

HOUSING and COMMUNITY DEVELOPMENT

(Formerly known as Public Housing and Community Development)

HOTMA PROVISIONS PENDING IMPLEMENTATION OF HIP

APPENDIX VI

OF THE

ADMISSIONS AND CONTINUED OCCUPANCY POLICY (ACOP)

Effective Date: July 1, 2025

APPENDIX VI

Housing Opportunity Through Modernization Act (HOTMA) of 2016

On July 29, 2016, the Housing Opportunity Through Modernization Act of 2016 (HOTMA) was signed into law. HOTMA made numerous changes to statutes governing HUD programs, including sections of the United States Housing Act of 1937.

1. The Final Rule implementing broad changes to income and asset in Sections 102 and 104 of HOTMA, and for public housing authorities (PHAs) that administer the public housing program over-income provisions in Section 103, was officially published in the Federal Register on February 14, 2023.
 - a) On September 29, 2023, HUD issued notice PIH 2023-27, which provided guidance to PHAs on the implementation of the program changes described in the Final Rule related to income and assets; this was reissued on February 2, 2024, to provide revisions and further guidance.
 - b) On December 17, 2024, HUD issued notice PIH 2024-38, which provided updated guidance to PHAs on compliance with HOTMA for income exclusions, definitions, and de minimis errors no later than July 1, 2025. HUD will not be enforcing compliance with any other provision by January 1, 2025. HUD will issue further guidance on the compliance deadline for all other provisions, when there is more information about when PHAs will be able to submit HOTMA-compliant HUD-50058 forms in HIP.

However, in preparation, this Appendix VI contains required and discretionary policies that will be incorporated into the Admissions and Continued Occupancy Policy (ACOP) Plan upon HUD's release of compliance date.

Chapter III. Eligibility for Admission and Assignment Plan

D. Verification of Assets for Applicants

1. Housing and Community Development (HCD) will fully verify the net family assets and anticipated income earned from assets at new admission. A minimum of two (2) consecutive bank statements must be provided.
2. Excluded from Net Family Assets

Necessary personal property is excluded from net family assets. Non-necessary personal property with a combined value greater than \$50,000, as adjusted by inflation, is considered part of net family assets. When the combined value of all non-necessary personal property does not exceed \$50,000, as adjusted by inflation, all non-necessary personal property is excluded from net family assets.

HOTMA PROVISIONS PENDING IMPLEMENTATION OF HIP
Appendix VI of the Admissions and Continued Occupancy Policy

Necessary personal property are items essential to the family for the maintenance, use, and occupancy of the premises as a home; or they are necessary for employment, education, or health and wellness. Necessary personal property includes more than merely items that are indispensable to the bare existence of the family. It may include personal effects (such as items that are ordinarily worn or utilized by the individual), items that are convenient or useful to a reasonable existence, and items that support and facilitate daily life within the family's home. Necessary personal property does not include bank accounts, their financial investments, or luxury items.

Determining what is a necessary item of personal property is a highly fact-specific determination, and therefore HCD must gather enough facts to qualify whether an asset is necessary or non-necessary personal property. Items of personal property that do not qualify as necessary personal property will be classified as non-necessary personal property.

The following table lists examples of necessary and non-necessary personal property. **This is not an exhaustive list.**

Necessary Personal Property	Non-Necessary Personal Property
<ul style="list-style-type: none"> • Car(s)/vehicle(s) that a family relies on for personal or business use (e.g., bike, motorcycle, skateboard, scooter) • Furniture, carpets, linens, kitchenware • Common appliances • Common electronics (e.g., radio, television, DVD player, gaming system) • Clothing • Personal effects that are not luxury items (e.g., toys, books) significance • Wedding and engagement rings • Jewelry used in religious/cultural celebrations and ceremonies • Religious and cultural items • Medical equipment and supplies • Health care-related supplies • Musical instruments used by the family • Personal computers, phones, tablets, and related equipment Professional tools of trade of the family, for example professional books • Educational materials and equipment • used by the family, including equipment to accommodate persons with disabilities • Equipment used for exercising (e.g., treadmill, stationary bike, kayak, paddleboard, ski equipment) 	<ul style="list-style-type: none"> • Recreational car/vehicle not needed for day-to-transportation (campers, motorhomes, travel trailers, all-terrain vehicles (ATVs)) • Bank accounts or other financial investments (e.g., checking account, savings account, stocks/bonds) • Recreational boat/watercraft • Expensive jewelry without religious or cultural value, or which does not hold family • Collectables (e.g., coins/stamps) • Equipment/machinery that is not used to generate income for a business • Items such as gems/precious metals, antique cars, artwork, etc.

E. Limitation on Assets (24 CFR § 5.618)

- a) Per requirements in Section 104 of HOTMA, 24 CFR §5.618 admission will be denied to families who own or have interest in the following assets:
 - (1) The family's combined net assets exceed \$100,000, or as determined by HUD and adjusted annually in accordance with the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W);
 - (2) The family has a present ownership interest in, a legal right to reside in, and the effective legal authority to sell, based on State or local laws of the jurisdiction where the property is located, real property that is suitable for occupancy by the family as a residence, except this real property restriction does not apply to:
 - (a) Any property for which the family is receiving assistance under the Housing Choice Voucher or under the Homeownership Option in 24 CFR Part 982;
 - (b) Any property that is jointly owned by a member of the family and at least one non-household member who does not live with the family, if the non-household member resides at the jointly owned property;
 - (c) Any person who is a victim of domestic violence, economic abuse, technological abuse, dating violence, sexual assault, or stalking as defined in 24 CFR part 5, Subpart L; or
 - (d) Any family that is offering such property for sale.
- 3. A property will be considered suitable for occupancy unless the family demonstrates that the property:
 - a) Does not meet the disability-related needs for all members of the family (e.g., physical accessibility requirements, disability-related need for additional bedrooms, proximity to accessible transportation);
 - b) It is not sufficient for the size of the family based on occupancy standards;
 - c) It is geographically located outside of the state of Florida so as to be a hardship for the family (e.g., the distance or commuting time between the property and the family's place of work or school would be a hardship to the family, as determined by HCD);
 - d) It is not safe to reside in because of the physical condition of the property (e.g., property's physical condition poses a risk to the family's health and safety and the condition of the property cannot be easily remedied); or
 - e) It is not a property that a family may reside in under the State or local laws of the jurisdiction where the property is located.
- 4. This real property restriction does not apply to:
 - a) Any property for which the family is receiving assistance under 24 CFR § 982.620 or under the Homeownership Option in 24 CFR Part 982;
 - b) Any property that is jointly owned by a member of the family and at least one non-household member who does not live with the family, if the non-household member resides at the jointly owned property;

- c) Any person who is a victim of domestic violence, economic abuse, technological abuse, dating violence, sexual assault, or stalking as defined in 24 CFR part 5, Subpart L; or
 - d) Any family that is offering such property for sale.
5. The policy limitation on assets will not apply to participants in the public housing program.

Chapter VI. Eligibility for Continued Occupancy and Annual Reexaminations

C. Annual Reexaminations

1. HCD must estimate the family income for the upcoming 12-month period, subtract the allowable deductions, from the gross annual income to determine the adjusted income. HCD must:
 - Determine the family income for the previous 12-months and any interim processed [24 CFR §5.609 (c)(2)] except when using a streamlined income determination.
 - Consider any redetermination from an interim reexamination during that period.
 - Adjust reflect current income if there was a change during that period.
 - Subtract the allowable deductions, from the gross annual income to determine the adjusted.

K. Enterprise Income Verification (EIV), Third Party Verification, and Factors Affecting Eligibility and Family Rent

HCD is required to use HUD's Enterprise Income Verification (EIV) system and the Income Validation Tool (IVT) in its entirety as a third-party source to verify employment and income information for annual reexaminations, and to reduce administrative subsidy payment errors in accordance with HUD administrative guidance [24 CFR § 5.233(a)(2)(i)].

EIV is a computer matching program that compares the income provided by the resident against income information supplied by state agencies on wages, unemployment compensation, and Social Security benefits.

Prior to initial certification, applicants shall be informed that HCD will subsequently verify the family's income information they have provided HCD through HUD's Enterprise Income Verification (EIV) system. HCD

HCD will follow the verification hierarchy described in PIH Notice 2023-27.

Level	Verification Technique	Ranking
6	Upfront Income Verification (UIV) , using HUD's Enterprise Income Verification (EIV) system	Highest (Mandatory) - (not available for applicants) Must pull the EIV Income Report for each family at every Annual Reexamination. EIV may be used as the sole verification of Social Security income. EIV income information may be used to calculate other types of annual income when family agrees. See Level 4 for more information.

HOTMA PROVISIONS PENDING IMPLEMENTATION OF HIP
Appendix VI of the Admissions and Continued Occupancy Policy

Level	Verification Technique	Ranking
5	Upfront Income Verification (UIV) using non-HUD system (e.g., The Work Number, web-based state benefits systems, etc.)	Highest
4	Written, third-party verification from the source, also known as “tenant-provided verification” OR EIV + Self-Certification HCD can choose either option when both are available to verify income. HCD must use written, third-party verification when the income type is not available in EIV (e.g., self-employment, Go Fund Me accounts, general public assistance, Veterans Administration benefits, etc.)	High <ul style="list-style-type: none"> • Written, third-party verification is used when tenant disputes EIV-reported employment and income information. • 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 must be provided with the information from EIV.
3	Written Third-Party Verification Form	Medium <ul style="list-style-type: none"> • Use if Level 5 or Level 4 verification is not available or is rejected by HCD and when the applicant or tenant is unable to provide acceptable documentation. • May substitute Level 2 for written, third-party verification form, only completing one of the two forms of verification before moving to self-certification.
2	Oral Third-Party Verification	Medium
1	Self-Certification (not third-party verification)	Low Use as a last resort when unable to obtain any type of third-party verification or if specifically permitted, such as to determine actual income from assets when the family certifies that net family assets do not exceed \$50,000.

Level 6: (Highest Ranking) Upfront Income Verification (UIV) and the Income Validation Tool (IVT) using HUD’s EIV System which is mandatory for residents but not available for applicants;

Level 5: Upfront Income Verification (UIV) using non-HUD system such as The Work Number, web-based state benefits systems, etc.);

Level 4: Written Third-Party Verification (High) An original or authentic document generated by a third-party source dated within 120 days of the date received by the HCD. For fixed-income sources, a statement dated within the appropriate benefit year is acceptable documentation.

Such documentation may be in the possession of the tenant (or applicant) and is commonly

HOTMA PROVISIONS PENDING IMPLEMENTATION OF HIP
Appendix VI of the Admissions and Continued Occupancy Policy

referred to as tenant-provided documents. HCD may obtain any tenant-provided documents and follow up directly with the third-party source to obtain necessary verification of information, when necessary.

Examples of acceptable tenant-provided documentation (generated by a third-party source) include but are not limited to the following: pay stubs, payroll summary report, employer notice/letter of hire/termination, SSA benefit verification letter, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment monetary benefit notices.

HCD are required to obtain a minimum of two current and consecutive pay stubs for determining annual income from wages when they do not elect to use EIV + Self-Certification or the income type is not reported in EIV. For new income sources or when two pay stubs are not available, the HCD should determine income based on the information from a traditional written, third-party verification form or the best available information.

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.

When verification of assets is required, HCD is required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts.

EIV may be used as Level 4 verification and may be used to calculate income as long as the family agrees with the information in EIV; this practice is known as "EIV + Self-Certification." HCD may use their discretion to determine which method of calculation is reasonable: the last 4 quarters combined or an average of any number of quarters. The EIV Income report must be pulled within 120 days prior to the reexamination effective date.

Level 3: Written Third-Party Verification Form: This practice is also known as "traditional third-party verification." This type of verification is a form developed by the HCD used uniformly for all families when needed to collect information from a third-party source. The form is completed by the third party by hand (in writing or typeset). HCD send the form directly to the third-party source by mail, fax, or email.

The HCD may skip this level of verification before attempting Level 2, which means they will have only completed Level 3 or Level 2 verification before moving to Self-Certification.

Level 2: Oral Third-Party Verification: Independent verification of information by contacting the individual income/expense source(s), as identified through the UIV technique, or identified by the family, via telephone or in-person visit. HCD staff must document in the tenant file the date and time of the telephone call (or visit to the third party) and the name of the person contacted and their telephone number, along with the confirmed information.

This verification method is commonly used when the independent source does not respond to the HCD's faxed, mailed, or e-mailed request for information in a reasonable time frame (e.g., 10 business days).

The HCD may skip this level of verification if they attempted Level 3, which means they will have only completed Level 3 or Level 2 verification before moving to Self-Certification.

Level 1: (Low) The tenant submits a signed statement of reported income and/or expenses to the HCD. This verification method should be used as a last resort when HCD has not been successful in obtaining information via all other required verification techniques. When HCD relies on self-certification to verify income or expenses, HCD must document in the tenant file why third-party verification was not available. HUD does not require that a self-certification be notarized.

1. Double Subsidy: If during tenancy, or at any time after admission, the EIV system shows that a family or any household member is receiving assistance from (or is residing in) another housing authority or program, the family or household member must provide proof of termination of tenancy from the other housing agency or program for continuation of assistance. HCD may provide up to 30 days for the family or household member to provide proof of termination. If after the 30 days, the participant does not provide proof of termination, the family or household member must be terminated from HCD tenancy.

2. EIV: Substantial Different from Tenant Provided Information

If income information in EIV is not available or if it is substantially different from tenant-provided information, then written verification from third parties is the next most desirable form of verification. Currently, a substantial difference requiring third party verification in cases where EIV income data differs from tenant-provided and/or other verified income information is defined as being greater than \$200 per month (\$2,400 per year), unless amended by HCD. If EIV income data is not substantially different than current tenant-provided income documentation, the following guidelines for projecting annual income will be used:

- If EIV income data is less than current tenant-provided documentation, HCD will use tenant-provided documents to calculate anticipated income.
- If EIV income data is more than current tenant-provided documentation, HCD will use EIV income data to calculate anticipated annual income unless the tenant provides HCD with documentation of a change in circumstances (i.e., change in employment, reduction in hours, etc.). Upon receipt of acceptable tenant-provided documentation of a change in circumstances, HCD will use tenant-provided documents to calculate anticipated annual income.

In cases where EIV income data is substantially different than tenant-reported income, HCD will utilize the following guidelines:

- Request written third party verification from the discrepant income source. For EIV Social Security Administration (SSA) benefit discrepancies, HCD shall require the tenant to obtain a current unaltered SSA benefit letter within ten (10) business days of the interview date.
- Review historical income data for patterns of employment, paid benefits, or receipt of other income, when HCD cannot readily anticipate income, such as in cases of seasonal employment, unstable working hours, and suspected fraud.
- Analyze all data (EIV data, third party verification and other documents/information provided by the family) and attempt to resolve the income discrepancy.
- Use the most current verified income data (and historical income data if appropriate) to calculate anticipated annual income.

In verified differences of greater than \$200 per month (\$2,400 per year), HCD may require the family to enter into a repayment agreement for monies owed or require payment in full. Should the family refuse to enter in a repayment agreement or not fulfill its obligations under its repayment agreement, HCD shall recommend termination and may refer the case to the HUD Office of the Inspector General.

HCD, in its sole discretion, may recommend terminating assistance for tenant fraud on a case-by-case basis, e.g., forgery or has demonstrated a pattern of unreported or under-reported income in between or at prior reexaminations. In such cases, HCD will make the determination whether to recommend terminating assistance and forwarding the case to the HUD Office of Inspector General via HCD.

In instances where fraud (as defined in Attachment A of this policy), as opposed to tenant error (as defined in Attachment A of this policy), has occurred by the tenant and the difference is verified as being \$10,000, HCD may recommend terminating housing assistance and shall forward cases to the HUD Office of Inspector General for fraud prosecution, where authorized by HCD.

Tenant income information derived from the EIV system is confidential and cannot be released to outside parties or unauthorized staff. This information is exempt from the disclosure requirements of the Florida Public Records Act and the federal Privacy Act and HUD requires HCD to keep said information private under penalty of Federal law. Any EIV-derived information is required to be kept guarded under lock and key and must be shredded and destroyed when no longer needed. Copies are not kept in tenant files to avoid risking the release of such information to anyone other than the client and authorized HCD staff. HCD shall provide the participant with information obtained through EIV upon the participant's request.

Unauthorized disclosure or inspection of EIV data can result in a felony conviction punishable by a fine up to \$5,000 or five (5) years imprisonment, as well as civil penalties, pursuant to the Privacy Act of 1974 as amended, 5 U.S.C. § 552(a).

M. Income Validation Tool (IVT)

The IVT report facilitates and enhances identification of unreported or under-reported income during regular reexaminations. The IVT also provides income and wage, unemployment compensation and SSA benefit information. Additionally, the IVT report provides income information for heads of household and family members where there may be discrepancies in family reported income and employer reported information.

At each regular reexamination of income and family composition and/or as needed, HCD will:

- Review the EIV Income and IVT reports to confirm/validate tenant-reported income;
- Print and maintain the EIV Income and IVT Reports in the tenant file;
- Obtain current acceptable tenant-provided documentation to supplement EIV information (where applicable); and
- Use current tenant-provided documentation and/or third-party verification to calculate annual income.

Additionally, at each regular reexamination of income and family composition, and/or as needed, using the IVT, HCD will:

- Identify any reported discrepancies in family reported income and employer reported information;
- Request the tenant to provide any documentation to confirm or dispute the income discrepancy;
- If applicable, determine the tenant rent using the correct and updated income;
- Determine the degree of tenant underreporting or misreporting of income information; and
- Take action in accordance with HCD policy to resolve the identified discrepancies.

Chapter VII. Determining Income and Income-Based Rent

A. Annual Income

1. Calculating Income

- a) When calculating annual income for a household at the time of a regular reexamination, HCD will review and calculate the family's income from the preceding 12-month period, taking into consideration any interims or changes that have taken place during that period. If HCD determines that the family's prior-year income does not reflect the family's current income, it may adjust the calculation of annual income as needed.

For annual reexaminations, HCD must:

- Determine the family income for the previous 12-months and any interim processed [24 CFR §5.609 (c)(2)] except when using a streamlined income determination.
- Consider any redetermination from an interim reexamination during that period.
- Adjust current income if there was a change during that period.
- Subtract the allowable deductions, from the gross annual income to determine the adjusted.

HCD may determine the family's income prior to the application of any deductions based on income determinations other means-tested forms of public assistance made within the previous 12-month period such as from Low-Income Housing Tax Credit (LIHTC).

D. Streamlined Income Determination

HCD may use the streamlined income determination to adjust a family's income according to the percentage of a family's unadjusted income that is from fixed income.

1. Types of Fixed Income

- Social Security, Supplemental Security Income, Supplemental Disability Insurance.
- Federal, state, local, or private pension plans.
- Annuities or other retirement benefit programs, insurance policies, disability or death benefits, or other similar types of periodic receipts.
- Any other source of income subject to adjustment by a verifiable COLA or current rate of interest.

2. Fixed Income: 90 percent or more of a family's unadjusted income

When 90 percent or more of a family's unadjusted income consists of fixed income, HCD may use streamlined income determination and must apply COLA or COLAS to the family's fixed-income sources, provided that the family certifies both that 90 percent or more

of their unadjusted income is fixed income and that their sources of fixed income have not changed from the previous year. For non-fixed income, HCD is not required to make adjustments.

3. **Fixed Income: Less than 90 percent of a family's unadjusted income**
When less than 90 percent of a family's unadjusted income consists of fixed income, HCD may use streamlined income determinations must apply a COLA to each of the family's sources of fixed income. HCD must determine all other income.
4. **Cost-of-Kiving Adjustment Rate**
If no public verification or tenant-provided documentation is available, then HCD must obtain third-party verification of the income amounts in order to calculate the change in income for the source.
5. **Triennial verification**
For any income determined pursuant to a streamlined income determination, HCD must obtain third-party verification of all income amounts every 3 years.

E. Annual Income Inclusions

(a) Annual income includes, with respect to the family [24 CFR §5.609(a)]:

(1) All amounts, not specifically excluded in Sectopm E below, received from all sources by each member of the family who is 18 years of age or older or is the head of household or spouse of the head of household, plus unearned income by or on behalf of each dependent who is under 18 years of age, and

(2) When the value of net family assets exceeds \$50,000 (which amount HUD will adjust annually in accordance with the Consumer Price Index for Urban Wage Earners and Clerical Workers) and the actual returns from a given asset cannot be calculated, imputed returns on the asset based on the current passbook savings rate, as determined by HUD.

F. Child Support

HCD will verify all amounts received from child support by the family using the verification hierarchy. Only the amounts received of child support payments will be counted as income.

H. Adjusted Annual Income

Adjusted income is the annual income of family members residing in or intending to reside in the rental unit, less allowable deductions.

- A. A deduction is taken for each qualifying dependent.
 - The amount of the deduction is currently \$480.
 - A dependent is defined as any family member other than the head, spouse, or co-head who is under the age of 18 or who is 18 or older and is a person with disabilities or a full-time student.
 - Foster children, foster adults, and live-in aides are never considered dependents.
- B. A deduction for elderly or disable family
 - A single deduction is taken for any family where the head of household, co-head or spouse is as least 62 years of age or a person with a disability. Upon implementation of HOTMA and at the first annual or interim reexamination, the amount of the deduction will be increase from \$400 to \$525.

Upon implementation of HOTMA and subject to applicable HUD guidance, these deduction amounts will be adjusted annually by HUD in accordance with Consumer Price Index (CPI) for Urban Wage Earners and Clerical Workers, rounded to the next lowest multiple of \$25.

b) Child Care Expenses

Any reasonable child-care expenses necessary to enable a member of the family to be employed or to further their education are deducted from income. Reasonable child-care expenses for the care of children including foster children under 13 years of age, when all the following statements are true:

- The care is necessary to enable a family member to be employed or to further his or her education (e.g., work or further their education (academic or vocational));
- The expense is not reimbursed by an agency, individual outside the household or another source, such as a stipend from the child welfare agency;
- The child-care expenses must be paid from the family's annual income; and
- The expenses incurred to enable a family member to work must not exceed the amount of employment income that is included in annual income for family member claiming expense.

HCD will seek third-party verification of the work schedule of the person who is permitted to work by child-care. In cases in which two or more family members could be permitted to work, the work schedules for all relevant family members may be verified. The documentation may be provided by the family. HCD generally will limit the allowable child-care expenses to the earned income of the lowest-paid member.

HCD will request third-party documentation to verify that the person permitted to further his or her education by childcare is enrolled and provide information about the timing of classes for which the person is registered. The documentation may be provided by the family. The child-care expense must be reasonable.

Child Care Hardship Exemption [(24 CFR §5.611(d)).

1. Requirements

- a) A family whose eligibility for the childcare expense deduction is ending may request financial hardship exemption to continue receiving a child-care expense deduction in certain circumstances when the family no longer has a member that is working or seeking to further their education, and the deduction is necessary because the family is unable to pay their rent.
- b) Upon approval of the family's request for a hardship exemption, HCD must recalculate the family's adjusted income and continue the child-care deduction if the family demonstrates to HCD's satisfaction that the family is unable to pay their rent. The hardship exemption and the resulting alternative adjusted income calculation must remain in place for a period of up to 90 days.

2. Hardship Exemption Eligibility:

- a) HCD will consider the following factors to determine if a family is eligible for a 90-day hardship exemption:
 - (1) Provide a written request for a hardship exemption detailing why the childcare expense is still necessary even though the family member is no longer employed or furthering their education. Note that verification may be requested.
 - (2) The rent, utility payment, and applicable expenses (childcare expenses or health and medical expenses and reasonable and auxiliary apparatus) is more than 45 percent of the family's annual adjusted income, or verifying whether the family has experienced unanticipated expenses, such as large medical bills, that have affected their ability to pay their rent.

3. Notification of Hardship Exemption

- a) HCD will promptly notify families in writing of the change in the determination of adjusted income and the family's rent resulting from the application of the hardship exemption. The written notice must also inform the family of the dates that the hardship exemption will begin and expire and the requirement for the family to report to HCD if the circumstances that made the family eligible for relief are no longer applicable.
- b) The notice must also state that the family's adjusted income and tenant rent will be recalculated upon expiration of the hardship exemption. HCD must provide families with 30 days' notice of any increase in rent.

4. Notification of Hardship Exemption Denial

HCD will promptly notify families in writing if they are denied the hardship exemption; The notification must specifically state the reason for the denial.

5. One Additional 90-Day Hardship

One additional 90-day hardship exemption may be provided for families that demonstrate a hardship for a separate circumstance, unrelated to the first approved hardship request.

c) Health and Medical Care and Reasonable Attendant Care and Auxiliary Apparatus Expense

1. A deduction of unreimbursed amounts paid for attendant care or auxiliary apparatus expenses for family members with disabilities where such expenses are necessary to permit a family member(s), including the disabled member, to be employed. In no event may the amount of deduction exceed the employment income earned by the family member(s) able to work.
2. Equipment and auxiliary apparatus may include but are not limited to:
 - Wheelchairs
 - Lifts
 - Reading devices for the visually impaired
 - Equipment added to cars and vans to permit their use by the disabled family member.

HOTMA PROVISIONS PENDING IMPLEMENTATION OF HIP
Appendix VI of the Admissions and Continued Occupancy Policy

- Included would be the annualized cost differential between a car and the cost of a van required by the family member with disabilities.
 - For non-elderly families and elderly or disabled families without medical expenses: the amount of the deduction equals the cost of all unreimbursed expenses for work-related disability expense less the HUD established percentage (see above) of annual income, provided the amount so calculated does not exceed the employment income earned.
 - For elderly or disabled families with medical expenses: the amount of the deduction equals the cost of all unreimbursed expenses for work-related disability expense less the HUD established percentage (see above) of annual income (provided the amount so calculated does not exceed the employment income earned) plus medical expenses as defined below.
3. Unreimbursed health and medical care expenses may be deducted to the extent that, in combination with any reasonable attendant care and auxiliary apparatus expenses, they exceed the HUD-established percentage of annual income threshold.
4. The threshold has been raised from three (3) percent to ten (10) percent of annual income. Families may be eligible for a 24-month phase-in relief period or a general relief 90-day period but not both.
- a) 24-Month Phased-in Relief
- (1) Residents whose income calculation was adjusted due to the family's claim of unreimbursed health and medical care and reasonable attendant care and auxiliary apparatus expense exceeding 3% of the family's annual income, prior to the HOTMA implementation, will have an increase in the threshold of this deduction phased-in in the following manner:
- (a) Following the first income reexamination after the implementation of HOTMA, such families will receive deductions for claims of unreimbursed expenses (described herein) up to 5% percent of the annual income for 12 months.
 - (b) Following the 12-month period at 5% deductions, the family will receive deductions for claims of unreimbursed expenses (described herein) in excess of 7.5% for the following 12 months.
 - (c) At the conclusion of the 24-month phase in period, the family will be eligible for this deduction only if their unreimbursed medical and healthcare expenses exceed 10% of the annual income.
- (2) An elderly or disabled family or a family that includes a person with disabilities may request general or financial hardship relief (see below) prior to the end of the 24-month transition period if the family can demonstrate that the family's applicable health and medical care expenses or reasonable attendant care and auxiliary apparatus expenses increased or there has been a change in circumstances resulting in a financial hardship.
- (3) The 24-month phased-in relief period must be continued to be received by families upon portability or conversions under RAD.

b) General Relief

- (1) To qualify, a family must demonstrate that the family's unreimbursed health and medical care expenses or unreimbursed reasonable attendant care and auxiliary apparatus expenses increased, or the family's financial hardship is a result of a change in circumstances that would not otherwise trigger an interim reexamination.
- (2) Relief is available regardless of whether the family previously received an unreimbursed health and medical care expense deduction, unreimbursed reasonable attendant care and auxiliary apparatus expense deduction, are currently receiving phased-in hardship relief.
- (3) If a HCD determines that a family is eligible for general relief, the family will receive a deduction for the sum of the eligible expenses that exceed 5 percent of annual income. The family's hardship relief ends when the circumstances that made the family eligible for the relief are no longer applicable or after 90 days, whichever comes earlier.

c) Financial Hardship

- (1) A financial hardship provides one 90-day period to receive a deduction for the sum of the eligible expenses that exceed 5 percent of annual income to qualifying families.
- (2) The family must demonstrate that the rent, utility payment, and applicable expenses (childcare expenses or health and medical care and reasonable attendant care and auxiliary apparatus expenses) is more than 45 percent of the family's adjusted annual income, or verifying whether the family has experienced unanticipated expenses, such as large medical bills, that have affected their ability to pay their rent. However, this financial hardship would not otherwise trigger an interim reexamination.
- (3) This relief is available regardless of whether the family previously received health and medical deductions or is currently receiving, or previously received, a hardship exemption under the first category. HCD will consider the following factors to determine if a family is eligible for a 90-day hardship exemption:
 - (4) Provide a written request for a hardship exemption detailing why the health and medical expenses and reasonable attendant care and auxiliary apparatus expense is still necessary. Note that verification may be requested.

d) Notification of Hardship Exemption

- (1) HCD will promptly notify families in writing of the change in the determination of adjusted income and the family's rent resulting from the application of the hardship exemption. The written notice must also inform the family of the dates that the hardship exemption will begin and expire and the requirement for the family to report to HCD if the circumstances that made the family eligible for relief are no longer applicable.

HOTMA PROVISIONS PENDING IMPLEMENTATION OF HIP
Appendix VI of the Admissions and Continued Occupancy Policy

- (2) The notice must also state that the family's adjusted income and tenant rent will be recalculated upon expiration of the hardship exemption. HCD must provide families with 30 days' notice of any increase in rent.

e) Notification of Hardship Exemption Denial

HCD will promptly notify families in writing if they are denied the hardship exemption; The notification must specifically state the reason for the denial.

f) One Additional 90-Day Hardship

A second 90-day hardship exemption may be provided for families that demonstrate a hardship for a separate circumstance, unrelated to the first approved hardship request.

Phase-In Relief	Initial 12 Months	Initial 24 months	End of 24 months
<p>To qualify family must already be receiving a medical expense deduction of 3% of Gross Income</p> <ul style="list-style-type: none"> May request General Relief if does not qualify for phased-in Relief May request financial hardship prior to the end of the 24 months 	5% Of Gross Income	7.5% Of Gross Income	10% Of Gross Income
General Relief	90-Day period		
	5% of Gross income for one 90-day period		
Financial Hardship	90-Day Period	2nd 90-Day Period	
To qualify families must demonstrate a financial hardship.	5% of Gross income ends when there is no need for hardship or the 90-day period end.	Families may request an additional 90-day period if they can demonstrate a financial hardship for a different set of circumstances, subject to HCD's approval.	

J. Verification of Assets

HCD will fully verify the net family assets and anticipated income earned from assets at new admission. During an annual or interim reexamination, HCD may rely solely on a family self-certification that their net family assets are equal to or less than \$50,000 subject to the following two conditions:

- a full verification of family assets (i.e., two bank statements) were provided during the last annual or interim verification; and
- the family has met all other requirements to complete reexamination except submittal of the required asset verifications (two bank statements).

3. Excluded from Net Family Assets

Necessary personal property is excluded from net family assets. Non-necessary personal property with a combined value greater than \$50,000, as adjusted by inflation, is considered part of net family assets. When the combined value of all non-necessary personal property does not exceed \$50,000, as adjusted by inflation, all non-necessary personal property is excluded from net family assets.

Necessary personal property are items essential to the family for the maintenance, use, and occupancy of the premises as a home; or they are necessary for employment, education, or health and wellness. Necessary personal property includes more than merely items that are indispensable to the bare existence of the family. It may include personal effects (such as items that are ordinarily worn or utilized by the individual), items that are convenient or useful to a reasonable existence, and items that support and facilitate daily life within the family's home. Necessary personal property does not include bank accounts, their financial investments, or luxury items.

Determining what is a necessary item of personal property is a highly fact-specific determination, and therefore HCD must gather enough facts to qualify whether an asset is necessary or non-necessary personal property. Items of personal property that do not qualify as necessary personal property will be classified as non-necessary personal property.

The following table lists examples of necessary and non-necessary personal property. This is not an exhaustive list.

Necessary Personal Property	Non-Necessary Personal Property
<ul style="list-style-type: none"> • Car(s)/vehicle(s) that a family relies on for personal or business use (e.g., bike, motorcycle, skateboard, scooter) • Furniture, carpets, linens, kitchenware • Common appliances • Common electronics (e.g., radio, television, DVD player, gaming system) • Clothing • Personal effects that are not luxury items (e.g., toys, books) significance • Wedding and engagement rings • Jewelry used in religious/cultural celebrations and ceremonies • Religious and cultural items • Medical equipment and supplies • Health care–related supplies • Musical instruments used by the family • Personal computers, phones, tablets, and related equipment Professional tools of trade of the family, for example professional books • Educational materials and equipment 	<ul style="list-style-type: none"> • Recreational car/vehicle not needed for day-to-transportation (campers, motorhomes, travel trailers, all-terrain vehicles (ATVs)) • Bank accounts or other financial investments (e.g., checking account, savings account, stocks/bonds) • Recreational boat/watercraft • Expensive jewelry without religious or cultural value, or which does not hold family • Collectables (e.g., coins/stamps) • Equipment/machinery that is not used to generate income for a business • Items such as gems/precious metals, antique cars, artwork, etc.

Necessary Personal Property	Non-Necessary Personal Property
<ul style="list-style-type: none">• used by the family, including equipment to accommodate persons with disabilities• Equipment used for exercising (e.g., treadmill, stationary bike, kayak, paddleboard, ski equipment)	

K. The policy regarding limitation on assets will not apply to participants in the public housing program.

Chapter VIII. Interim Rent Adjustments: Fixed Rent System

A. Interim Reexamination

Rent may be re-determined between annual reexaminations when a resident undergoes a change in family composition or income. The resident must report changes in writing to the management office within ten (10) calendar days of the event.

1. Any approved addition to the family composition will be processed as an interim recertification. HCD will only update the family composition information unless the family meets one of the conditions described under “Interim Rent Increases” or “Interim Rent Decreases” described below.
 - No increases in annual income will result in an interim reexamination unless the family reported zero income or a decrease in income within the same annual or biennial reexamination cycle (Refer to “Interim Rent Increases”).
 - EIV is no longer required to verify tenant’s employment and income information during an interim recertification.
 - The total family income increases or decreases must last longer than one-month (30 days); the tenant must report such a change in writing to the management office within ten (10) days of occurrence.
 - HCD will not conduct an interim reexamination for an increase in income within the last three months of the family’s next annual reexamination period.
 - HCD will conduct requests for interim adjustments when a family member is permanently moving out of the unit.
 - HCD has established a ten (10) percent threshold to determine when to complete an interim reexamination for increases in income (refer to Section 2 below). As a result, HCD will round **up** 9.5 and above to 10%, the standard threshold set by HUD.
 - If the monthly rental payment decreases by ten (10) percent or more as a result of the rent adjustment, the adjusted rent will become effective the first day of the month following the date the information is reported to HCD. If the rent should increase by ten (10) percent or more based on the family income, the adjustment will become effective the first day of the second month following the month in which the change is reported or 30 days, whichever is greater, after proper verification is completed.

- If it is found that the family failed to timely report any changes in income or family composition within ten (10) days or provided inaccurate or incomplete information, it may be considered fraud, any of the following may occur:
 - Any increase in rent which would have occurred had changes been reported in a timely manner will be made retroactive to the effective date of the change in circumstances and the family agrees to reimburse HCD for the difference between the rent they should have paid and the rent they were charged.
 - Any decrease in rent that would have occurred had changes been reported in a timely manner will be made effective the first day of the month following the date the change is reported to HCD and will not apply retroactively.

2. Interim Rent Increases

Families are required to report to HCD all increases in adjusted unearned income that occurred between regularly scheduled annual re-examinations. Any increase of the family's unearned income by ten (10) percent or more must be processed.

Families are required to report to HCD all increases in earned income. HCD must conduct a full interim reexamination due to an increase in earned income if the family had an interim reexamination to decrease rent during the annual reexamination period. Any increase of the family's earned income by ten (10) percent or more must be processed.

2. Interim Rent Decreases

- a) HCD must conduct a full interim reexamination if the family's adjusted unearned income has decreased.

4. Non-Interim Reexaminations

In accordance with HOTMA, HUD now defines the following types of changes to a household's family composition or rent calculations as "Non-Interim Reexamination" - except if there is a change of income that exceeds the thresholds as provided above.

The following transaction types require the processing and submission of a Non-Interim Reexamination, regardless if the reexamination results in a recalculation of the rent the family is to be charged:

- a) Adding, updating, or removing a hardship exemption for the childcare expense deduction or the health and medical care expense deduction.
- b) Updating or removing the phased-in hardship relief for health and medical care expense deduction.
- c) Adding or removing a minimum rent hardship exemption.
- d) Adding or removing a non-family member (live-in aide, foster child, foster adult).
- e) Changes or adjustments related to families still benefiting from the Earned Income Disregard (EID).
- f) Adding family members and the increase/decrease in adjusted income does not trigger an interim.
- g) Removing family members and the increase/decrease in adjusted income does not trigger an interim.
- h) Adding/updating social security numbers.
- i) Updating a family member's citizenship/immigration status.