Multifamily Housing Case Studies:
A RHIIP Training Program

Multifamily Housing Case Studies

A RHIIP Training Program

1

Pre-Training Self Test

- **While you are waiting …. take the pre-training self test**
  - A learning tool for you
  - Not a test to be graded by others
- **10 questions related to Module 4 topics**
- **Complete without looking at the training materials.**
- **Time required: About 15 minutes**

2

Introductions

- **Trainers and Facilitators**
- **Participants**

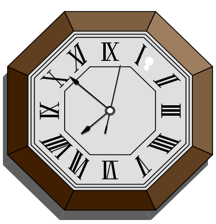
3

Reasonable Accommodation

- We are committed to ensuring full access to participation
- If you need accommodation for a disability, please let the trainer/ facilitator know

4

Housekeeping



- Start and ending times
- Breaks
- Rest rooms
- Personal comfort
- To-Do List
- Materials

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About the Participant Manual

- **Designed for multiple purposes:**
  – A course book for this class
  – A self-study training manual for individual learners
  – A reference book
- **Trainer Manual is available for those who want to conduct training sessions**

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Training Program Overview

- **Training and TA tool provided by Multifamily Housing in support of RHIIP**
- **Training presented in 6 modules**
  - Address key issues identified as problem areas in QC studies

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Relationship to 4350.3 REV-1

- **Training materials based on 4350.3 REV-1**
  - Supplement, not replace, handbook
  - Handbook citations provided to enable user to quickly locate expanded guidance and additional examples

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Case Studies Method

- **Case Studies enable us to:**
  - See the application of policies to individual families
  - Deal with rent calculations as they are done in real life – one family at a time.
- **Using case studies means:**
  - Not every topic is covered in each module

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Training Objectives

- **Participants will be able to:**
  - Determine income inclusions and exclusions
  - Identify assets and asset income
  - Explain and apply HUD requirements on disclosure of SSNs
  - Explain and apply HUD requirements on Citizenship/Immigration status

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Training Objectives

- **Participants will be able to:**
  - Identify and apply income deductions
  - Verify and document income and rent factors, including consent
  - Develop and use effective verification forms
  - Plan and execute effective interviewing
  - Calculate TTP, UAs, URPs, and Assistance Payments

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Technical Topics

- **Eligibility**
  - Household composition
  - Citizenship
  - Social Security Numbers
  - Consent Forms
- **Annual Income**
  - Inclusions
  - Exclusions
  - Calculations
- **Adjusted Income**
  - Dependent deduction
  - Elderly/disabled deduction
  - Disability assistance expenses
  - Child care expenses
  - Medical expenses

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Technical Topics

- **TTP, Rent and Assistance Payment Calculations**
  - Section 8
  - Section 202/811 PRAC
  - Section 202 PAC
- **Verification and Documentation**
- **Interviewing**
  - Approaches and tips
  - Questions:
    - Required
    - Recommended
    - Prohibited
  - Developing your skills as an interviewer

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The Six Modules

- **Each module covers different topics**

  For example: Module 4 includes medical and disability assistance expenses (but not the other deductions)
- **Modules 1 - 5 cover technical issues**
- **Module 6 is for trainers**
- **See Appendix 1 for a summary**

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Ground Rules & Opportunities

- **Ground Rules**
  - Ask questions, but share the floor with your fellow participants
  - Focus on the topics covered in this module
- **Opportunities**
  - Get clarifications for those tricky issues
  - Share experiences with your colleagues

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About the Participant Manual

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Questions

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Multifamily Housing Case Studies

Module 4

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What to Expect in Module 4

- Agenda for Module 4
- Lecture, Ideas, Discussion, Case Studies, Resources and Tools
- Assessment

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Overview

- Module 4 in a series of 6 RHIIP training modules
- Use of case studies, simple to complex, to practice application of HUD policies
- Module 4 used as self-study tool or in a formal training program

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Module 4 Objectives

- Participants will be able to:
  - Identify periodic payment income that must be included in calculation of annual income, including lump sum payments for delayed start of periodic payment
  - Identify types of assets that are included and excluded from rent calculations and determine their cash value and amount of income from those assets

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Module 4 Objectives

- **Participants will be able to:**
  - Determine whether a family is eligible for the elderly/disabled household, medical expenses and disability assistance expense deductions
  - Determine which medical and disability assistance expenses can be considered, verify expenses with appropriate third-party sources, and calculate amount to be deducted from annual income

Organization of Module 4

Part I.	Absent Family Members
Part II.	Assets and Asset Income
Part III.	Periodic Payments • **Case Study 1**
Part IV.	Elderly/Disabled Family
Part V.	Medical Expenses Deduction • **Case Study 2**
Part VI.	Disability Assistance Expenses Deduction • **Case Study 3**
Part VII.	Advanced Topics • **Case Study 4**

Part I

Absent Family Members

Overview

- **Absent family member status affects both Annual and Adjusted Income**
  - Owners generally rely on family declaration of composition
  - Owners may seek verification of family composition only if the owner has clear written policy

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Overview

- **Part I does not address temporary or permanent absence of entire *family***
  - HUD does not define temporary or permanent absence of the entire family
  - Owners are permitted to establish policies concerning extended absences and abandonment, as long as the policies comply with state and local law

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Overview

- **HUD provides guidance on counting the income of absent family *members***
- **Special rules apply to:**
  - family members in the military and
  - family members permanently confined to a nursing home or hospital

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Permanent Absence

- **If a former family member is considered *permanently absent*:**
  - Person's name is removed from the lease
  - No income or deductions are counted, attributable to person who is permanently absent

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Temporary Absence

- **Owners must count all income of family members approved to reside in the unit, even if some members are *temporarily absent***
  - Income and rent determinations are completed as if individual were <u>not</u> absent
  - Even if individual's income is not as available to family as it had been previously

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Temporary Absence

- **Example:**
  - For the past year John has earned $600/month working on a local construction project.
  - John is now working on an out-of-town project and only gets home twice a month
  - He stills earns $600/month, but his out-of-town living expenses total $100/month
  - The family has requested an interim recertification because they have less to live on
  - The owner cannot process the interim because, from a regulatory standpoint, the family's income has not changed

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Military Duty

- **Family member absent because he or she is on active military duty is considered *temporarily absent* if:**
  - The person is the head, spouse or co-head, <u>or</u>
  - The person's spouse or a dependent continues to reside in the unit

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Military Duty

- **Example of *temporary absence*:**
  - Gregory (head) has been called to active military duty. Anne (spouse) will remain in the unit with the two children.
  - Because Gregory is the head of household, his absence will be considered temporary.
  - His income and deductions attributable to him must be considered.

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Military Duty

- **Family member absent because he or she is on active military duty is considered *permanently absent* if:**
  - The person is not the head, spouse or co-head, <u>and</u>
  - The person does not have a spouse or a dependent who continues to reside in unit

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Military Duty

- **Example of permanent absence:**
  - Florence's oldest child, William (20), is on active military service. Florence plans to keep William's room ready for him to return to when his service has ended
  - William's absence is *permanent* because he is not a head, spouse or co-head, and has no dependents living in the unit
  - His name should be removed from the lease, and neither his income nor his deductions should be counted when calculating family's adjusted income

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Permanently Confined Member

- **Individual permanently confined to a nursing home or hospital may *not* be named as family head, spouse or co-head**
  - Even if the person is married to the person who is or will become the head of the family
  - At family's discretion, permanently confined individual may continue as a family member

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Permanently Confined Member

- **Family chooses how income of a permanently confined family member will be counted:**
  - *Include* income and receive any allowable deductions related to individual's medical care
  - *Exclude* income and not receive any allowable deductions related to the individual's medical care

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Permanently Confined Member

- **Example:**
  - Juan (head) has been having serious health problems, and has been moved permanently to a nursing home
  - Maria (spouse) must be designated as the head of household
  - The family must decide whether or not Juan will continue as a family member (income and deductions may be included or excluded from the family's income)
  - Owner can help, but the decisions is Maria's

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Part II

Assets and Asset Income

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Overview

- **Assets are items of value that could be turned into cash**
  - Examples include savings accounts, checking accounts, certificates of deposit, among others
  - Family not required to convert asset to cash
- **Listing of types of assets that are considered and those that are not**
  - Exhibit 5-2 of Handbook 4350.3 REV-1
  - Abbreviated list in Appendix 7

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Overview

- **No asset "test" for participation in HUD's assisted housing programs**
  - No upper limit on amount of assets a family may have in order to be eligible for HUD assisted housing
  - Family is not required to "spend down" assets in order to be eligible

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Overview

- **Method(s) for determining value of asset will vary from asset to asset**
- **Special rules apply when family disposes of asset for less than fair market value**

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Overview

- **Calculation of annual income includes income generated by assets**
  - Interest earned, dividends paid, other net income
  - Amounts do not have to be "withdrawn" from the asset to count as income
  - When total net family assets exceed $5000, special rules apply for calculating income from assets

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Overview

- **Following types of assets are discussed in this Module 4:**
  - Cash and savings and checking accounts
  - Certificates of deposit and money market accounts
  - Individual retirement, 401(k), and Keough accounts
  - Retirement and pension funds
  - Annuities
  - Lump sum additions to assets
  - Imputed income when assets exceed $5,000

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Overview

- **Following types of assets are discussed in next Module 5:**
  - Equity in real property
  - Trusts
  - Business assets
  - Mortgage or deed of trust held by a family member
  - Assets disposed of for less than fair market value

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Assets Not Considered

- **Following are <u>not</u> considered assets:**
  - Personal property (clothing, furniture, cars, vehicles specially equipped for persons with disabilities), that is not held as an asset
  - Interests in Indian trust land
  - Term life insurance policies (because they have no cash value)
  - Equity in the cooperative in which the family lives

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Assets Not Considered

- **Following are not considered assets:**
  - Assets that are part of an active business
  - Assets not *effectively owned* by a family member
  - Assets that are *not accessible* to a family member and provides no income to a family member

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Assets Not Considered

- **Assets not *Effectively Owned*:**
  - Family member's name is associated with an asset but:

    (1) the assets and any income generated accrue to someone who is not a family member, and

    (2) the other person is responsible for income taxes incurred by the asset

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Assets Not Considered

- **Assets not *Effectively Owned* – Example:**
  - Sally J. lives in assisted housing
  - Her name is listed as one of the holders of a savings account along with John and Emily J. (her parents)
  - Sally explains that her name is on the account only as a convenience in case of an emergency that would leave her parents unable to handle payments

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Assets Not Considered

- **Verification of Assets not *Effectively Owned*:**
  - Third-party (e.g., bank) may be able to provide information
  - Social security number (SSN) associated with asset
  - Who contributes to asset
  - Who pays taxes on asset
  - Certification by the family member

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Assets Not Considered

- **Assets not *Accessible*:**
  - Family member's name is associated with an asset but:

    (1) the individual receives no income from the account, <u>and</u>

    (2) the individual does not control the asset and is unable to convert the asset to cash

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Assets Not Considered

- **Assets not *Accessible* – Example:**
  - Bill C. and his 4 cousins inherited 4 acres from his uncle
  - The property generates no income and Bill cannot sell the property until all four cousins agree (which they do not)

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Assets Not Considered

- **Verification of Assets not *Accessible*:**
  - Third-party verification may be difficult
  - Owner may need to review documents including probate documents and a deed or other confirmation of ownership
  - Third party may be able to provide part of the picture (e.g., shelter where a battered spouse is living could confirm his/her status as a battered spouse)

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Valuing Assets

- ***Market Value* of an asset**
  - Asset's worth in the "marketplace"
  - Example: the amount a buyer would pay for real estate
- ***Cash Value* of an asset**
  - Amount an individual would actually receive *if* an asset were to be converted to cash
  - Example: amount an individual might receive after penalties for premature withdrawal of IRA funds

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Valuing Assets

- **Notes on *Cash Value:***
  - Family is not *required* to convert any asset to cash
  - Owner calculates cash value of an asset as a required step for determining income from assets under program requirements

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Valuing Assets

- ***Cash Value*** **and** ***Market Value*** **may be the same:**
  - Example:
    - Family has $100 in a savings account
    - *Market value* is $100
    - Since there is no penalty/cost for withdrawing the money as cash, the *cash value* also is $100

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Valuing Assets

- ***Cash Value*** **equals** ***Market Value*** **minus:**
  - Expenses to convert assets to cash
    - Examples: broker and legal fees, settlement costs for real estate transactions, penalty for early withdrawal
  - Money owed on the asset
    - Example: mortgage balance

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Valuing Assets

- **Converting** ***Market Value*** **to** ***Cash Value*** **– Example:**
  - Family has a CD with a market value of **$5,000**, paying 4% interest
  - Penalty for early withdrawal = 3 months interest

$5,000 X .04 = $200 annual interest income

$200 X 12 months = $16.67/month interest income

$16.67 X 3 months = $50.01 early withdrawal penalty

$5,000 - $50 (rounded) = **$4,950** cash value of CD

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Valuing Assets

- **Jointly Owned Assets:**
  - Owned by more than one person
  - Some asset owners may not be assisted family members
  - Prorate the value of the asset according to percentage of ownership for each owner
  - If no percentage of ownership is specified or provided by state/local law, prorate asset value evenly among all owners

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Savings/Checking Accounts

- **Savings and Checking accounts are most common form of asset**
- **Savings and checking accounts in foreign countries are also counted**

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Savings/Checking Accounts

- **Valuing a savings or checking account:**
  - For savings accounts:

    Current balance in account
  - For checking accounts:

    Average balance in account for last six months

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Cash

- **Some families conduct financial transactions completely in cash and do not have a checking or savings account**
- **Cash can be held in a safe deposit box, at home (e.g., “under the mattress”), or some other place**

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Cash

- **Application and recertification forms should require families to report cash**
  - If family does not report savings or checking account, owner should ask how the family pays its bills (e.g., by money order)
  - Family should be required to certify to the amount of cash held, equivalent to amounts other families have in savings and checking accounts

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Lump-sum Receipts

- **Most lump sum receipts are considered *assets*, including:**
  - Inheritances
  - Capital gains
  - Lottery winnings (single payment)
  - Insurance settlements
  - Social Security or SSI benefits paid in a lump sum

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Lump-sum Receipts

- **Lump-sum payments for *delay in processing a periodic payment* are counted as income**
  - Except for Social Security and SSI benefits
  - For additional information on SS and SSI lump sum payments see Part III of Module 4

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Lump-sum Receipts

- **How the lump sum amount is counted depends upon:**
  - Timing of receipt of payment, and
  - Whether family must report the payment

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Lump-sum Receipts

- **Family receives lump sum payment and places some or all of it in a bank account (checking, savings, etc.) or invests in stocks, bonds, or other forms of investment:**
  - Cash value of those investments will be considered at the next recertification

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Lump-sum Receipts

- **Example:**
  - John Doe wins $500 in the lottery
  - Spends $100
  - Places remainder ($400) in a savings account
  - At next recertification, the $400 plus interest is considered an asset (assuming John has not withdrawn it and spent it)
  - If John spends the entire lump sum amount *before* the family is recertified, it would never be counted as an asset

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Lump-sum Receipts

- **Lump-sum payment could be large enough to trigger the requirement that the family report an increase in income to owner prior to next regularly scheduled annual recertification**
  - Family required to report any increase in monthly income greater than $200/month

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Lump-sum Receipts

- **Example:**
  - Tenant receives $50,000 one-time lottery payment
  - Tenant pays bills, purchases furniture, and puts balance of $40,000 in the bank
  - Based on tenant's bank statement, tenant receives ***$250/month*** interest income on $40,000 balance
  - Tenant must report the increase to the owner and the owner must conduct an interim recertification
  - Balance in the savings account would be counted as an asset

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Retirement Accounts

- **Retirement accounts could include:**
  - Individual Retirement Accounts (IRAs)
  - Keogh accounts
  - 401(k) accounts
  - Company-specific retirement accounts and pension funds

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Retirement Accounts

- **Money in retirement account may be contributed by individual, by a third-party (e.g., employer) or some combination of sources**

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Retirement Accounts

- **Balance in retirement account is counted as asset if money is *accessible* to family member (even if early withdrawal would result in penalty)**

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Retirement Accounts

- ***Before Retirement***:
  - Owners may consider only amount that is accessible without requiring individual to retire or terminating employment
  - Some accounts (e.g., company-specific retirement accounts and pension funds) may not permit *any* access to account funds before retirement or termination

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Retirement Accounts

- ***Before Retirement***:
  - Some accounts (e.g., Individual Retirement Accounts (IRAs), Keogh accounts, and 401(k) accounts) may permit withdrawal, but only if individual pays a penalty
  - Owners should count only amount that remains *after* deduction of penalties and transaction costs

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Retirement Accounts

- ***Before Retirement***:
  - Owners should confirm circumstances of specific retirement accounts, and restrictions on access to account, on a case-by-case basis

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Retirement Accounts

- ***Before Retirement***:
  - Occasional withdrawals from account are *not* counted as income as long as withdrawals do not exceed amount individual invested themselves
  - Once amount withdrawn equals amount invested, subsequent withdrawals counted as income

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Retirement Accounts

- ***Upon retirement***:
  - Any lump sum amount withdrawn is counted as a lump sum addition to assets

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Retirement Accounts

- ***During Retirement***:
  - Most individuals receive periodic payments from account
  - Full amounts of periodic payments are counted as annual income
  - Actual amount of the payment is either specified in the retirement plan or elected by individual at retirement

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Retirement Accounts

- ***During Retirement***:
  - Some accounts (e.g., company-specific retirement accounts and pension funds) forbid individual to access account balance once regular withdrawals have begun
  - In this case, account no longer considered an asset, after withdrawals have begun

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Retirement Accounts

- ***During Retirement***:
  - Some accounts may allow access to account balances after retirement
  - Owners should count only amount that remains *after* deduction of penalties and transaction costs
  - Owners should confirm circumstances of specific retirement accounts, and restrictions on access to account, on a case-by-case basis

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Annuities

- **Annuity:**
  - Contract sold by insurance company that provides payments (usually to retired persons) at specified intervals

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Annuities

- **Annuities include:**
  - ***Fixed Annuity*** – guarantees certain payment amount
  - ***Variable Annuity*** – bases the payment on the earnings of the annuity
  - ***Hybrid Annuity*** – combines features of fixed and variable annuity

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Annuities

- **Annuities include:**
  - ***Deferred Annuity*** – delays income payments until holder chooses to receive them
  - ***Single-life Annuity*** – income for one person only, as holder is alive
  - ***Joint-life Annuity*** – 2 individuals; payment as long as either is alive

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Annuities

- **An *annuity* is considered an *asset* only if owner has the ability to withdraw amounts from the annuity**
  - Once holder begins to receive periodic payments from annuity, the holder usually would no longer have the ability to withdraw amounts

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Annuities

- **As long as an annuity is considered an asset, the owner must:**
  - Calculate cash value of the asset in the same way as any other asset (i.e., market value minus any costs required to covert the asset to cash)
  - Calculate actual income from asset by multiplying market value by percentage at which the annuity is expected to increase over the coming year

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Annuities

- **If annuity holder is receiving regular periodic payments from annuity, periodic payments are counted as income**

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Annuities

- **Example:**
  - Joan purchased annuity 10 years ago for $15,000
  - Annuity has appreciated to current balance of $23,000 with variable interest rate of 3.5%
  - Joan could "cash out" the annuity for administrative fees and other penalties that total $900
  - At annual recertification, the owner:
    - Records market value of the asset as **$23,000**
    - Records cash value of the asset as **$22,100**
      $23,000 minus $900
    - Calculates actual income from assets of **$805**
      $23,000 x .035

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Annuities

- **Example (cont):**
  - At the <u>next</u> annual recertification, owner determines that Joan has retired and receives regular payments of $150 from annuity
  - Owner confirms that she cannot "cash out" the annuity now that payments have begun
  - The owner:
    - Does <u>not</u> count annuity as an asset
    - Does <u>not</u> calculate actual income from the asset
    - Will count $150/month as income

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Annuities

- **Verification Issues:**
  - To determine whether an annuity should be counted as an asset, owner must verify whether the holder has the right to make withdrawals from the annuity

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Annuities

- **If the holder has the right to make withdrawals, the annuity is counted as an asset and the owner must verify:**
  - The market value of the asset
  - The cash value of the asset (market rate minus fees, taxes, interest penalties or other costs of converting the annuity to cash)
  - The basis upon which annuity expected to grow during coming year

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Annuities

- **If the annuity holder is receiving periodic payments, the owner must verify the amount of the periodic payment**

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Annuities

- **In some cases, the annuity holder may be able to both withdraw lump sums from the annuity and receive periodic payments**
  - If so, the market value of the annuity is counted as an asset

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Investment Accounts

- **Investment accounts include:**
  - Stocks
  - Bonds
  - Treasury bills
  - Certificates of deposit (CDs)
  - Mutual funds
  - Money market accounts
- **Retirement fund account may also be an investment account**

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Investment Accounts

- **The value of these types of assets fluctuates from day to day**
  - Owners may establish the value of the asset at a point in time (after authorization for release of information has been received) based upon verification documents obtained

Investment Accounts

- **Interest or dividends earned on these types of assets are counted as income from assets even when the earnings are reinvested**

Investment Accounts

- **Example**:
  - Dan W. invested $5,000 in a mutual fund last year
  - This year, the market value of the asset is $5,400 because of dividends earned
  - Dan has elected to reinvest the dividends to purchase more share in the mutual fund, so he does not actually receive any income
  - Based on the current rate of return (8%) the owner will include **$432** ($5400 x .08) in annual income even though Dan will not actually *receive* this amount

Investment Accounts

- **The family may request an interim recertification if a decrease in the asset's value may result in a decrease in rent**

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Life Insurance

- **Cash value of *permanent* life insurance policies that are available to the individual *before* death is counted as an asset**
  - This amount is referred to as "surrender value"
- ***Term* policies provide benefits to the family only upon the death of the insured person**
  - These policies have no cash ("surrender") value, so are <u>not</u> counted as assets

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Life Insurance

- ***Permanent* insurance comes in many different variations:**
  - Universal
  - Whole
  - Ordinary
  - Variable

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Life Insurance

- **Each type of permanent insurance has its own features**
- **In general:**
  - Policy will pay a fixed amount (face value) upon the death of the insured
  - Insured can surrender the policy at any time, forfeiting the face value at death, but obtaining the cash value immediately

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Life Insurance

- **Insured can use cash value of permanent insurance by borrowing against it, or by using it as collateral for another loan**
  - In such cases, the cash value of the policy would be reduced by the outstanding loan amount

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Life Insurance

- **Example**:
  - Janet has a permanent life insurance policy with a face value of $100,000
  - Current surrender value is $40,000
  - Janet has borrowed $10,000 using the surrender value as security and still owes $8,000
  - In this case the cash value of the asset would be:

    $40,000 minus $8,000 = **$32,000**

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Personal Property

- **Generally, this includes property such as gems, jewelry, coin collections, antique cares, or similar types of personal property held to generate income or amass wealth**
  - Such property is counted as an asset
- **Necessary items of personal property are *excluded* from annual income**

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Assets Disposed Of

- **Assets disposed of for less than fair market value in the two years prior to effective date of certification or recertification are counted as a current asset of the family**

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Assets Disposed Of

- **Exceptions:**
  - Assets disposed of as part of separation or divorce settlement are not considered as current assets
  - Assets disposed of as result of foreclosure or bankruptcy sale are not considered as current assets
  - Fair market value of all assets disposed of in the preceding two years exceeds the gross amount received by $1,000 or less

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Assets Disposed Of

- **Example:**
  - During past 2 years, family made 3 different charitable donations: $300, $150 and $200
  - Total disposed of for less than Fair Market Value:

    $300 + $150 + $200 = **$650**
  - $1000 > $650, so no asset counted

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Assets Disposed Of

- **Example:**
  - Mrs. Johnson withdraws $10,000 from her savings account and gives it to her son to help him make a down payment on a house for his family
  - Since the amount disposed of is more than $1,000 the owner continues to count the $10,000 as an asset for Mrs. Johnson

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Assets Disposed Of

- **Assets placed in nonrevocable trusts are considered as "assets disposed of for less than fair market value"**
  - Unless assets placed in trust were received through settlements or judgments

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Assets Disposed Of

- **Verification:**
  - Applicants/participants must declare (i.e., self-certify) at each income certification and recertification whether or not any assets have been disposed of for less than fair market value
  - Owner should develop form for this purpose
  - Owner should make additional verification efforts only if the self-certification is inconsistent with other information provided by family

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Assets Disposed Of

- **Determining the Asset Cash Value:**
  - Amount counted as an asset equals

Cash value of the asset

minus

Amount received in compensation for asset

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Assets Disposed Of

- **Example:**
  - Mrs. Franklin cashed in a $10,000 CD, paying an interest penalty of $386
  - She made repairs to her car of $1,800 and spent about $200 on groceries
  - She gave the remainder to her sister (who does not live with her) to prevent foreclosure on her sister's house

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Assets Disposed Of

- **Example (cont):**
  - Cash value of the asset disposed of for less than fair market value would be calculated as follows:

$ 10,000	CD Market Value
$ - 386	Fees/penalties
$ - 2,000	Spent on car and groceries
$ 7,614	Disposed of for less than Fair Market Value (gave to sister)

112

Assets Disposed Of

- **Expiration of the 2-year period:**
  - When 2-year period expires the disposed asset are not longer counted
  - The family may request an interim recertification to remove the disposed asset if the two year period expires between annual recertifications

113

Income from Assets

- **Annual Income includes income from assets**
- **How income from assets is calculated depends upon the total cash value of all assets**

114

Income from Assets

- **If the Total Cash Value of Assets is $5,000 or Less:**
  - The *actual* income the family receives from each asset is included in annual income
- **Example for a $1,000 CD, a $500 Savings account, and a $350 Stock: (next slide)**

115

Income from Assets

Family Member	Asset Type	Calculation for Cash Value	Cash Value	Calculation for Asset Income	Actual Income
Eric	CD	1,000 – 50*	$ 950	1,000 x .04	$ 40
		*Withdrawal Fee			
Eric	Savings	500 – 0	$ 500	500 x .025	$ 13
Eric	Stock	350 – 50*	$ 300	350 x .00	$ 0
		*Broker Fee			
		Total:	$ 1,750		$ 53
				Imputed Income from Assets:	NA
				Total Asset Income:	$ 53

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Income from Assets

- **If the Total Cash Value of Assets is Greater Than $5,000:**
  - Annual income includes the *greater of*:
    - The *actual* income the family receives from each asset (totaled), or
    - *Imputed* income from assets calculated by multiplying the cash value of the assets by the HUD-established passbook savings rate (2%)
- **Example for a $6,000 CD, a $455 Checking account, and a $3,100 Stock: (next slide)**

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Income from Assets

Family Member	Asset Type	Calculation for Cash Value	Cash Value	Calculation for Asset Income	Actual Income
Eric	CD	6,000 – 400*	$ 5,600	6,000 x .025	$ 150
		*Withdrawal Fee			
Eric	Checking	455 – 0	$ 455	455 x .00	$ 0
Eric	Stock	3,100 – 100*	$ 3,000	3,100 x .00	$ 0
		*Broker Fee			
		Total:	$ 9,055		$ 150
				Imputed Income from Assets:	$ 181
				Total Asset Income:	$ 181

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Income from Assets

- **Note the difference in computing *actual* income versus *imputed* income**
- **Computing *actual* income earned:**
  - ***Market value*** of each asset is multiplied by appropriate interest rate for that asset

  Market Value x Interest rate = Actual Anticipated Income

  - Actual income for each asset is then totaled, and total is the amount that could be included in annual income

119

Income from Assets

- **Computing *imputed* income of assets:**
  - ***Cash values*** of all assets are totaled
  - Total is multiplied by HUD passbook rate (2%)

  Total Cash Value x 2% = Imputed Income

  - Result is the amount that could be included in annual income

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Multifamily Housing Case Studies:
A RHIIP Training Program

Part III

Periodic Payments

121

Overview

- **Full amount of periodic payments that provide regular source of income must be counted when calculating family's income**
- **Special policies apply when:**
  - Delay in start up of a periodic payment that results in a family receiving a lump sum payment
  - A prospective adjustment to the periodic payment is made as a result of a prior overpayment

122

Payments Counted

- **Following sources of periodic payments, (discussed in earlier modules) are counted as income:**
  - Welfare assistance, including temporary assistance for needy families (TANF)
  - Payments in lieu of earnings, such as unemployment assistance, disability compensation, worker's compensation and severance pay
  - Regular contributions and gifts

123

Payments Counted

- **The following sources of periodic payments (discussed in Modules 4 and 5) are also counted as income:**
  - Social Security (SS), Supplemental Security Income (SSI), Social Security Disability
  - Other similar types of periodic receipts (unless they are expressly excluded)
    - Handbook 4350.3 REV-1, Exhibit 5-1

124

Payments Not Counted

- **Foster Children/Adults**
  - Payments for the care of foster children or foster adults are explicitly excluded from annual income
- **Qualified Training Programs**
  - Amounts received from training programs funded by HUD, and from other qualified training programs, are excluded from annual income

125

Payments Not Counted

- **Developmental Disability**
  - Amounts paid by a state agency to a family with a member who has a developmental disability and is living at home, to offset cost of services and equipment needed to keep developmentally disabled family member at home, are not counted as annual income

126

Payments Not Counted

- **Long-Term Care Insurance**
  - Long-term care insurance payments of up to $180 per day are excluded from annual income
  - Amounts in excess of $180 per day are *included*

127

Overpayment Adjustments

- **If family's periodic benefits are reduced to account for a prior overpayment:**
  - Count the periodic amount that will *actually* be provided to the family *after* the adjustment

128

Delayed Start

- **Delayed start of a periodic payment results in payment of a lump-sum amount:**
  - Lump-sum amount must be *included* in the calculation of annual income
- **Exception:**
  - Deferred periodic amounts from Supplemental Security Income (SSI) and Social Security (SS) benefits that are received in a lump-sum amount or in prospective monthly amounts are excluded from annual income

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Multifamily Housing Case Studies:
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Introduction

Module 4 Case Studies

130

Module 4 Case Studies

- Module 4 Case Studies use excerpts from sample application & recertification forms to summarize information about families
- Excerpts do not provide all of the questions that should be asked on an application or recertification form
  - May be useful as examples for improvements to existing forms

131

Module 4 Case Studies

- HUD does not prescribe a specific application form or data collection form for use during annual or interim recertifications
- Owners must ask appropriate questions in order to accurately and thoroughly determine eligibility, income and rent in compliance with HUD requirements

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RHIIP

Module 4 Case Studies

- **Owners must develop forms that are both comprehensive and understandable**
- **May be useful to have families make specific declarations with respect to all possible types of income and assets**
  - Actually asking families to declare what they *don't* have as well as what they *do* have
  - Harder for a family member to claim that they "forgot" to list a particular form of income or asset

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RHIIP

Module 4 Case Studies

- **Pages 4-41 and 4-42 of Participant Manual**
  - Sample charts
  - Illustrate technique of listing specific categories and asking families to declare whether that particular category does or does not apply to them
  - First chart lists various categories of non-employment, non-asset income
  - Second chart illustrates this same technique for assets

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RHIIP Multifamily Housing Case Studies:
A RHIIP Training Program

Case Study 1

The Winchesters

135

Case Study 1: Answer 1

- **Discrepancy between gross annual income reported by Sam and Amanda vs. annual incomes using the reported rates:**
  - Sam reported **$14,000**/year; but if the rate of income Sam report ($300/week) is annualized, the amount should be **$15,600** ($300 x 52)
  - Amanda reported **$12,000**/year; but if the rate of income Amanda reported is annualized, the amounts hold be **$13,250** ($6.50 x 40 x 52)

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Case Study 1: Answer 1

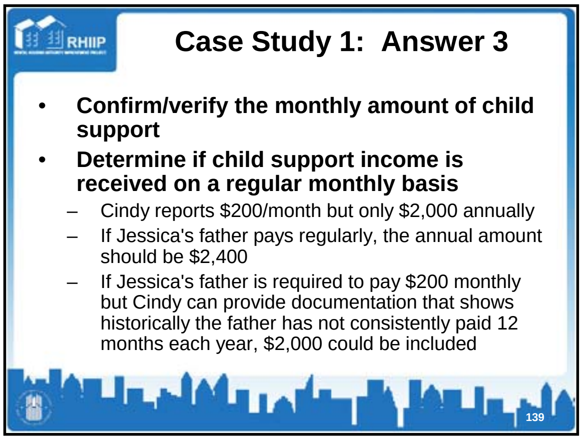
- **Confirm *rates* and *amounts* of employment income, as reported by Sam and Amanda**
- **Determine if rates and amounts are consistent throughout the year**
  - Do Sam and Amanda work full-time?
  - Are there periods during the year when either or both are unemployed?
  - Do either receive overtime work, weekend work?

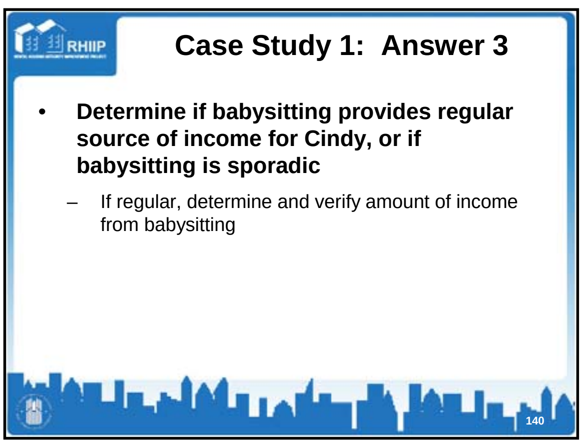
137

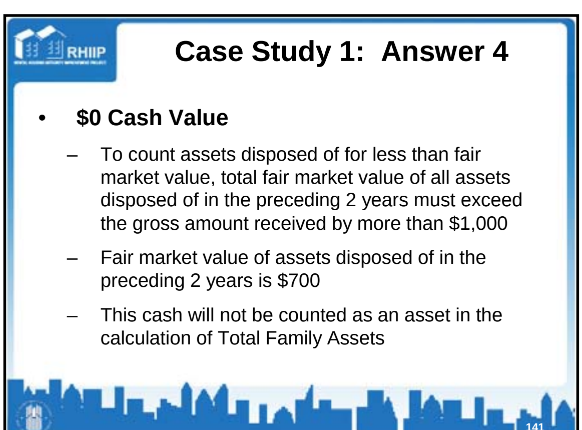
Case Study 1: Answer 2

- **$480**
  - Betsy is a full-time student, age 19
  - Exclude all earnings in excess of $480 for a full-time student, age 18 or older, who is not the head of household or spouse
  - Assuming Betsy's reported figures are accurate - only $480 of that income would be counted as annual income

138


RHIIP
Case Study 1: Answer 3
• Confirm/verify the monthly amount of child support
• Determine if child support income is received on a regular monthly basis
– Cindy reports $200/month but only $2,000 annually
– If Jessica's father pays regularly, the annual amount should be $2,400
– If Jessica's father is required to pay $200 monthly but Cindy can provide documentation that shows historically the father has not consistently paid 12 months each year, $2,000 could be included
139


RHIIP
Case Study 1: Answer 3
• Determine if babysitting provides regular source of income for Cindy, or if babysitting is sporadic
– If regular, determine and verify amount of income from babysitting
140


RHIIP
Case Study 1: Answer 4
• $0 Cash Value
– To count assets disposed of for less than fair market value, total fair market value of all assets disposed of in the preceding 2 years must exceed the gross amount received by more than $1,000
– Fair market value of assets disposed of in the preceding 2 years is $700
– This cash will not be counted as an asset in the calculation of Total Family Assets
141

Case Study 1: Answer 5

5A. **$700**; current balance, according to verification source

5B. **$700**; no difference between Market Value and Cash Value

5C. **$8.75** ($700 x 1.25%)

5D. **$250**; average balance, last 6 months, according to verification source

5E. **$250**; no difference between Market Value and Cash Value

5F. **$0**; no interest earned

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Case Study 1: Answer 6

6A. **$123**; current balance, according to bank statement

6B. **$123**; no difference between Market Value and Cash Value

6C. **$1.41** ($123 x 1.15%)

6D. **$ 104**; ($100 + $80 + $115 + $105 + $120 + $101) ÷ 6

6E. **$104**, no difference between Market Value and Cash Value

6F. **$0**; no interest earned

143

Case Study 1: Answer 7

- **$1,680 Cash Value / $0 Income**
  - Ending balance in IRA account, as of December 31, 2004, is **$2,400**
  - Subtract 10% ($240) for early withdrawal penalty, and 20% ($480) for taxes, leaving **$1,680** as the cash value of the IRA asset
  - No income is generated by the IRA
  - Only amounts included in annual income for retirement benefits are amounts received through *periodic payments*

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RHIIP

Case Study 1: Answer 8

- **$0 Cash Value / $0 Income**
  - Count only amounts that can be withdrawn without retiring or terminating employment
  - Amanda is not retiring or terminating employment; cannot count <u>any</u> of the 401(k) account amount, as long as Amanda is still employed by Central CC
  - No income generated by Amanda's 401(k) account
  - Only amounts included in annual income for retirement benefits are amounts received through *periodic payments*

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RHIIP

Case Study 1: Answer 9

- **$2,800 Cash Value / $0 Income**
  - Balance in Pension account, as of December 31, 2004, is **$4,000**
  - Subtract 10% ($400) for early withdrawal penalty, and 20% ($800) for taxes, leaving **$2,800** as the Cash Value of the pension asset
  - No income is generated by the pension
  - Only amounts included in annual income for retirement benefits are amounts received through *periodic payments*

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RHIIP

Case Study 1: Answer 10

Family Member	Asset Type	Calculation for Cash Value	Cash Value	Calculation for Asset Income	Actual Income
Sam, Amanda	Checking	250 - 0	$ 250	$250 x .00	$ 0
	Savings	700 - 0	$ 700	$700 x .0125	$ 9
Betsy	Checking	104 - 0	$ 104	$104 x .00	$ 0
Jessica	Savings	123 - 0	$ 123	$123 x .0115	$ 1
Sam	IRA	2400 - 240 - 480	$ 1,680	$2400 x .00	$ 0
Amanda	401(k)	----------	$ 0	---------	$ 0
Cindy	Pension	4000 - 400 - 800	$ 2,800	$4000 x .00	$ 0
		Total:	$ 5,657		$ 10
				Imputed Income from Assets:	$ 113
				Total Asset Income:	$ 113

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Case Study 1: Answer 10

Family Member	Calculation	Employment	Other
Sam	300 x 52	$ 15,600	
Amanda	6.50 x 40 x 542	$ 13,250	
Betsy	(100 x 52) > 480	$ 480	
Cindy	200 x 12		$ 2,400
	Total Each Source:	$ 29,330	$ 2,400
	Total All Sources:	$ 31,730	
	Total Annual Income:	$31,730 + $113 = $31,843	

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Multifamily Housing Case Studies:
A RHIIP Training Program

Part IV

Elderly / Disabled Family Deduction

149

Overview

- **Module 1 discussed definitions of key terms, types of households and information needed to determine household composition**
  - Several of these definitions are important for determining the deductions to which elderly or disabled families are entitled

150

Elderly Person / Family

- ***Elderly person*: a person at least 62 years of age**
- ***Elderly family*: the head, spouse or co-head is at least 62 years of age**

151

Disabled Person / Family

- **Detailed definition of *persons with disabilities:***
  - Handbook 4350.3 REV-1, Figure 3-6
  - Also found as Appendix 7 of Participant Manual
- ***Disabled family:* head, spouse, co-head or sole member is a person with disabilities, as defined in 24 CFR 5.403**

152

Live-In Aides

- **A person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who:**
  - Is determined to be essential to the care and well-being of the persons;
  - Is not obligated for the support of the persons; <u>and</u>
  - Would not be living in the unit except to provide the necessary supportive services

153

Live-In Aides

- **Relatives may be live-in aides if they meet the definition above, but are not considered family members**
- **A live-in aide does not qualify as a remaining member of a family and is not eligible to remain in unit once tenant is no longer living in unit**
- **Income of live-in aide is never counted in family's annual income**

154

Elderly / Disabled Deduction

- ***Elderly Families* and *Disabled Families* receive a $400 deduction**
  - Each family receives only *one* deduction, even if more than one family member is elderly or disabled

155

Elderly / Disabled Deduction

Exercise:

a. George and Alice are an elderly/disabled family and **qualify** for the deduction

b. Bryan and Jennifer are an elderly family and **qualify** for the deduction

c. Elizabeth and her brother Bob are not an elderly or disabled family and do **not qualify** for the deduction

d. Sylvia and her disabled mother are not an elderly or disabled family and do **not qualify** for the deduction – *unless* Sylvia's mother is classified as a co-head

156

Verification

- **Owner must verify whether household qualifies for elderly/disabled family deduction**
- **When qualifying a family based on the status of the head, spouse or co-head:**
  – *Date of birth* that establishes a family member's *age* needs to be documented only once during continuous occupancy

157

Verification

- **When qualifying a family based on the *disability* status of the head, spouse or co-head:**
  – Owners must obtain verification from appropriate 3rd party source that the person meets HUD's definition of a person with disabilities
  – Receipt of Social Security disability assistance not necessarily an indicator of disability for purposes of assisted housing programs
  – Person that does not receive Social Security disability may still qualify as person with disabilities

158

Verification

- **Owners must not ask questions about a person's specific disability**
  – unless necessary to determine person's eligibility or disability preference status for particular type of development
- **Family member's disability status may change over time**
  – Unlike date of birth
  – Owners may need to reverify status periodically, to ensure that individual continues to qualify for the appropriate benefit

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Multifamily Housing Case Studies:
A RHIIP Training Program

Part V

Medical Expenses

160

Overview

- **Medical expenses deduction is permitted only for elderly and disabled families**
- **Elderly and disabled families are entitled to deduct from annual income *unreimbursed*, anticipated medical expenses for *any* family member**

161

Overview

- **Deduction is *not* limited to the medical expenses of the elderly/disabled head, spouse, or co-head**
  - Includes medical expenses of *all* family members, regardless of whether they are elderly or disabled

162

Overview

- **Special calculation is required if a family is eligible for both a *medical expense* deduction and a *disability assistance expense* deduction**
  - Disability assistance expenses are discussed in Part VI of Module 4, as well as the special calculation for both medical and disability assistance expenses deduction

163

Medical Expense Deduction

- **Eligible medical costs that exceed three (3) percent of annual income may be deducted from annual income**

164

Medical Expense Deduction

- **Example:**

$11,450	Annual Income
x .03	multiplied by 3 percent
$ 344	3 percent of Annual Income (rounded)
$ 750	Total medical expenses
- 344	3 percent of Annual Income
$ 406	Allowable medical expense deduction

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Eligible Medical Expenses

- **Medical expenses include all expenses the family anticipates it will incur during the 12 months following the certification or recertification**
  - Could include periodic payments on outstanding medical bills, but only the portion that is anticipated to be paid in the coming 12-month period

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Eligible Medical Expenses

- **One-time nonrecurring medical expenses that were incurred in the past and that have already been paid in full**
  - Costs incurred and paid since the last certification for current tenants
  - Costs incurred and paid in the previous 12 months for applicants

167

Eligible Medical Expenses

- **Common eligible expenses:**
  - Services of doctors, other health care professionals and health care facilities
  - Medical insurance premiums or costs of an HMO, including Medicare premiums
  - Some long term care premiums

168

Eligible Medical Expenses

- **Common eligible expenses:**
  - Prescription/nonprescription medicines that have been prescribed by a physician
  - Transportation to treatment
  - Dental expenses, eyeglasses, hearing aids and batteries

169

Eligible Medical Expenses

- **Common eligible expenses:**
  - Live-in or periodic medical assistance such as nursing services, or costs for an assistance animal and its upkeep
  - Medical care of a permanently institutionalized family member if his or her income is included in annual income

170

Eligible Medical Expenses

- **Examples of eligible medical expenses**
  - Handbook 4350.3 REV-1, Exhibit 5-3
  - Also found as Appendix 8 of Participant Manual
- **Amounts that will be *reimbursed* from any source cannot be counted as medical expenses of the family**

171

Ineligible Medical Expenses

- **Common ineligible expenses:**
  - Unnecessary cosmetic surgery (however, cosmetic surgery that is related to the prevention or treatment of an illness, deformity, or injury is eligible)
  - Memberships such as health clubs and services such as steam baths for general health not related to a particular medical condition

172

Ineligible Medical Expenses

- **Common ineligible expenses:**
  - Household help, even if recommended by a doctor (however, nursing type services and personal care services for qualified long-term care can be counted)
  - Amounts contributed to Medical Savings Accounts (MSA)
  - Nutritional supplements, except those that are available only by prescription

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Ineligible Medical Expenses

- **Common ineligible expenses:**
  - Personal items (unless directly related to a defect or illness, e.g., a wig for a chemotherapy patient would be eligible)
  - Non-prescription medicines unless they are prescribed by a physician for a particular condition

174

Long-term Care Insurance

- **Long-term care insurance provides benefits for extended illnesses and generally begins payments when medical insurance coverage is reduced or ends**

175

Long-term Care Insurance

- **Depending upon policy, long term care insurance can be used to cover:**
  - nursing homes, rehabilitation centers and other long term care facilities
  - in-home care
  - drugs and supplies
  - hospice care
  - respite care

176

Long-term Care Insurance

- **Some long term care policies pay dividends**
  - a share of the money made on insurance company investment of the paid premiums
- **HUD rules permit premiums for long term care policies to be considered medical expenses only for certain types of policies**

177

Long-term Care Insurance

- **The premiums may be considered a medical expense only if the policy meets <u>all</u> of the following criteria:**

  (1) The insurance must be guaranteed renewable;

  (2) The policy does not provide a cash surrender value that can be paid, assigned, pledged, or borrowed against;

178

Long-term Care Insurance

(3) The insurance does not pay or reimburse expenses that would be covered by Medicare (except where Medicare is "secondary player")

OR

The contract makes per diem or other periodic payments without regard to expenses);

<u>Example:</u>

Some policies pay flat daily rate for at-home nursing care whether actual nursing care is more or less

179

Long-term Care Insurance

(4) Any refunds or dividends paid must be used to reduce future premiums or increase future benefits

<u>Example:</u>

John pays $100/month for long term care policy

Policy has generated a $250 annual dividend

If John receives a check for this annual dividend, policy does not qualify and premiums *cannot* be deducted

If dividend used to pay some of John's premiums, policy does qualify and the premiums *may* be deducted

If $250 used to pay annual premium for additional services, then policy would qualify and premiums *may* be deducted

180

Long-term Care Insurance

- **Verification**
  - Documentation that policy is an eligible policy is provided in the form of a certification from the tenant
  - See Handbook 4350.3 REV-1, Exhibit 5-4

181

Anticipating Expenses

- **Determining whether particular costs should be classified as medical expenses and anticipating future costs can be challenging**
- **Owners should attempt to *anticipate* what the family's medical expenses will be for the 12 month period *following* the certification effective date**

182

Ongoing Expenses

- **Owners may need to rely on *past history* – the ongoing expenses the family has already incurred and paid in the 12 months preceding the certification or recertification**

183

Ongoing Expenses

- **Owner should consider whether:**
  - Expenses will continue
  - Costs will inflate in the coming year
  - Resources the family has to pay for the medical expenses has changed (e.g., different insurance coverage or other form of reimbursement)

184

Ongoing Expenses

- **Example 1**
  - A family member has asthma and past pharmacy records indicate the family fills 3 prescriptions each month and pays a $15 co-pay for each prescription
  - The continuing need for the medicine seems clear
  - The cost of the medicine itself may or may not increase in the coming year
  - The question in this case is whether the family's coverage has changed and whether family will continue to pay same $15 co-pay in coming year

185

Ongoing Expenses

- **Example 2**
  - A mother of three small children reports that she made 15 visits to the pediatrician last year
  - Although it is unlikely that the children will have the same illnesses in the year to come, the total number of visits may provide a reasonable basis for projecting future visits

186

New Expenses

- **A family may wish to claim expenses that it anticipates will happen in the coming year, even if no such expense has been incurred in the past**
  - Example:

    A family member has surgery already scheduled to take place three months after the recertification effective date

187

Outstanding Medical Bills

- **If past one-time costs are being paid on an installment plan, the periodic payments scheduled for the coming year are counted as anticipated expenses**
  - Example:

    The Davis family incurred a $5,000 debt due to surgery 2 years ago

    They have been regularly paying the debt off at $100 per month over time

    Owner would count $1,200 as an anticipated medical expense ($100 x 12 months)

188

Outstanding Medical Bills

- **If the family's payment history shows that actual payments have been inconsistent the owner must make a judgment call about how much to consider**
  - Example:

    Last year the Davis family made 3 of 12 payments

    Depending on the family's explanation, the owner could consider only the 3-month amount or allow the entire amount

189

Outstanding Medical Bills

- **Once the family has received a deduction for the *full* amount of a bill it is paying over time, the amount cannot be deducted again, even if it has not yet been paid**
  - Example:

    An owner has already credited a family with $100/month for the past 36 months to repay a $3,600 medical bill

    Family reports at its annual recertification that there remains an outstanding balance on the bill of $500

    Owner would *not* count this $500 as an anticipated medical expense for the coming year

190

Fully Paid One-time Costs

- **Costs that have been paid in full may be included in the calculation of the medical expense deduction for the *coming* year, even though the expenses have already been paid**
  - Example:

    A family reports that it incurred $400 in expenses last year related to necessary dental surgery

    Although the family does not anticipate more dental surgery this year, last year's costs can be included

191

Fully Paid One-time Costs

- **2 options for one-time medical expenses**
- **Family has the option of requesting that these expenses be added to the family's total medical expenses either:**

a) at the time the expense actually occurs and is paid, by requesting an *interim* recertification

or

b) at the upcoming *annual* recertification

192

Fully Paid One-time Costs

- Note that these options are mutually exclusive
- A family must opt for one approach or the other
- If a one-time expense is added at an *interim* recertification, it cannot also be added to medical expenses at the next *annual* recertification

193

Fully Paid One-time Costs

- Conducting *interim* recertification will result in immediate relief for the family
- Reporting the change at the next *annual* recertification may result in a rent reduction for more months
- Waiting to report the change at the *annual* recertification will <u>not</u> be advantageous if the family's anticipated expenses for the following year are less than 3% of the family's annual income

194

Medical Expense Changes

- Families that experience unexpected medical costs may request an *interim* recertification to change their payments for the current year

195

Verification

- Specific types of documentation that should be sought are listed in 4350.3 REV-1, Appendix 3
- Owners must ask enough questions to ensure that elderly and disabled households receive the proper medical expenses deduction, yet must not require that families provide confidential medical information

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Multifamily Housing Case Studies: A RHIIP Training Program

Case Study 2

The Blockwoods

197

Case Study 2: Answer 1A

- Veterinarian bills for “Poochy", the Blockwood's dog
- YWCA membership for Sarah
- Nutrition class for Sarah

198

Case Study 2: Answer 1B

- **How does the Medicare-gap policy work for Mr. Blockwood and what additional medical expenses does it cover?**
- **Are there any expenses reported by the Blockwoods that might be covered by the Medicare gap policy?**

  For example – does the policy reimburse Mr. Blockwood for his $15 co-pay for his annual doctor's visit?

199

Case Study 2: Answer 1B

- **The Blockwoods incur $25/month in non-prescription medicine costs. Such costs might be allowable if prescribed by a physician. Did a physician actually prescribe the non-prescription medicines?**
- **The Blockwoods report an outstanding debt to General Hospital. Have the Blockwoods actually been paying on this debt? What evidence do you want to see?**

200

Case Study 2: Answer 1B

- **Did Medicaid reimburse the family for the cost of Joseph's physical therapy and his asthma inhalers? If not, why not?**
- **When did Mr. Blockwood have a pacemaker installed? Within the past year? Did the family incur any out-of-pocket expenses? Did the family request an interim at the time, or would those expenses now qualify as fully-paid, one-time costs for this recertification?**

201

Case Study 2: Answer 1B

- Mr. Blockwood receives Social Security, yet the family did not report the *Medicare* premium
- Even if Mr. Blockwood forgot to write it down, the owner must consider it
- This oversight may be a clue that the amount that was entered for Social Security income might be *net* amount after the premium has been deducted, not *gross* amount as required

202

Case Study 2: Answer 1C

- Most owners would accept this verification because it came directly from the third party source and was signed by an appropriate official, even though it was not on the standard form sent by the owner

203

Case Study 2: Answer 1C

- Because hospital didn't fill out the owner's form, the information provided is only *past* payment information
- The owner still needs to project these expenses for the coming year and needs to determine if the hospital expects any changes in the coming year

204

Case Study 2: Answer 1C

- **4350.3 REV-1 *recommends* obtaining a copy of the agreement with the hospital**
- **However, the agreement might not provide the current status**
- **So, the hospital's letter on actual payment history may be more timely and accurate**

205

Case Study 2: Answer 1C

- **The owner needs to check the numbers for any obvious discrepancies**
- **In this instance, the amounts listed by the hospital add up to *$600* for the 12-month period, not the *$585* total they indicate**
- **Note that the actual original debt was *$4,710*, not the *$6,000* that the Blockwoods reported**

206

Case Study 2: Answer 1C

- **The owner must make a judgment call about what payments to anticipate during the coming year**
- **Things to consider:**
  - The Blockwoods missed 3 payments last year, so owner might decide to make the same assumption for the coming year
  - But one of the missed payments was around the same time as the large expense for Joseph's broken leg (January)
  - If there is a relationship, this expense presumably won't happen again next year

207

Case Study 2: Answer 1C

- **Things to consider:**
  - Note that the outstanding balance on the debt is only $710
  - If the Blockwoods pay $60/month for 12 months, they'll end up paying $720 for the entire year ($10 more than they owe)
  - Since that can't happen, the owner must ensure that the amount allowed as an expense does not exceed the amount owed

208

Case Study 2: Answer 1C

- **Things to consider:**
  - Based on the Blockwood's payment record, the owner could decide to assume that the Blockwoods will pay regularly every month until the debt is paid
  - Or, the owner could determine that the Blockwoods might miss one or two payments in the coming year, as they did in the prior year

209

Case Study 2: Answer 1C

- **Things to consider:**
  - Either approach, or some other approach, could be appropriate
  - Owner should discuss issue further with the family
  - Ultimately, the owner must explain in the tenant file what his/her thought process was
  - Owner needs to be consistent in these judgments and not give the benefit of the doubt to some tenants and not to others without clear differences in circumstances

210

Case Study 2: Answer 1D

Expense Description	Calculation	Annual Amount
Medicare Premium	$78.20 x 12	$938
Medi-gap Insurance Premium	$130 x 12	$1,560
Mrs. Blockwood's Doctor	$65 x 12	$780
Mrs. Blockwood's Prescriptions	$250 x 12	$3,000
Outstanding Hospital Bill	Use entire remaining balance	$710
One-Time Past Bill (Physical Therapy)	Use entire amount paid	$650

211

Case Study 2: Answer 2

- **See pages 4-156 and 4-157 of Participant Manual for sample questions for:**
  - Emerald City Bank verification
  - R&R Railroad Company verification

212

Case Study 2: Answer 3

Family Member	Asset Type	Calculation for Cash Value	Cash Value	Calculation for Asset Income	Actual Income
Tyrone	Checking	120 - 0	$ 120	120 x .025	$ 3
Tyrone	Savings	786 - 0	$ 786	786 x .03	$ 24
Tyrone	Savings	4,650 - 0	$ 4,650	4,650 x .03	$ 140
Irene	IRA	6,000 x .015 6,000 x .20 6,000 - 1,290	$ 4,710		$ 0
		Total:	$ 10,266		$ 167
				Imputed Income from Assets:	$ 205
				Total Asset Income:	$ 205

213

Case Study 2: Answer 3

Family Member	Calculation	Employment	Soc. Security, Other
Tyrone	$978.20 x 12		$ 11,738
Tyrone	$250 x 12		$ 3,000
Irene	7 x $10 x 12	$ 3,640	
Joseph	$200 x 12		$ 2,400
Sarah	$200 x 12		$ 2,400
	Total Each Source:	$ 3,640	$ 19,538
	Total All Sources:	$ 23,178	
	Total Annual Income:	$23,178 + $205 =	$23,383

214

Case Study 2: Answer 3

3% of A.I. = $701 **Total Annual Income:**	$ 23,383
Dependent Deduction: 2 x $480	$ 960
Child Care Expenses Deduction:	$ 0
Child care expenses for work:__________ Child care expenses for education:__________	
Elderly Household Deduction:	$ 400
Medical Expenses: $7,638 **Deduction:**	$ 6,937
Total Deductions:	$ 8,297
Total Adjusted Income:	$ 15,092

215

Case Study 2: Answer 3

Monthly (gross) Income	$ 1,949
Monthly Adjusted Income	$ 1,258
30% of Monthly Adjusted Income	$ 377
10% of Monthly (gross) Income	$ 195
Welfare Rent	NA
Minimum Rent	$ 25
Total Tenant Payment	$ 377

216

Case Study 2: Answer 3

Total Tenant Payment	$ 377
Minus Utility Allowance	$ 86
Tenant Rent	$ 291
Utility Reimbursement	$ 0

217

Case Study 2: Answer 3

Contract Rent	$ 1,200
Utility Allowance	$ 86
Gross Rent	$ 1,286
TTP	$ 377
Total Assistance Payment	$ 909
Assistance Payment for Rent	$ 909
Assistance Payment for Utility Reimbursement	$ 0

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Multifamily Housing Case Studies:
A RHIIP Training Program

Part VI

Disability Assistance Expenses

219

Overview

- **Families may deduct from annual income certain unreimbursed, anticipated costs for disability assistance expenses *if* the costs meet *all* of the following criteria:**
  - Costs are reasonable
  - Costs enable a family member 18 or older to work
  - Costs do not exceed the amount(s) earned by the family member(s) enabled to work

220

Overview

- **The person who is enabled to work may be the person with disabilities**
- **Eligibility for this deduction does not require that the head, spouse or co-head be an elderly person or person with disabilities**

221

Overview

- **Unlike child care, this deduction is permitted only if it enables a family member to *work* (not seek work or further his/her education)**

222

Disability Assistance Expense Deduction

- **Eligible disability assistance expenses that exceed 3 percent of the family's annual income may be deducted *if* the amount does not exceed the earned income of the family member(s) enabled to work**

223

Disability Assistance Expense Deduction

- **Example 1:**
  - John Z. has a disability
  - The family hires a care attendant to stay with him while his wife Patty goes to work
  - The costs for the care attendant are $6,240
  - Patty earns $5,824
  - John receives $100/month for a disability payment

224

Disability Assistance Expense Deduction

- **Example 1 (cont):**
  - **Annual Income:**
    $5,824 + $1,200($100 x 12) = **$7,024**
  - **3% of Annual Income:**
    $7,024 x .03 = **$211**
  - **Expenses in excess of 3% of Annual Income:**
    $6,240 (Attendant Care) - $211 = **$6,029**
  - **Eligible deduction**:
    $5,824 (capped by Patty's earned income)

225

Disability Assistance Expense Deduction

- **Example 2:**
  - With the acquisition of a special computer ($1,000 cost) John Z. is now able to work at home, but he still requires the assistance of the care attendant
  - His job pays $6.00 and hour and he works about 12 hours/week

226

Disability Assistance Expense Deduction

- **Example 2 (cont):**
  - **Earned Income:**
    $5,824 + $3,744 = **$9,568**
  - **Annual Income:**
    $9,568 + ($120 x 12) = **$10,768**
  - **Total Disability Assistance Expense:**
    $6,240 + $1,000 = **$7,240**
  - **3% of Annual Income:**
    $10,768 x .03 = **$323**
  - **Expenses in excess of 3% of Annual Income:**
    $7,240 - $323 = **$6,917**
  - **Eligible deduction**:
    $6,917 (less than total earned income)

227

Types of Disability Assistance Expenses

- **Disability assistance expenses may include:**
  - Costs for the care of a person with disabilities
  - Auxiliary apparatus used by or for a person with disabilities
- **Amounts that will be reimbursed from any source are *not* counted**

228

Disability Assistance Expense Timeframes

- **Owners may consider:**
  - Disability assistance expenses the family *anticipates* it will incur during the 12 months following the certification or recertification
  - Periodic payments on outstanding bills for disability assistance (only the portion that is *anticipated* to be paid in the coming 12-month period)
  - Past one-time nonrecurring disability assistance expenses that have been paid in full

229

Auxiliary Apparatus

- **What is an "auxiliary apparatus?**
  - An auxiliary apparatus can be equipment, furniture, tools and other devices that assist a person with disabilities

230

Auxiliary Apparatus

- **Common auxiliary apparatus items include:**
  - Wheel chairs, ramps and their maintenance
  - Purchase of or modifications to a vehicle (only the added cost for the items that make the vehicle accessible can be counted); maintenance of the vehicle modifications is eligible (but not maintenance of the vehicle itself)

231

Auxiliary Apparatus

- **Common auxiliary apparatus items include:**
  - The cost of maintenance and upkeep of an auxiliary apparatus (e.g., a mobile oxygen tank or motorized cart)
  - The cost of service animals including acquisition, veterinary services, food and care of the animal

232

Auxiliary Apparatus

- **Common auxiliary apparatus items include:**
  - Special equipment to enable a sight-impaired person to read or type
  - Special telephone equipment that permits a deaf or hearing impaired person to communicate

233

Auxiliary Apparatus

- **Auxiliary apparatus must be related to work**
  - Auxiliary apparatus items can be considered as a disability assistance expense *only if they are directly related to permitting the disabled person or other family member to work*

234

Auxiliary Apparatus

- **Example:**
  - Eric (32 and disabled) lives alone
  - He uses a wheel chair and his only source of income is SSI
  - Although Eric is definitely a person with disabilities and needs the wheel chair, the cost of the wheel chair is not a disability assistance expense because Eric is not working
  - However, since Eric is the head of household, the wheel chair could be considered a *medical expense*

235

Auxiliary Apparatus

- **If the apparatus is not used *exclusively* by the person with a disability, the owner must prorate the cost**
- **Example:**
  - An adapted vehicle is used to transport a person with disabilities to work 3 days per week
  - At other times, van is used by other family members
  - Vehicle expenses must be prorated to reflect the eligible and not eligible uses

236

Attendant Care

- **Attendant care includes but is not limited to reasonable expenses for:**
  - Home medical care and nursing services
  - Housekeeping and errand services for the person with a disability only, not other family members
  - Interpreters for hearing-impaired persons
  - Readers for persons with visual disabilities

237

Attendant Care

- **When care provider also cares for other family members (such as children), the costs must be pro-rated and an appropriate share attributed to disability assistance expenses**

238

Attendant Care

- **If the family also claims child care expenses and the child care enables the same family members to work as does the care for the disabled person, the *sum* of child care and disability assistance cannot exceed the earned income of the person(s) enabled to work**

239

Attendant Care

- **Example:**
  - Care attendant cares for Diane (32 and disabled spouse), Rachel (11), and Robbie (13) while Bart (head) works
  - Care attendant is paid $250/week ($13,000/year)
  - Rachel's care could be eligible child care expenses
  - Diane's care could be eligible disability assistance expenses
  - Robbie's care is not eligible as child care or disability assistance expense because he is age 13 and not disabled
  - Based upon the hours of care and the attendant's explanation of her charges, the $3,000 would be pro-rated among the three (Diane, Rachel and Robbie)
  - The total amount of care attributed to Diane and Rachel could not exceed Bart's earned income

240

Verifying Expenses

- **Specific types of documentation that should be sought are listed in Handbook 4350.3 REV-1, Appendix 3**
- **Verification and documentation process for disability assistance expenses is similar to that for medical expenses**
  - Refer to the discussion in Part V. Medical Expenses, for specific examples

241

Ongoing Expenses

- **Anticipated amounts for many ongoing expenses can be based on prior history, but owner should consider whether:**
  - Expenses will continue
  - Costs will change (up or down) in the coming year
  - The resources the family has to pay for the disability assistance expenses has changed (e.g., different insurance coverage or other form of reimbursement)

242

Anticipating Expenses

- **Owners should attempt to *anticipate* what the family's medical expenses will be for the 12 months beginning with the certification or recertification effective date**
- **A family may report and claim expenses that it *anticipates* will happen in the coming year, even if no such expense has been incurred in the past**

243

Outstanding Bills

- If past one-time costs are being paid on an installment plan, the periodic payments scheduled for the coming year are counted as anticipated expenses
- If family's payment history shows that actual payments have been inconsistent in the past, owner must make a judgment call about how much of the payments to consider as expenses for the coming year
- Once family has received a deduction for full amount of a bill it is paying over time, the amount cannot be deducted again, even if it has not yet been paid

244

Fully Paid One-time Costs

- Similar to medical expenses, costs that have been paid in full may be included in the calculation of the disability expense deduction for the coming year, even though the expenses have already been paid

245

Fully Paid One-time Costs

- 2 options for one-time disability assistance expenses
- Family has the option of requesting that these expenses be added to the family's total disability assistance expenses either:

a) at the time the expense actually occurs and is paid, by requesting an *interim* recertification

or

b) at the upcoming *annual* recertification

246

Fully Paid One-time Costs

- **Note that these options are mutually exclusive**
- **A family must opt for one approach or the other**
- **If a one-time expense is added at an *interim* recertification, it cannot also be added to disability assistance expenses at the next *annual* recertification**

247

Medical and Disability Assistance

- **A family may be eligible for *both* the medical expense deduction *and* the disability assistance expense deduction**
  - Certain expenses may qualify as medical expenses only
  - Certain expenses may qualify as disability assistance expenses only
  - Certain expenses may qualify as *both* medical and disability assistance

248

Medical and Disability Assistance

- **The owner must be able to differentiate between the two types of expenses and must be able to *classify* expenses as either medical or disability assistance or both**

249

Medical and Disability Assistance

- **In some cases, it's easy to determine whether an expense should be classified as either a medical or a disability assistance expense**
  - Emergency room services for a broken leg are clearly *medical*
  - Voice-activated computer program to allow a disabled person to work is clearly an *auxiliary apparatus (disability assistance)*

250

Medical and Disability Assistance

- **In other cases, an item may legitimately be classified as *both* a medical *and* a disability assistance expense**
  - Wheelchair may be *medically* necessary and may also permit the person to work (*disability assistance*)

251

Medical and Disability Assistance

- **When item can be classified as *both* a medical *and* a disability assistance expense, *and* the family is eligible for a deduction *both* types of expenses:**
  - Owner should select classification that is most advantageous for the family
  - In many instances, the decision will have no impact on the rent
  - However, for some households, decision to classify an expense as either a medical expense or a disability assistance expense could make a large difference

252

Medical and Disability Assistance

- **Example:**
  - Don (head, 32) and Julie (spouse, 33) have a disabled son who uses a wheelchair and receives daily care from a nurse
  - Bedroom ceiling had to be reinforced to install physical therapy trapeze equipment
  - Both Don and Julie work and have a combined income of $20,000/year
  - All of these expenses would qualify as *medical expenses*
  - However, because family does not qualify as an *elderly/disabled family*, family is ineligible for medical expenses deduction

253

Medical and Disability Assistance

- **Example (cont):**
  - Expenses might also be classified as *disability assistance expenses*
  - Expenses for the care of a disabled family member (not just head or spouse) in order to enable any family member to work can be counted
  - Nursing care, wheelchair and trapeze installation might be counted
  - Under this scenario, all of the expenses that exceed $600 (3% of $20,000) could be deducted

254

Medical and Disability Assistance

- **A family may be eligible for *both* the medical expense deduction *and* the disability assistance expense deduction**

  AND

  Family may have some of each at the same certification/recertification

255

Medical and Disability Assistance

- The regulations specify that appropriate deduction will be the *sum* of eligible medical *and* disability assistance expenses that exceed 3 percent of annual income

256

Medical and Disability Assistance

- However, unlike medical expenses, disability assistance expenses are limited by the earned income of the person enabled to work
- This situation requires a *special calculation* by the owner

257

Medical and Disability Assistance

- **Special Calculation <u>in the following order</u>:**

1. Owner caps eligible disability assistance expenses by the earned income of the family member(s) enabled to work
2. Owner deducts 3% of annual income from remaining eligible disability assistance expenses

3.a. Where 3% of annual income <u>exceeds</u> the disability assistance expenses, balance of the 3% is deducted from medical expenses.

- The result is the medical/disability assistance deduction

3.b. Where 3% of annual income <u>is less than</u> the disability assistance expenses, the balance of the disability assistance expenses is added to the total medical expenses

- The result is the medical/disability assistance deduction

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Medical and Disability Assistance

	Example 1	Example 2	Example 3
Total Annual Income:	$25,000	$25,000	$25,000
3% of Annual Income:	$750	$750	$750
Earned Income of Family Member:	$12,000	$6,000	$6,000
Disability Assistance Expenses:	$8,000	$8,000	$500
Medical Expenses:	$4,500	$4,500	$4,500
Calculation			
Step 1: Apply Earned Income Limit	$8,000	$6,000	$500
Step 2: Deduct 3% of Annual Income	$7,250	$5,250	($250)
Step 3a: Deduct Remainder from Medical Expenses	NA	NA	$4,250
Step 3b: Add Remaining Disability Expenses to Medical Expenses	$11,750	$9,750	NA
Total Medical and Disability:	$11,750	$9,750	$4,250

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Multifamily Housing Case Studies: A RHIIP Training Program

Case Study 3

The Winchesters II

260

Case Study 3: Answer 1

- **Daily Grind Café:**
  $100/week x 52 weeks = $5,200/year
- **Belmont Furniture:**
  $5.00/hour x 20 hours/week x 52 weeks = $5,200/year
- $5,200 + $5,200 = **$10,400**

261

Case Study 3: Answer 1

- **Betsy has reduced her school workload and is no longer a "full-time student"**
  - Because she is over age 18, the full amount of her earned income must be counted

262

Case Study 3: Answer 1

- **Potential sales commission income of 1% of annual pay to 20% of annual pay**
  - No sales commission income added for Betsy
  - When projecting uncertain income, owner might rely on history and pattern of such income
  - This should be based on actual history and pattern that the specific individual has established
  - In this situation, Betsy has not established any history or pattern of sales commission income
- **Owner should not establish projected income for an individual based solely on an estimate that the employer offers for other employees**

263

Case Study 3: Answer 2

- **$0**
  - While value of disposed assets exceeds $1,000, the assets were not "disposed of for less than fair market value"
  - Assets used to pay medical bills
  - Family would sign certification indicating that assets were *not* disposed of for less than fair market value
  - The owner would verify this information only if information does not appear to agree with other information provided by family

264

Case Study 3: Answer 3

3A. Family is now incurring expenses to care for Jessica, to enable Cindy to seek employment

3B. Pre-school costs ($1,500/year) for care of Jessica would be eligible

- Some portion of $250/week paid to Mrs. Johnson would also be eligible
- Mrs. Johnson would need to specify how much of the $250/week is for the care of Jessica, and how much is for the care of Amanda

265

Case Study 3: Answer 4

4A. Yes

- To be eligible for a **medical expenses deduction,** either Sam or Amanda must be at least 62 years of age, or a person with disabilities
- It would appear that Amanda now qualifies as a person with disabilities
- Doctor has indicated to the family that Amanda can no longer work; owner may need to verify with the doctor that Amanda now meets the regulatory definition of a person with disabilities
- If so, the family is eligible for medical expenses deduction

266

Case Study 3: Answer 4

4B. No

- It does *not* appear that family is eligible for a **disability assistance expenses deduction**
- Disability assistance expenses must enable a family member to actually *work*
- Neither Sam nor Betsy has been enabled to work specifically due to care expenses for Amanda
- Cindy is looking for a job, so she is not enabled to work
- If and when Cindy finds a job, the family could be eligible for the disability assistance expenses deduction on the basis of enabling Cindy to work

267

Case Study 3: Answer 5

- **Hospital Bill:**
  - Total balance remaining on hospital bill is $720
  - However, Winchesters pay only $50/month
  - $50 x 12 months = **$600** as the amount the Winchesters will pay over the coming year
- **Prescription Drugs:**
  - Family pays $300/month on prescribed drugs, confirmed with the pharmacy
  - $300/month x 12 months = **$3,600**

268

Case Study 3: Answer 5

- **Physical Therapy:**
  - Family pays $150/month for physical therapy for Amanda
  - $150/month x 12 months = **$1,800**

269

Case Study 3: Answer 5

- **Wheelchair:**
  - Family has already paid $1,000 on the wheelchair, and will pay $75/month in payments
  - $1,000 + ($75/month x 12 months) = **$1,900**
  - At this point, no agency is assisting the family with the cost of the wheelchair
  - This could change by the time of the next annual recertification, in which case the calculation of this expense would change

270

Case Study 3: Answer 5

- **Deductible Payment:**
  - The **$400** deductible Sam had to pay out-of-pocket to the hospital is an eligible medical expense

271

Case Study 3: Answer 5

- **Dental Payments – Sam, Amanda and Cindy:**
  - Dental payments are eligible medical expenses. Sam has dental coverage in his work health plan, and this coverage extends to Amanda
  - Both Sam and Amanda pay a **$50** deductible payment
  - Cindy is not covered under any dental insurance; entire amount of her dental bill - **$350** - was paid out-of-pocket and is an eligible medical expense

272

Case Study 3: Answer 5

- **Aromatherapy:**
  - Expenses related to general mental or physical health, not related to a specific medical condition and/or prescribed by a health professional, are generally **not** allowed as a medical expense

273

Case Study 3: Answer 5

- **Pre-school Tuition:**
  - Tuition costs of **$1,500** are allowable as a child care expense
  - Child care expenses are allowable if they assist an individual in working, seeking employment, or furthering his/her education
  - In this case, the expenses initially were used to enable Cindy to seek employment, and now they are used to enable Cindy to actually be employed

274

Case Study 3: Answer 5

- **Jessica Care:**
  - Mrs. Johnson is caring for Jessica when Jessica is not in preschool
  - Child care expenses are allowable if they assist an individual in working, seeking employment, or furthering his/her education
  - Expenses initially were used to enable Cindy to seek employment, and now they are used to enable Cindy to actually be employed
  - Mrs. Johnson estimates $75 of $250/week costs of care may be allocated to Jessica's care

    $75/week x 52 weeks = **$3,900**

275

Case Study 3: Answer 5

- **Amanda Care:**
  - Mrs. Johnson is caring for Amanda
  - Initially, this care enabled Cindy to look for work
  - Disability assistance expenses must enable a family member to actually work. so expenses were *not* eligible to be used as disability assistance expenses
  - Now that Cindy has found employment, the expenses enable Cindy to actually work
  - Mrs. Johnson estimates that $175 of $250/week costs of care may be allocated to Amanda's care

    $175/week x 52 weeks = **$9,100**

276

Case Study 3: Answer 5

Item	Counted	Not Counted	Medical?	Dis. Assist?	Other?
Hospital Bill	$600	$120	X		
Prescription Drugs	$3,600	$0	X		
Physical Therapy	$1,800	$0	X		
Wheelchair	$1,900	$0	X		
Hospital Deductible	$400	$0	X		
Dental Deduct – Sam	$50	$0	X		
Dental Deduct. - Amanda	$50	$0	X		
Dental – Cindy	$350	$0	X		
Aromatherapist	$0	$200			X
Pre-school Tuition	$1,500	$0			X
Jessica Care	$3,900	$0			X
Amanda Care	$9,100	$0		X	

277

Case Study 3: Answer 6

Family Member	Asset Type	Calculation for Cash Value	Cash Value	Calculation for Asset Income	Actual Income
Sam, Amanda	Checking	250 - 0	$ 250	250 x .00	$ 0
Betsy	Checking	104 - 0	$ 104	104 x .00	$ 0
Jessica	Savings	123 - 0	$ 123	123 x .0115	$ 1.41
Sam	IRA	2400 - 240 - 480	$ 1,680	2400 x .00	$ 0
Cindy	Pension	4000 - 400 - 800	$ 2,800	4000 x .00	$ 0
		Total:	$ 4,957		$ 1
				Imputed Income from Assets:	NA
				Total Asset Income:	$ 1

278

Case Study 3: Answer 6

Family Member	Calculation	Employment	Other
Sam	$300 x 52	$ 15,600	
Betsy	5 x $20 x 52	$ 5,200	
Betsy	$100 x 52	$ 5,200	
Cindy	$200 x 12		$ 2,400
Cindy	$6.50 x 32 x 52	$ 10,816	
	Total Each Source:	$ 36,816	$ 2,400
	Total All Sources:	$ 39,216	
	Total Annual Income:	$39,216 + $1 =	$39,217

279

Case Study 3: Answer 6

3% of A.I.: $1,177	Total Annual Income:	$ 39,217
	Dependent Deduction: 1 x $480	$ 480
	Child Care Expenses Deduction:	$ 5,400
	Child care expenses for work: $ 5,400	
	Child care expenses for education:	
	Elderly Household Deduction:	$ 400
	Allowable Disability Assistance Expenses: $ 9,100	
	Capped, Allowable Disability Assistance Expenses: $ 7,923	
	Allowable Medical Expenses: $ 8,750	
	Medical / Disability Assistance Expenses Deduction:	$ 16,673
	Total Deductions:	$ 22,953
	Total Adjusted Income:	$ 16,264

280

Case Study 3: Answer 6

Monthly (gross) Income	$ 3,268
Monthly Adjusted Income	$ 1,355
30% of Monthly Adjusted Income	$ 407
10% of Monthly (gross) Income	$ 327
Welfare Rent	NA
Minimum Rent	$ 25
Total Tenant Payment	$ 407

281

Case Study 3: Answer 6

Total Tenant Payment	$ 407
Minus Utility Allowance	$ 86
Tenant Rent	$ 321
Utility Reimbursement	$ 0

282

Case Study 3: Answer 6

Contract Rent	$ 1,200
Utility Allowance	$ 86
Gross Rent	$ 1,286
TTP	$ 407
Total Assistance Payment	$ 879
Assistance Payment for Rent	$ 879
Assistance Payment for Utility Reimbursement	$ 0

Part VII

Advanced Topics

Multifamily Housing Case Studies:
A RHIIP Training Program

Case Study 4A

Oscar and Hilda Sparks

Case Study 4A: Answer 1

- **$12,000**
  - The full amount of periodic amounts received from retirement funds must be included in annual income.
  - Oscar's regular withdrawals of $200/month for past 6 years appear to qualify as "periodic amounts received."

  ($800 x 12 months) + ($200 x 12 months) = **$12,000**

286

Case Study 4A: Answer 2

- **$11,100**
  - The full amount of periodic amounts received from retirement funds must be included in annual income.
  - Effective date of current recertification is Feb. 1st
  - Hilda will begin drawing $150/month on April 1st
  - Hilda will receive periodic income from account for 10 months of recertification year (April 1 – Jan. 31)

  ($800 x 12 months) + ($150 x 10 months) = **$11,100**

287

Case Study 4A: Answer 3

- **$7,300**
  - Because entire amount of the insurance payment is being used to pay for medical care expenses for Hilda, you might be inclined to view the insurance as reimbursement of medical expenses and *exclude* it from annual income
  - 4350.3 REV-1 specifically notes that, if the tenant is receiving long-term care insurance payments, any payments *in excess of $180 per day* must be counted toward the gross annual income

288

Case Study 4A: Answer 3

- You must include Oscar and Hilda's insurance payments in excess of $180 per day as income:

$200 - $180 = **$20**

$20/day x 365 days = **$7,300**

289

Case Study 4A: Answer 4

- **$10,950**
  - Long-term care insurance pays only $200/day for Hilda's care, yet her actual expenses are $210/day
  - This means that $10/day is out-of-pocket medical expenses for the Sparks

$210 - $200 = **$10**

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Case Study 4A: Answer 4

- The family is receiving a total of $200/day from the insurance company, but $20 of that amount must be counted as income, not as reimbursement of medical expenses
- This means that an additional $20/day of nursing home care expenses qualify as unreimbursed medical expenses

$200 - $180 = **$20**

- Therefore:

($10/day + $20/day) x 365 = **$10,950**

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Multifamily Housing Case Studies:
A RHIIP Training Program

Case Study 4B

Ralph and Alice Kramden

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Case Study 4B: Answer 1

- Alice has voluntarily reported to you that she owns this asset, so it is likely an asset jointly owned by Alice and her father
- Challenge will be to determine her *share* of the asset

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Case Study 4B: Answer 1

- A reasonable method would be to prorate the current value based upon the investment of both parties
- Alice made 1/3 of the original investment and therefore she is probably the owner of 1/3 of the current value

$2,250 x .33 = **$743**

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RHIIP

Case Study 4B: Answer 1

- If you found out about this asset as a result of verification of another asset or if Alice reported it in response to a question, but claimed that she doesn't really own it, more research would be needed
- In the case of a dispute you would need to determine whether the asset is “effectively owned” by Alice
- You would need to confirm that her name and SSN are actually on the account

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RHIIP

Case Study 4B: Answer 1

- You should confirm whether she has reported the asset on her income taxes, whether her father has reported the asset, or whether both have
- It is possible that the father has assumed ownership of the asset or that her father "bought out" Alice's share, that he reports it on his taxes and pays any taxes due

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RHIIP

Case Study 4B: Answer 1

- Even if her father pays all taxes, as long as there is an informal understanding that he will “share” any appreciation in value of the asset should they cash it out at some point, the asset would be effectively owned by Alice
- As with all “jointly-owned” asset situations, determining ownership requires collecting as much information as is available and making the best judgment possible based on that information

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Case Study 4B: Answer 2

- **$27,000**
  - The face value of the asset is not relevant to the asset calculation because it is not available to Ralph
  - Ralph could, however, surrender the policy and receive the current cash (“surrender”) value:

    $35,000 - $10,000 + $2,000 = **$27,000**

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Case Study 4B: Answer 3

- **$0**
  - A term life insurance policy has no value to the individual before death
  - The policy has no “surrender” value and the value of the policy is only available in the event of Alice’s death

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Case Study 4B: Answer 4

- **Market Value:**

  $14,500

- **Cash Value:**

  $14,500 - $600 = **$13,900**

- **Actual Income:**

  $14,500 x .025 = **$363**

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Case Study 4B: Answer 5

- **50 months**
  - You will not be able to count the annuity payments as annual income until the sum total of the annuity payments equals the amount that Ralph invested in the annuity
  - It will take 50 months for the entire amount that Ralph has invested ($10,000) to be fully paid out in annuity payments at the rate of $200/month

    $10,000 ÷ $200/month = **50 months**
  - After 50 months, you will be able to count the $200/month as annual income for Ralph

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Multifamily Housing Case Studies:
A RHIIP Training Program

Case Study 4C

Paul and Imogene Furley

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Case Study 4C: Answer

Annual Income:		$ 13,000
3% of Annual Income:		$ 390
Dependent Deduction:		$ 1,440
Disabled Household Deduction:		$ 400
	Wheelchair as Medical Expense	Wheelchair as Disability Assistance Expense
Disability Assistance Expense:	$ 0	$ 3,000
Medical Expense:	$ 8,000	$ 3,500
Total Allowable Expenses:	$ 7,610	$ 6,110
Total Deductions:	$ 9,450	$ 7,950
Adjusted Income:	$ 3,550	$ 5,050

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Post-Training Self Test

- For you – to measure what you have learned
- Answers in Attachment E
- Study the training materials for questions you miss

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Evaluation

Please help us improve our training by filling out the evaluation form

Thank you!

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