧ In this example, an IR is not submitted to reflect the earned income decrease because the net change to Annual Adjusted Income is less than 10% and the owner/agent has not implemented a lower percentage.
- ✧ If the change to income is a permanent change, the decrease to earned income will be included when the next AR is completed.

FASTFacts – Interim Recertification with HOTMA Changes

Example Berger Family (continued) –IR Request Reported Earned Income Decrease – IR

- ✧ The Berger family lives in Magnolia Gardens – a Section 8 family community.
- ✧ The Berger family’s AR is effective 4/1/2025.
- ✧ In May, 2025, Brianna reports that she changed jobs on May 15, and her income decreases.
- ✧ The owner/agent verifies the start date and new earned income amount.
- ✧ The Berger’s daughter Brynn has Down’s Syndrome and requires attendant care during the day which enables Bennett to work.

Bennett (HOH), Brianna (Spouse) and Bailey & Brynn (Minor Dependents) Berger		Bennett (HOH), Brianna (Spouse) and Bailey & Brynn (Minor Dependents) Berger	
Bennett's Earned Income	\$29,250	Bennett's Earned Income	\$29,250
Bennett's Unearned Income	\$0	Bennett's Unearned Income	\$0
Brianna's Earned Income	\$18,000	Brianna's Earned Income	\$9,000
Brianna's Unearned Income	\$0	Brianna's Unearned Income	\$0
Bailey's Unearned Income	\$0	Bailey's Unearned Income	\$0
Brynn's Unearned Income	\$9,768	Brynn's Unearned Income	\$9,768
Income from Assets (Checking Acct. Savings Acct. Money Market)	\$519	Income from Assets (Checking Acct. Savings Acct)	\$519
Total Annual Income	\$57,537	Total Annual Income	\$48,537
10% of Annual Income	\$5,754	10% of Annual Income	\$4,854
Attendant Care & Auxiliary Apparatus Expense	\$12,500	Attendant Care & Auxiliary Apparatus Expense	\$12,500
Attendant Care & Auxiliary Apparatus Deduction	\$6,746	Attendant Care & Auxiliary Apparatus Deduction	\$7,646
Dependent Deduction	\$960	Dependent Deduction	\$960
Childcare	\$7,500	Childcare	\$7,500
Annual Adjusted Income	\$42,331	Annual Adjusted Income	\$32,431
Monthly Adjusted Income	\$3,528	Monthly Adjusted Income	\$2,703
TTP	\$1,058	TTP	\$811
		Variance \$	-\$9,900
		Variance %	-23.39%

- ✧ Note that, while Brianna’s income decrease was \$9,000, the net change to Annual Adjusted Income is \$9,900 because of the change to the deduction for Attendant Care & Auxiliary Apparatus.
- ✧ Because the AAI decrease is greater than 10%, the owner/agent must submit an IR effective 6/1/2025.

Regardless of whether owner/agents use 10% or a lower percentage, owner/agents are always required to submit an IR if a family member is removed and the AAI decreases by any amount.