



For Customers of Ross Business Development, Inc.

RBDFASTFACTS HUD'S CURRENT VERIFICATION REQUIREMENTS

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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 3/22.

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

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FASTFacts HUD's Current Verification Requirements

In recent months, we have seen an increasing number of requests to assist owner/agents in their response to findings related to verification - specifically income verification.

It seems as if the industry may not have received all of the information about how significantly income verification has changed since 2013. Major changes were introduced in 2013 with the release of *HH 4350.3 Change 4*, in 2016 with the approval of *Streamlined Verification of Fixed Income*, and again in 2017 and 2020 with the approval of *Streamlined Verification of Assets* and *Streamlined Certification for Fixed Income Families*.

See below for a recap of how verification has changed.

Since 2013, industry trainers have been struggling to convince owner/agents to accept newer, more efficient verification methods.

The old way. Before the release of HH 4350.3 Change 4, HUD provided the previous guidance.

Written. Written documentation sent directly by a third-party source is the preferred method of verification. It is assumed that third-party sources will send written verification to the owner through the mail.

The applicant or tenant should not hand-carry the verification to or from a third-party source. If the verification does not contain an original signature or is delivered by the applicant or tenant, the owner should examine the document for evidence of tampering. In these situations, the owner may, but does not have to, accept the document as acceptable verification.

That language was removed with the release of Change 4 in 2013.

Now, when explaining requirements for written verification, the Handbook reads as follows:

Third-party verification from source (written)

(1) An original or authentic document generated by a third-party source that is dated within 120 days from the date of receipt by the owner. Such documentation may be in possession of the tenant (or applicant), and is commonly referred to as tenant-provided documents. These documents are considered third-party verification because they originated from a third-party source.

Examples of tenant-provided documentation that may be used include, but is not limited to: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

Owners must consider the following when using tenant-provided documentation:

(a) Is the document current? Documentation of public assistance may be inaccurate if it is not recent and does not show any changes in the family's benefits or work and training activities.

(b) Is the documentation complete? Owners may not accept pay stubs to document employment income unless the applicant or tenant provides the most recent four to six, consecutive pay stubs to illustrate variations in hours worked. Actual paychecks or copies of paychecks should never be used to document income because deductions are not shown on the paycheck.

(c) Is the document an unaltered original? The greatest shortcoming of tenant-provided documents as a verification source is their susceptibility to undetectable change through the use of high-quality copying equipment. Documents with original signatures are the most reliable. Photocopied documents generally cannot be assumed to be reliable.

(2) Written documentation sent directly by the third-party source by mail or electronically by fax, email or internet.

FASTFacts HUD's Current Verification Requirements

HUD has also removed the old verification guidance, which required owner agents to 1) first attempt to obtain written verification from the source, 2) wait 14 days for a response and 3) document the tenant file before choosing to review documents or use other verification.

Review HH 4350.3 Paragraphs 5-13, 5-16 and 5-18 together to get a complete picture of the new verification process.

Methods of Verification

Owners must use verification methods that are acceptable to HUD. The owner is responsible for determining if the verification documentation is adequate and credible. Acceptable methods of verification, in order of acceptability:

- 1) Upfront-income verification (UIV) with use of EIV being mandatory and use of non-EIV UIV being optional;*
- 2) Third-party verification from source (written), (which is described in more detail above)*
- 3) Third-party verification from source (oral), and*
- 4) Family certification.*

If third-party verification is not available, owners must document the tenant file to explain why third-party verification was not available.

Also refer to Paragraph 5-18E.

When third-party verification is not available, owners must document in the file efforts made to obtain the required verification and the reason the verification was not obtained. The owner must include the following documents in the applicant's or tenant's file:

- 1) A written note to the file explaining why third-party verification is not possible; or*
- 2) A copy of the date-stamped original request that was sent to the third party; (Note from RBD: If applicable)*
- 3) Written notes or documentation indicating follow-up efforts to reach the third party to obtain verification; and*
- 4) A written note to the file indicating that the request has been outstanding without a response from the third party.*

If you call the verifier, you must comply with documentation requirements established by HUD in HH 4350.3 Paragraph 5-18C.

Documenting Telephone Verification

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 interview; and*
- d. Date and time of the telephone call.*

As stated in HH 4350.3 Paragraph 5-13, you may accept family self-certification after attempting third-party verification.

Keep in mind that the family certification must be either notarized or witnessed. Property managers can provide witness signatures.

FASTFacts HUD's Current Verification Requirements

Streamlined Verification

In 2016 and 2017 HUD added additional flexibility by introducing Streamlined Verification for assets and fixed income. HUD also introduced Streamlined Certification for residents whose fixed income represents 90% of the total household income.

See [HSG Notice 16-09 Streamlining Administrative Regulations for Multifamily Housing Programs and the Federal Register Streamlining Administrative Regulations for Multifamily Housing Programs and Implementing Family Income Reviews Under the Fixing America's Surface Transportation \(FAST\) Act.](#)

[And](#)

[Final Rule Streamlining Administrative Regulations for Multifamily Housing Programs and Implementing Family Income Reviews Under the Fixing America's Surface Transportation \(FAST\) Act.](#)

Streamlined Verification of Assets: For HUD programs, if verified assets are \$5000.00 or less, owner/agents may accept self-certification of assets for the next three years. No additional action is required.

Streamlined Verification of Fixed Income: For HUD programs, if a resident receives income from a fixed income source, verification is required only every three years. Application of a verified COLA is all that is required for years two and three.

Of course, the use of EIV to verify Social Security income and the Medicare Part B expense will continue.

Other fixed income includes veterans' benefits, pensions, some family assistance, etc.

Streamlined Certification for Fixed Income Families: For HUD programs, if the individual/family is a fixed-income family, the owner/agent can use Streamlined Verification of Fixed Income as described above. When the resident also has income that is not fixed, the owner/agent verifies year one and can either use the same income amount or accept self-certification of income that is not fixed for year two and year three.

Using Streamlined Verification will make the verification tasks much easier.

If you are not familiar with how to project and verify annual income, see our [RBD OnDemand Training Annual Income and Verification of Income Basics.](#)

If you are not familiar with Streamlined Verification and Streamlined Certification, see our [RBD OnDemand Training – Streamlined Verification and Implementation of the FAST Act](#)