

# FASTFacts – HUD Verification 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 7/2024.*

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## INTRODUCTION

HOTMA modifies the verification Hierarchy effective when HOTMA compliant site software is available and implemented.

While verification is described in the property TSP (as of 5/31/2024), there is no requirement to notify applicants or existing residents of changes to HUD's verification requirements.

Much of the information in the FASTFact is presented in the same manner that verification is described in our [FASTForms TSP](#).

## HUD'S VERIFICATION REQUIREMENTS

The owner/agent shall obtain verifications in compliance with requirements set forth by the Department of Housing and Urban Development.

All information must be verified as required by HUD and described in these procedures.

## METHODS OF VERIFICATION

Verifications will be attempted as follows:

1. *(Note from RBD: Use of Means-tested Verification is optional. However, if an owner/agent uses means-tested verification, the practice must be fully explained in the TSP. Please delete this note before completing your edits.) (Note from RBD: HUD allows for Means-tested Verification from the listed sources. If the owner/agent wishes to use selected Means-tested verification sources, the owner/agent should refer to the Housing Notice and edit this section explaining Means-tested Verification as appropriate. Our recommendation is to only allow for use of Mean-tested Verification using sources related to housing since income inclusions and exclusions are similar. In some cases, owner/agents may only want to use this information if the owner/agent is processing an applicant that lives on a property that is owned or managed by the owner/agent; if that is the case, the language should be added. Please delete this note before completing your edits.)* **Means-tested Verification (also known as Safe Harbor).** **Option 1:** The owner/agent will not accept Means-tested (Safe Harbor) Verification

**Option 2:** *(Note from RBD: HUD allows for Means-tested Verification from the listed sources. If the owner/agent wishes to use selected Means-tested verification sources, the owner/agent should refer to the Housing Notice. Our recommendation is to only allow for use of Mean-tested Verification using sources related to housing since income inclusions and exclusions are similar. In some cases, owner/agents may only want to use this information if the owner/agent is processing an applicant that lives on a property that is owned or managed by the owner/agent.)* When verifying income at Move-in/Initial Certification, Annual Recertification and Interim Recertification, the owner/agent may determine a family's Annual Income, including income from assets, prior to the application of any deductions, based on income determinations made within the previous 12-month period, using income determinations from the following types of means-tested federal public assistance programs:

- The Temporary Assistance for Needy Families block grant (42 U.S.C. 601, et seq.).
- Medicaid (42 U.S.C. 1396 et seq.).
- The Supplemental Nutrition Assistance Program (42 U.S.C. 2011 et seq.).
- The Earned Income Tax Credit (26 U.S.C. 32).
- The Low Income Housing Tax Credit (26 U.S.C. 42).
- The Special Supplemental Nutrition Program for Woman, Infants, and Children (42 U.S.C. 1786).
- Supplemental Security Income (42 U.S.C. 1381 et seq.).
- Other programs administered by the Secretary.
  - HUD's Public & Indian Housing Program using HUD form 50058;
  - HUD's Multifamily Housing Programs using HUD form 50059;
  - HUD's HOME Housing Program.
- The Treasury's Low Income Housing Tax Credit Program (26 U.S.C. 42) TIC;
- Other means-tested forms of federal public assistance for which HUD has established a memorandum of understanding.
- Other federal benefit determinations made by other means-tested federal programs that the Secretary determines to have comparable reliability and announces through a Federal Register notice.

*(Note from RBD: Use of Means-tested Verification is optional. If an owner/agent accepts Means-tested verification, the owner/agent must specify what happens when an applicant or resident produced multiple means-tested verification documents.)*

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*Since housing programs tend to use the same income inclusions and exclusions, we have opted to choose housing sources over all other sources. The practice must be fully explained in the TSP.) Example:* If the applicant/resident provides multiple forms of Means-tested Verification for the same family, verification from housing programs will take precedence over other sources.

The Means-tested verification must state the family size, must be for the entire family (i.e., the family members listed in the documentation must match the family’s composition in the assisted unit, except for non-family members), and must state the amount of the family’s Annual Income. The Annual Income need not be broken down by family member or income type.

Annual Income includes income earned from assets, therefore when using Means-tested Verification (also known as Safe Harbor) to verify a family’s income, the owner/agent will not inquire about a family’s net family assets, nor about the income earned from those assets. For any applicants applying for HUD’s Section 8 assistance, the owner/agent will confirm that:

- The net cash value of all family assets does not exceed HUD’s current Asset Cap; and
- That no member of the applicant family owns real property suitable for occupancy (See the explanation of the Real Property Rule as explained in this document).

The Means-tested Verification (Safe Harbor) must show that the family’s income determination was made within the 12 months prior to the receipt of the verification by the owner/agent. The Means-tested Verification (also known as Safe Harbor) documentation will be considered acceptable if any of the following dates fall into the 12-month period prior to the receipt of the documentation by the owner/agent.

1. Income determination effective date;
2. Program administrator’s signature date;
3. Family’s signature date;
4. Report effective date; or
5. Other report-specific dates that verify the income determination date.

The only information that owner/agents are permitted to use to determine income under this Means-tested Verification (also known as Safe Harbor) is the total income determination made by the federal means-test program administrator. Other federal programs may provide additional information about income inclusions and exclusions in their documentation; however, these determinations and any other information **will not** be considered by the owner/agent for purposes of the Means-tested Verification (also known as Safe Harbor) provision. Owner/agents are not permitted to mix and match Safe Harbor income determinations and other income verifications;

*(Note from RBD: This is a personal preference and is not required language. Since employment income would have to be verified if any of the following are true, I have opted to throw out means-tested verification in these cases. Decide what you want your policy to be and edit accordingly.) Example:* The owner/agent will not use Means-tested Verification (Safe Harbor) when:

- a. The family wishes to use a Childcare Deduction when childcare enables a member to work;
  - b. The family wishes to use the Attendant Care & Auxiliary Apparatus Expense Deduction;
  - c. Any member of the family is participating in HUD’s Family Self-Sufficiency (FSS) program.
2. **Upfront Income Verification (UIV)** using HUD’s Enterprise Income Verification (EIV) system (EIV may be used as the sole verification of Social Security income);
  3. **Upfront Income Verification (UIV)** using non-EIV resources (e.g., Work Number, web-based state benefits system, etc.);
  4. **Written, third-party verification from the source, also known as “tenant-provided verification”**. An original or authentic document generated by a third-party source dated within 120 days of the date received by the owner/agent. (e.g., resident provided bank statement). For fixed-income sources, a statement for the appropriate benefit year is acceptable documentation. Owner/agents may also accept third-party verification directly from the verification source. For example, owner/agents may (but are not required to) obtain verification of disability directly from a medical care provider (e.g., physician, physical therapist, etc.) or may accept a letter provided by the provider to the resident;
  5. **EIV with Self-Certification (Employment or Unemployment Income)**. The EIV Income Report may be used to verify and calculate income if the family self-certifies that the amount is accurate and representative of current income. The family will be provided with the information from EIV. Owner/agents should establish a policy of

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which information can be used. For example, owner/agent may only want to use quarterly employment income information that is no more than 12 months old.

6. **A Written Third-party Verification Form (as appropriate);**
7. **Oral verification.** When verifying information over the telephone or via the internet, it is important to be certain that the person is the party he or she claims to be. When verifying information by phone, the owner must record and include in the tenant's file the following information:
  - a. Third-party's name, position, and contact information;
  - b. Information reported by the third party;
  - c. Name of the person who conducted the telephone/internet interview; and
  - d. Date and time of the call.
8. **Family Self-Certification.** In the absence of any of the above or as provided in HUD guidance, notarized or witnessed self-certification from the household member (*the owner/agent is not required to accept family/self-certification*). Except when accepted based on HUD guidance (e.g., Streamlining, Assets Disposed, etc.), when the owner/agent accepts Family Self-Certification, the tenant file will be documented, when appropriate, to show that staff attempted other acceptable verification before relying on family self-certification.

### **SOURCES OF INFORMATION**

Sources of information may include, **but are not limited to:**

- Any Member Of The Applicant Family;
- Present And Former Housing Providers/Landlords;
- Present And Former Employers;
- Banks;
- Insurance Companies;
- Any Asset Manager;
- Family Members;
- Any Person Or Organization Providing Gifts/Regular Contributions To Any Member;
- Social Workers/Parole Officers;
- HUD's Enterprise Income Verification System (EIV);
- The Work Number or other like source;
- Court Records;
- Health Providers;
- Physicians;
- Clergy;
- Schools/Institutes Of Higher Education;
- Department Of Homeland Security (DHS);
- Department of Health and Human Services (HHS);
- The Internal Revenue Service (IRS);
- The Social Security Administration (SSA);
- Medicare/Medicaid;
- Representative Of The United States Armed Forces;
- Any Federal/Local Benefit Providers;
- Pharmacies;
- Utility Providers;
- The World Wide Web (Internet).

The owner/agent will be the final judge of the credibility of any verification submitted by an applicant. If the owner/agent questions the validity of a document or the validity of information provided the owner/agent may request alternative verification.

### **PERIOD FOR VERIFICATION**

Except where HUD allows, only verified information that is less than 120 days old may be used for verification. This does not apply to Means-tested verification which may be used for up to 12 months.

Verified information not subject to change (such as a person's date of birth) will not be re-verified.

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### **CHANGES TO VERIFICATION SOURCES**

HOTMA also changes specific verification requirements for some income and asset sources.

#### **FIXED INCOME SUCH AS SOCIAL SECURITY, VA, ETC.**

Owner/agents may use an award letter for the entire award year. COLA increases must be included starting:

1. The day after the COLA is announced;
2. For all incomplete certifications effective in the award year.

See the FASTFact – Determining Income When COLA is Announced with HOTMA Changes.

#### **FINANCIAL ACCOUNTS SUCH AS SAVINGS, CHECKING, MONEY MARKETS ET.AL.**

Owner/agents are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts.

Prior to the implementation of HOTMA verification requirements, MFH Owners were required to average the balance of six checking account statements to determine the cash value of a checking account.

#### **EMPLOYMENT INCOME**

When creating Annual Recertifications, owner/agents may use information provided on the EIV Income Report to determine income for the previous 12 months. If the owner/agent opts to use EIV to verify employment income, the resident must provide a self-certification that the information is correct and that the income will remain the same in the upcoming 12 months. The income source does not have to remain the same. This means that, for someone who has irregular income, owner/agents can use prior year income when creating the Annual Recertification.

If an owner/agent does not use EIV and the owner/agent is not using an alternative Up-front Income Verification System like the Work Number, owner/agents are required to attempt to obtain a minimum of two current and consecutive pay stubs for determining projected annual income from wages when they are relying on pay stubs for verification.

Prior to the implementation of HOTMA verification requirements, owner/agents were required to collect the most recent four pay stubs to verify employment income. For new income sources or when two pay stubs are not available, the owner/agent should determine income based on the information from a traditional written, third-party verification form or the best available information.

#### **TAX REFUNDS/TAX CREDITS**

Federal Tax Refunds and Tax Credits can be used to reduce the net cash value of assets. Income tax returns with corresponding official tax forms and schedules attached and including third-party receipt of transmission for income tax return filed (i.e., tax preparer's transmittal receipt, summary of transmittal from online source, etc.) are an acceptable form of written, third-party verification.

### **STREAMLINING**

*Note from RBD: Streamlining is optional. Owner/agents should choose which option they wish to incorporate. At RBD, we recommend full implementation of Streamlining.)* The owner/agent has implemented the following Streamlining processes.

#### **STREAMLINED DETERMINATION OF FIXED INCOME**

**Option 1:** The owner/agent will not adopt Streamlined Determination of Fixed Income except for January – April certifications. Once the SS COLA is announced, the SS COLA will be applied for any certifications, for the award year, that were not complete on the date of the announcement.

**Option 2:** At move-in and at least every three years, owner/agents will verify income from any fixed income source using verification methods described above. In Year 2 and in Year 3, owner/agents will apply any published/documented COLA or Fixed Percentage Increase to the previous year's fixed income amount. For

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January – April certifications. Once the SS COLA is announced, the SS COLA will be applied for any certifications, for the award year, that were not complete on the date of the announcement.

### **STREAMLINED VERIFICATION OF ASSETS**

**(Asset Threshold Subject To Annual Adjustment by HUD = \$50,000 in 2024/\$51,600 in 2025).**

**Option 1:** The owner/agent will not adopt Streamlined Verification of Assets.

**Option 2:** At move-in and at least every three years, owner/agents will verify the cash value of assets that are not specifically excluded, and will verify the income from those assets when possible. In Year 2 and in Year 3, owner/agents will conduct such verification only if the net cash value of all family assets exceeds the current Asset Threshold. If the net cash value of all family assets (except those specifically excluded), is equal to or less than the current Asset Threshold, the owner/agent will accept the families notarized or witnessed self-certification providing the net cash value of assets not specifically excluded and any known income from those assets. *Note from RBD: HUD gives owner/agents the option to accept self-certification of assets at Move-in/IC without verifying first. Choose the appropriate option and delete the alternative option.)*

**Option 1** The owner/agent will accept Self-certification of Assets at move-in as long as the net cash value of assets does not exceed the current Asset Threshold and the resident also provides anticipated income for those assets.

**Option 2** The owner/agent will not accept Self-certification of Assets at move-in.

Owner/agents will need to create a standard self-certification form that asks applicants and residents to self-certify assets. This could be part of the application and could be part of an AR Questionnaire. At RBD, we have created several FASTForms that accomplish this task. Self-Certification Assets ([Self Certification Assets](#)), the 120 Day Reminder Notice that includes the AR Questionnaire ([Notice AR 120Day Questionnaire AR](#)), and the applications ([Application 202PRAC](#), [Application 202S8](#), [Application 811PRAC](#), [Application S8Elderly](#), [Application S8Family](#), [Application IR PRAC New Adult](#), [Application IR S8 New Adult](#)).

### **STREAMLINED CERTIFICATION FOR FIXED INCOME FAMILIES**

One of the best options introduced in 2018 is Streamlined Certification for Fixed Income Families. Highly recommended for all properties, but especially for properties serving seniors and people with disabilities, Streamlined Certification for Fixed Income Families simplifies the certification process for both owner/agents and residents. Often, in the Streamlining Years (Year 2 and Year 3), the only thing that needs to be verified is the Medical Expense. Income is verified once every three years and residents can self-certify the value of assets and income from assets as long as the value of included assets does not exceed the current Asset Threshold (\$50,000 in 2024).

Owner/agents must describe this option in the TSP.

**Option 1:** The owner/agent will not implement Streamlined Certification for Fixed Income Families.

**Option 2:** When 90% or more of the total annual income is derived from a fixed income source (e.g., Social Security, Pension, Annuity), at move-in and at least every three years, owner/agents will verify the cash value of assets that are not specifically excluded, any fixed income amounts and the amount of any income that is not fixed. In Year 2 and in Year 3, the owner/agent will apply Streamlined Determination of Fixed Income and Streamlined Verification of Assets. The owner/agent will also accept self-certification of amounts that are not fixed or the owner/agent will use the amount of income that is not fixed on the most recent 50059 in effect at the time of any certification interview.

*(Note from RBD: This is a personal preference and is not required language.)* Streamlined Verification of Assets and Streamlined Certification will not be utilized if any member of the family has received a lease violation for failing

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to fully and accurately report income information or if any member of the family has been required to return an improper payment to the Department of Housing & Urban Development.

### **CONCLUSION**

As industry stakeholders can see, old and new verification methods have been incorporated in to a new HOTMA Verification Process that can considerably reduce the verification burden for both property management teams, applicants and residents.

Commitment to adopting these new methods is required to ensure higher Management & Occupancy Review scores.