

Trainer Manual

Module 4

Part A: Trainer Instructions and Lesson Plans

OVERVIEW OF MODULE 4

- **Introduction.** Module 4 addresses the remaining deductions from income: elderly/disabled household, medical expenses and disability assistance expenses. It also introduces the key concepts related to assets and income from assets. New income sources addressed primarily relate to assets, such as income from retirement and pensions plans.
- **Objectives.** The participant learning objectives of Module 4 are described in the lesson plan on page A-v below. From a trainer's perspective the module is intended to:
 - Give participants the opportunity to practice the rules related to medical expenses and disability assistance expenses in a variety of circumstances.
 - Help learners grasp the general rules that apply to assets and practice applying those rules on specific assets.
 - Reinforce the information learned in Modules 1-3.
- Because the topic of assets is broad and often a source of confusion for owners, assets are covered in both Module 4 and Module 5. The chart below offers a general summary of the asset topics discussed in each module, though there is overlap between the two modules.

Assets Covered in Module 4	Assets Covered in Module 5
<ul style="list-style-type: none"> • Savings and checking accounts, including cash • Assets related to retirement including IRAs, 401(k), pensions, and annuities • Lump sum additions to assets • Life insurance policies • Certificates of Deposit and Money Market accounts • Annuities • Assets disposed of for less than fair market value – Introduction 	<ul style="list-style-type: none"> • Business income and assets • Real estate and equity in real property • Trusts • Mortgage or Deed of Trust held by a family member • Assets disposed of for less than fair market value – Continued

ORGANIZATION OF MODULE 4

- *Case Study 1* is based on the materials contained in Parts I, II and III of the manual.
 - *Part I: Absent Family Members* discusses both temporary and permanent absences of individual family members from the dwelling unit.
 - *Part II. Assets and Income from Assets* describes the assets that are and are not considered in the calculation of annual income and how income from assets is computed. All of the case studies in the module illustrate the treatment of assets.
 - *Part III. Periodic payments* describes periodic payments that must be included in annual income and focuses specifically on periodic payments related to retirement including Social Security and SSI payments, and income related to retirement accounts.
 - *Case Study 1* gives participants their first opportunity to apply rules related to assets and income from assets, specifically on the treatment of retirement assets for non-retired individuals. The Winchester family introduced in Case Study 1 (and revisited in Case Study 3) is a non-elderly/disabled family. Participants are required to develop income and asset figures from third-party verification forms.
- *Case Study 2* is based on the materials contained in Parts IV and V of the manual, and also reinforces asset rules discussed in Parts I - III.
 - *Part IV. Elderly/Disabled Family* introduces a deduction from income not yet covered in the training: the elderly/disabled household deduction.
 - *Part V. Medical Expenses* introduces the challenging and complex issue of the deduction from income for medical expenses of elderly/disabled families.
 - *Case Study 2* introduces the Blockwood family. Participants are asked to develop the questions that need to be included on third-party verification forms for checking and savings accounts, as well as pensions, and to evaluate for adequacy a third-party verification submitted for medical expenses. Participants also must determine which medical expenses are eligible and complete a full income and rent determination calculation for the Blockwoods.

- **Case Study 3** is based on the materials from Part VI of the manual.
 - *Part VI. Disability Assistance Expenses* introduces the final deduction from annual income permitted by HUD regulations. Case Study 3 returns to the Winchester family whose circumstances have changed so that now the family qualifies for the disability assistance expense deduction. Participants are asked to distinguish between medical expenses, disability assistance expenses, and child care and must complete a full income and rent determination.
- **Case Study 4** builds on the key concepts provided earlier in the module, revisiting various aspects of assets, medical expenses and disability assistance expenses, and offering illustrations of more complex calculations and applications of policy.
- **Self Study Tests.** The module includes pre- and post-training tests that are intended to be for the participant's use to identify areas that require additional study. In addition to providing the correct answer, the explanations contained in the answers provide further elaborations of requirements.
 - In a classroom setting these test questions should be used as additional exercises.
 - Self study learners should review the explanations carefully.
 - The tests should not be used as the basis for certification or as part of a performance evaluation process. They do not provide enough questions to make a valid assessment for either of those purposes.
 - Answers to the tests are provided in the attachments at the end of the module.
- **New Appendices.** Module 4 adds two new appendices to the manual.
 - Appendix 7 is an Asset chart, offering examples of those items that are and are not included in the calculation of net family assets for a family.
 - Appendix 8 is a chart showing applicable definitions of Elderly and Disability. This chart is a reprint of Figure 3-6 from Handbook 4350.3 REV-1.
- **Trainer Notes.** Specific instructions for discussing the material are provided immediately before each training block, as well as in the notes sections of the materials.

- ***Introduction to Multifamily Housing Case Studies Training***
 - An introduction to the entire training program is found on pages i through iv of the Participant Manual and pages T-i through T-x of the Trainer Manual.
 - If Module 4 is presented at the same time as the other modules in the training series, it is not necessary to give an overview of the entire training program before each module. But if Module 4 is used as a stand-alone presentation, an introduction to the entire case studies training series would be appropriate.

LESSON PLAN AND AGENDA: CONFERENCE CALL

- The lesson plan and agenda shown below are for a three-hour conference call. The plan makes the following assumptions:
 - In order to successfully cover the material contained in Module 4 in three hours, participants must complete in advance: the pre-training self test, review of the materials and the four case studies.
 - Approximately 15 minutes of the call will be set-aside for questions from participants.
 - The post-training self test is an important part of Module 4, but it is not intended to be covered in the conference call itself. It is shown on the plan as an activity to be completed after self-study of the Module 4 materials, or after the conference call.
- A sample agenda for this conference call is found at the beginning of the Module 4 Participant Manual, on the page entitled “Agenda.”

Sample Lesson Plan Module 4 - Three Hour Conference Call

Module 4 Objectives

- At the end of this module, participants will be able to:
 - Identify income received in periodic payments that must be included in the calculation of annual income, including lump sum payments for the delayed start of a periodic payment
 - Identify the types of assets that are included and excluded from rent calculations and determine their cash value and the amount of income from those assets
 - Determine whether a family is eligible for the elderly/disabled household, medical expenses and disability assistance expense deductions
 - Determine which medical expenses can be considered, verify the expenses with appropriate third-party sources, and calculate the amount to be deducted from annual income
 - Determine which disability assistance expenses can be considered, verify the expenses with appropriate third-party sources, and calculate the amount to be deducted from annual income

Pre-Call Participant Preparation

- Complete the pre-training self test, review Module 4, complete case studies 1-4
- Estimated level of effort: 3 hours (learner with experience); 4-5 hours (new learner)

Methods, Timeframes and Materials

- Of necessity, the training method on a conference call is primarily lecture. A participant question and answer period will be provided at the end of the conference call.

- The chart below summarizes the timeframes and materials for each segment of the conference call.

Module 4 - Conference Call Content Timeframes and Materials	
Topic	Timeframes and Materials
<p>Introductions and Overview</p> <ul style="list-style-type: none"> • Introduce call facilitators • Module 4 Introduction • Review agenda for the call 	<ul style="list-style-type: none"> 🕒 Timeframe: 15 minutes 📖 Manual: pages 4-1 through 4-8 Self test answers in Participant Manual, Attachment A, pages 4-139 through 4-142
<p>Parts I-III Summary Discussion</p> <ul style="list-style-type: none"> • Part I: Absent Family Members • Part II: Assets and Asset Income • Part III: Periodic Income • Review Case Study 1 	<ul style="list-style-type: none"> 🕒 Timeframe: 45 minutes 📖 Manual: pages 4-9 through 4-60 Case Study 1 Answers in Participant Manual Attachment B, pages 4-143 through 4-151
<p>Parts IV-V Summary Discussion</p> <ul style="list-style-type: none"> • Part IV: Elderly/Disabled Family • Part V: Medical Expenses • Review Case Study 2 	<ul style="list-style-type: none"> 🕒 Timeframe: 45 minutes 📖 Manual: pages 4-61 through 4-96 Case Study 2 Answers in Participant Manual Attachment C, pages 4-152 through 4-161
<p>Part VI Summary Discussion</p> <ul style="list-style-type: none"> • Part VI: Disability Assistance Expenses • Review Case Study 3 	<ul style="list-style-type: none"> 🕒 Timeframe: 30 minutes 📖 Manual: pages 4-97 through 4-124 Case Study 3 Answers in Participant Manual Attachment D, pages 4-162 through 4-169
<p>Part VII Summary Discussion</p> <ul style="list-style-type: none"> • Advanced Topics • Review Case Studies 4A, 4B and 4C 	<ul style="list-style-type: none"> 🕒 Timeframe: 30 minutes 📖 Manual: pages 4-125 through 4-131 Case Study 4 Answers in Participant Manual Attachment E, pages 4-170 through 4-175
<p>Question and Answer Session</p>	<ul style="list-style-type: none"> 🕒 Timeframe: 15 minutes 📖 Manual: None
<p>Post-training Self Test</p> <ul style="list-style-type: none"> • Participants may use this tool after studying Module 4 or after the conference call 	<ul style="list-style-type: none"> 🕒 Timeframe: 15 minutes 📖 Manual: pages 4-132 through 4-136 Self test answers in Participant Manual, Attachment F, pages 4-176 through 4-180

LESSON PLAN AND AGENDA: CLASSROOM TRAINING

- The lesson plan and agenda shown below are for a one-day (6 hour) classroom training program on Module 4.
- A full day may be required to train Module 4 topics in detail with a new learner group, but a full day may not be required for more experienced learners.
- If participants must travel a significant distance to attend the training, you may wish to consider asking new learners to study the material in advance and then cover two modules in a single day.

Sample Lesson Plan Module 4 - Classroom Training

Module 4 Objectives

- At the end of this module, participants will be able to:
 - Identify income received in periodic payments that must be included in the calculation of annual income, including lump sum payments for the delayed start of a periodic payment
 - Identify the types of assets that are included and excluded from rent calculations and determine their cash value and the amount of income from those assets
 - Determine whether a family is eligible for the elderly/disabled household, medical expenses and disability assistance expense deductions
 - Determine which medical expenses can be considered, verify the expenses with appropriate third-party sources, and calculate the amount to be deducted from annual income
 - Determine which disability assistance expenses can be considered, verify the expenses with appropriate third-party sources, and calculate the amount to be deducted from annual income

Methods, Timeframes and Materials

- The format is intended to be an interactive discussion.
 - Participants generally are not expected to complete the Pre-training Self Test before the day of the session. The test may be administered as part of the formal session and/or participants may be encouraged to take the test during the registration process.
 - Participants will complete the case studies during the session.
 - Participants should complete the Post-training Self Test as part of the session.

- The chart below summarizes the timeframes and materials for each segment of the training. The chart includes references to Power Point slides that have been prepared for use in the classroom.
- A sample agenda is provided following the chart.

Module 4 - Classroom Training Content Timeframes and Materials	
Pre-training Self Test	
<ul style="list-style-type: none"> • (Participants may be asked to complete the self study test before the session begins as part of the registration process or as part of the introduction, as shown below.) 	
Topic	Timeframes and Materials
Introductions and Overview <ul style="list-style-type: none"> • Format: Presentation and Information Collection • Introduction of trainer(s) and participants • Introduction to Module 4 • Review agenda for the training • Administer Pre-training Self Test 	<ul style="list-style-type: none"> 🕒 Timeframe: 15 minutes without self test; 30 minutes with self test 📖 Manual: pages 4-1 through 4-8 ▶▶ Power Points: 1-23 Self test answers in Participant Manual, Attachment A, pages 4-139 through 4-142
Parts I - III <ul style="list-style-type: none"> • Format: Presentation and Interactive Discussion • Absent Family Members • Assets and Asset Income • Periodic Payments • Case Study 1 	<ul style="list-style-type: none"> 🕒 Timeframe: 2 hours, 45 minutes 📖 Manual: pages 4-9 through 4-60 ▶▶ Power Points: 24-148 Case Study 1 Answers in Participant Manual Attachment B, pages 4-143 through 4-151
Parts IV - V <ul style="list-style-type: none"> • Format: Presentation and Interactive Discussion • Elderly/Disabled Family • Medical Expenses • Case Study 2 	<ul style="list-style-type: none"> 🕒 Timeframe: 1 hour 📖 Manual: pages 4-61 through 4-96 ▶▶ Power Points: 149-218 Case Study 2 Answers in Participant Manual Attachment C, pages 4-152 through 4-161
Part VI <ul style="list-style-type: none"> • Format: Presentation and Interactive Discussion • Disability Assistance Expenses • Case Study 3 	<ul style="list-style-type: none"> 🕒 Timeframe: 1 hour 📖 Manual: pages 4-97 through 4-124 ▶▶ Power Points: 219-283 Case Study 3 Answers in Participant Manual Attachment D, pages 4-162 through 4-169

Module 4 - Classroom Training Content Timeframes and Materials	
<p>Part VII</p> <ul style="list-style-type: none"> • Format: Presentation and Interactive Discussion • Advanced Topics • Case Studies 4A, 4B and 4C 	<ul style="list-style-type: none"> 🕒 Timeframe: 45 minutes 📖 Manual: pages 4-125 through 4-131 ▶▶ Power Points: 284-303 Case Study 4 Answers in Participant Manual Attachment E, pages 4-170 through 4-175
<p>Post-training Self Test</p>	<ul style="list-style-type: none"> 🕒 Timeframe: 15 minutes 📖 Manual: pages 4-132 through 4-136 ▶▶ Power Points: None Self test answers in Participant Manual, Attachment F, pages 4-176 through 4-180

Sample Agenda
Multifamily Housing Case Studies Training Program
Module 4 Classroom Training

8:00 – 8:30	Registration
8:30 – 9:00	Introductions <ul style="list-style-type: none">• Overview of the Training• Pre training Self Test
9:00 – 9:30	Absent Family Members <ul style="list-style-type: none">• Temporary Absences• Permanent Absences• Confined in Hospitals and Nursing Homes
9:30 - 10:30	Assets and Asset Income <ul style="list-style-type: none">• Asset Definitions• Basic Principles• Income from Assets
10:30 – 10:45	Break
10:45 – 11:15	Periodic Payments
11:15 - 12:00	Case Study 1
12:00 – 1:00	Lunch
1:00 – 1:30	Deductions Related to Elderly Families <ul style="list-style-type: none">• Elderly Household Deduction• Medical Expense Deduction
1:30 - 2:00	Case Study 2
2:00 - 2:30	Disability Assistance Deduction
2:30 - 2:45	Break
2:45 - 3:15	Case Study 3
3:15 - 4:00	Advanced Topics - Case Study 4
4:00	Post training Self Test

Trainer Manual

Module 4

Part B: Annotated Participant Manual

TRAINER NOTES

- The agenda on the following page is the agenda for a conference call format. See Part A for an agenda for classroom training.
- The agenda is followed by a table of contents for Module 4 that begins the specific introduction to Module 4. The table of contents is a reference tool for participants and does not need to be discussed.
- The appropriate place to discuss the organization of Module 4 is on page 4-2.

**RHIP HELP DESK CONFERENCE CALL
MODULE 4**

February 2, 2005

AGENDA

Time: 1:00 PM to 4:00 PM EST

Chairperson: Cynthia Thomas, HUD

Facilitators: Cynthia Thomas, HUD

Nan McKay, Nan McKay and Associates

Confirmation Number: 35998577

Dial In Number: 1-800-347-3350

Pre-conference Participant Responsibilities

- Complete the pre-training self test and review answers
- Review training manual
- Complete Case Studies 1 – 4

1:00 - 1:15 Introductions and Overview

1:15 - 2:00 Absent Family Members

Assets and Asset Income

Periodic Payments

- Case Study 1 – Introducing the Winchesters

2:00 - 2:45 Elderly/Disabled Family

Medical Expenses

- Case Study 2 – The Blockwoods

2:45 - 3:15 Disability Assistance Expenses

- Case Study 3 – The Winchesters-Medical and Disability Assistance

3:15 - 3:45 Advanced Topics

- Case Study 4A– Oscar and Hilda Sparks
- Case Study 4B– Ralph and Alice Kramden
- Case Study 4C– Paul and Imogene Furley

3:45 - 4:00 Questions and Answers

Post-Training Participant Responsibilities

- Complete Post-Training Self Test
- Complete Training Evaluation

NOTES

Multifamily Housing Case Studies

A RHIP Training Program

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INTRODUCTION TO MODULE 4

OVERVIEW

- This module is the fourth in a series of six training modules developed in support of the Rental Housing Integrity Improvement Project (RHIIP).
- Module 4 returns to the use of HUD *Handbook 4350.3 REV-1, Occupancy Requirements for Subsidized Multifamily Housing*, as the primary source document. The module includes brief topic discussions based on Handbook 4350.3 REV-1 and four case studies that are designed to give the learner practice in applying HUD policies.
- This module:
 - Continues the discussion of household composition by addressing the treatment of absent family members
 - Introduces additional sources of income including periodic payments and income from assets
 - Covers in detail the following deductions from annual income: elderly/disabled household deduction, medical expenses and disability assistance expenses
- Module 4 may be used as a self-study tool or in a formal training program.

OBJECTIVES

- At the end of this module, participants will be able to:
 - Correctly identify income received in periodic payments that must be included in the calculation of annual income, including lump sum payments for the delayed start of a periodic payment
 - Identify the types of assets that are included and excluded from rent calculations and determine their cash value and the amount of income from those assets
 - Determine whether a family is eligible for the elderly/disabled household, medical expenses and disability assistance expense deductions
 - Determine which medical expenses can be considered and calculate the amount to be deducted from annual income
 - Determine which disability assistance expenses can be considered and calculate the amount to be deducted from annual income

ORGANIZATION OF MODULE 4

- ***Part I: Absent Family Members*** discusses both temporary and permanent absences of individual family members from the dwelling unit.
- ***Part II: Assets and Income from Assets*** describes the assets that are and are not considered in the calculation of annual income and how income from assets is computed. All of the case studies in the module illustrate the treatment of assets. Case Study 1 of the module focuses on assets for non-retired individuals.
- ***Part III: Periodic Payments*** describes periodic payments that must be included in annual income including Social Security and SSI payments, income from certain assets such as retirement accounts, and periodic payments in lieu of earnings such as unemployment and disability payments.
- ***Part IV: Elderly/Disabled Household*** addresses the requirements related to deductions for elderly and disabled households.
- ***Part V: Medical Expenses*** addresses the requirements related to the medical expenses deduction that elderly and disabled households are entitled to receive. Case Study 2 of this module presents a family scenario where both the elderly/disabled and the medical expenses deductions would apply, as well as discussing assets for retired individuals.
- ***Part VI: Disability Assistance Expenses*** introduces the final deduction from annual income permitted by HUD regulations – disability assistance expenses. Case Study 3 of this module presents a family with eligible disability assistance expenses.
- ***Part VII: Advanced Topics*** builds on the key concepts provided earlier in the module and presents illustrations of more complex calculations and applications of policy.

MODULE 4 – PRE-TRAINING SELF TEST

- Note: This test is provided as a learning tool for participants. The pre-training self test is designed to measure your level of knowledge *before* you study this module. Answer the questions as best you can (without looking at the training materials or Handbook 4350.3 REV-1). A post-test is available at the end of the module to measure how much you have learned.

Answers to Pre-training Self Test are in Attachment A at the end of this module.

1. Which of the following families is eligible for the medical expense deduction and/or the disability assistance expense deduction?

Family Circumstances	Medical Expenses Deduction?		Disability Assistance Deduction?	
	Yes	No	Yes	No
a. Head of Household – age 64; Spouse – age 47				
b. Head of Household – age 47; Other Adult – age 23 and disabled; Minor – age 14				
c. Head of Household – age 48; Spouse – age 47 and disabled				
d. Head of Household – age 35; Spouse – age 36; Child – age 7 and disabled				

2. If both the head and spouse are elderly, only one Medicare premium may be deducted as a medical expense.
 - a. True
 - b. False

6. Which of the following are considered family assets?

Item	Asset?	
	Yes	No
a. Checking accounts of adults		
b. Life insurance policy		
c. College Savings Fund		
d. Savings account in child's name		

7. Mrs. Johnson (age 75, spouse) reports that her husband has Alzheimer's disease and has been transferred to a nursing home. He will not be returning to the unit.
- Can Mrs. Johnson count the nursing home expenses that are not covered by insurance as a medical expense? Explain your answer.

8. The bank has provided the information shown below about a savings account in the name of one of your tenants. What will you count as an asset?
- Current Balance: \$2,345
 - Average Six Month Balance: \$1,950
 - Interest Earned in Past 12 Months: \$65.40
 - Current Interest Rate Paid on Account: 3.5%
9. Sally (who lives in your development) is listed as the joint owner of a checking account with her elderly mother who does not live with Sally.
- List three things that would affect your decision about whether Sally “effectively owns” the checking account.

10. The face value of a permanent life insurance policy is \$50,000. The surrender value is \$23,000.

- What amount should an owner count as an asset for rent calculation purposes?

TRAINER NOTES: APPROACH TO CASE STUDY 1 AND PRESENTATION MATERIALS

Purpose

- This trainer note is intended to help trainers see how the training materials presented in Parts I-III relate to Case Study 1 and to discuss techniques for addressing the material with participants.
- Case Study 1 is designed to introduce and refresh participants on two topics: absent family members (discussed briefly in Module 1) and periodic payments as income (discussed in Module 2). It also introduces for the first time the subject of assets and income from assets.
- The written materials in Parts I-III summarize the Handbook 4350.3 REV-1 requirements and the case study requires the participants to apply those requirements to the Winchester family.
- Case Study 1 addresses only the calculation of annual income and assets and does not require participants to prepare a complete 50059 calculation.

Materials

- Immediately before Case Study 1 is a four-page Introduction to the Case Studies, beginning on page 4-39, that introduces a sample format for collecting income and asset information from families. The sample format illustrates the concept of having individuals affirmatively state whether they do or do not have certain types of income and assets. It contains two pages of questions to which the family must answer “yes” or “no”. These formats are introduced here as a lead-in to Case Study 1, but will also be used to provide information in subsequent case studies. These are not HUD-required forms or formats.
- The case study introduces the Winchester family, a non-elderly family. It contains 10 questions related to the family's annual and adjusted income. Learners are asked to analyze third-party verifications included in the materials and to determine what asset and income would be counted or excluded.
- Answers to the case study are found as Attachment B on page 4-143 in the Participant Manual.

Presentation vs. Review

- In a conference call format, participants are expected to have reviewed Parts I-III and completed the case study in advance.
- In a classroom training setting Parts I-III should be presented as an interactive discussion and participants should complete the case study in class.

Tips and Cautions

- Module 4 builds on the previous 3 modules and covers some material that is particularly challenging. Participants should not be trained on this module without completing Modules 1-3.
- The topic of assets is one of the most difficult and challenging aspects of assisted housing rent calculations. There are many different types of assets to understand and owners have limited opportunities to work with many of them. Given the broad nature of this topic, training on assets has been split between Module 4 and Module 5 (e.g., dealing with business income assets and real estate have been postponed to Module 5). The participants may be tempted to bring into the discussion various asset and asset income situations that will be covered in Module 5. Trying to discuss certain assets without the appropriate training materials may lead to additional confusion, so confine Module 4 discussions to assets discussed in Module 4.
- Although HUD's policies concerning the treatment of assets is reasonably clear, understanding exactly how a particular type of asset works may be required in order to know how to apply HUD's policies. Some assets are relatively familiar and straightforward – e.g., checking and savings accounts. Other assets – e.g., annuities, insurance policies, retirement plans – are more complex and may be less familiar to some participants. While the training materials offer a brief overview of each type of asset discussed, it may be helpful to ask whether participants are sure they understand the specific asset and to engage in a group discussion of the asset features.
- With new learners it may be helpful to break down Case Study 1 in three parts as follows:
 - Participants complete Questions 1-3 that are all related to earned income, stop and compare/discuss answers.
 - Participants complete Questions 4-9 that are all related to retirement assets and income, stop and compare discuss/answers.
 - Participants complete the income and asset calculation in Question 10.
 - Trainers may also wish to complete portions of the case study as an interactive discussion or have participants work in teams.

PART I ABSENT FAMILY MEMBERS

Overview

- This part discusses both temporary and permanent absences of individual family members from the dwelling unit.
- The status of absent family members is a critical determination because it may affect calculations of both annual and adjusted income.
 - In general, owners will rely on family declaration to establish family composition.
 - Owners may seek verification of family composition only if the owner has clear written policy. 4350.3 REV-1, Par. 3-27
- This part does not address the temporary or permanent absence of the entire family.
 - HUD does not define temporary or permanent absence of the entire family. 4350.3 REV-1, Par. 6-9B
 - Owners are permitted to establish policies concerning extended absences and abandonment, as long as the policies comply with state and local law.
- HUD provides guidance on counting the income of absent family members. Special rules apply in the case of family members in the military and a family member permanently confined to a nursing home or hospital.

Notes

General Policy

- **Permanent Absences.** Generally, if a former family member is considered permanently absent:
 - The person's name is removed from the lease
 - No income or deductions are counted if they are attributable to a person who is permanently absent
- **Temporary Absences.** Owners must count all income of family members approved to reside in the unit, even if some members are temporarily absent.
 - If a family member is considered temporarily absent, income and rent determinations are completed as if the individual were not absent.
 - This is true, even if the individual's income is not as available to the family as it had been previously.

Example:

For the past year John B. 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 annual income has not changed.

4350.3 REV-1, Par. 5-6B.

4350.3 REV-1, Par. 5-6B.

Notes

4350.3 REV-1, Par. 5-6B.

Military Duty

- A family member who is absent because he or she is on active military duty is considered *temporarily* absent if:

- The person is the head, spouse or co-head, or
- The person's spouse or a dependent continues to reside in the unit

Example:

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.

- A family member who is 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, and
- The person does not have a spouse or a dependent that continues to reside in the unit

Example:

Florence (head) and her two children have lived in assisted housing for five years. The oldest, 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 must be considered 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 the family's adjusted income.

Notes

Permanently Confined Family Member

4350.3 REV-1, Par. 5-6C.

- An individual permanently confined to a nursing home or hospital may *not* be named as the family head, spouse or co-head, even if the person is married to the person who is the head of the family.
 - At the family's discretion, the permanently confined individual may continue as a family member.
- With regard to the income of a permanently confined family member, the family has a choice regarding how such income will be counted.
 - The family may opt to include the confined individual's income and receive any allowable deductions related to the individual's medical care.
 - The family may opt to exclude the individual's income and so not receive any allowable deductions related to the individual's medical care.

Example:

Juan (head) has been having serious health problems, and now has been moved permanently to a nursing home.

- (1) Maria (spouse) must be designated as the head of household.
- (2) The family must decide whether Juan will continue as a family member.
 - This decision will have financial consequences for the family.
 - If Juan remains as a family member, his income and deductions will continue to be counted.
 - If Juan is removed as a family member, his income and deductions will no longer be counted.
- (3) The owner can help the family determine which approach will be most advantageous from a financial perspective, but the choice is the family's.

PART II ASSETS AND ASSET INCOME

Overview

- Assets are items of value that could be turned into cash. 4350.3 REV-1, Par. 5-7A.
 - Examples include savings accounts, checking accounts, certificates of deposit, among many others.
 - Family is not required to convert any asset to cash.
- Exhibit 5-2 of Handbook 4350.3 REV-1 provides a complete list of the types of assets that are considered and those that are not. 4350.3 REV-1, Exhibit 5-2
 - An abbreviated version of Exhibit 5-2 is provided as Appendix 7 of this manual.
- There is no asset “test” for participation in HUD's assisted housing programs.
 - In other words, there is no upper limit on the amount of assets a family may have in order to be eligible for HUD assisted housing.
 - A family is not required to “spend down” assets in order to be eligible.
- The method(s) for determining the value of an asset will vary from asset to asset.
- When the family disposes of an asset for less than what it’s worth (i.e., less than fair market value), special rules apply for determining the value of that asset.

Notes

- The calculation of annual income includes income generated by assets.
 - Asset income can include interest earned, dividends paid and other forms of net income.
 - Individual does not have to withdraw interest, dividends or other net income in order for amount(s) to count as annual income.
 - Special rules apply for calculating income related to an asset when total net family assets exceed \$5,000.
- The 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 Keogh accounts
 - Retirement and pension funds
 - Lump sum additions to assets
 - Imputed income when assets exceed \$5,000
- The following additional types of assets are discussed in 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

4350.3 REV-1, Par. 5-7

4350.3 REV-1, Par. 5-7

Notes

Assets Not Considered

- Exhibit 5-2B. of 4350.3 REV-1 specifies that the following are not considered net family assets for rent calculation purposes:
 - 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
 - Assets that are part of an active business
 - Assets not effectively owned by a family member (see discussion below)
 - Assets that are not accessible to a family member and provides no income to a family member (see discussion below)
- ***Assets Not Effectively Owned.*** This circumstance occurs when a 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.

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.

4350.3 REV-1, Exhibit 5-2

Notes

- Verification of assets not effectively owned by a family member can be challenging.
 - In some instances, a third-party may be able to provide information.
 - The social security number (SSN) associated with asset may help. Establishing who contributes to the asset and who pays taxes on the asset may also help.
 - In the example above, the bank could identify under whose SSN interest income is reported to the IRS.
 - The bank might be able to confirm that Sally's name was added to the account at a later time, helping to substantiate her claim that her name is on the account only as a convenience.
 - In other circumstances, the owner may need to accept a certification by the family member.
- ***Assets Not Accessible.*** This circumstance occurs when a family member's name is associated with an asset but (1) the individual receives no income from the account and (2) the individual does not control the asset and is unable to convert the asset to cash.

Example:

Bill C. and his four cousins inherited four acres from his uncle. The property generates no income and Bill cannot sell the property until all four cousins agree (which they do not).
- Verification of “assets not accessible” can be challenging.
 - In the example above it is unlikely that a third party can provide verification.
 - An owner may need to review documents including probate documents and a deed or other confirmation of ownership.
 - In other instances, third parties may be able to provide part of the picture (e.g., the shelter where a battered spouse is living could confirm his/her status as a battered spouse).

Notes

Valuing Assets

- When determining the value of an asset, owners must make a distinction between *Market Value* and *Cash Value* of the asset.
- *Market Value* is the asset's worth in the marketplace (the amount a buyer would pay to acquire the asset).
- *Cash Value* is the amount an individual would actually receive if an asset were to be converted to cash (e.g., the amount an individual might receive after paying penalties for premature withdrawal of IRA funds).
 - 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.
- Sometimes the *Market Value* and *Cash Value* are the same.
 - For example, if a family has \$100 in a savings account, its market value is \$100. Since there is no penalty or cost associated with withdrawing the money as cash, the cash value also is \$100.
- To calculate an asset's Cash Value, start with the asset's Market Value and subtract any of the following that apply:
 - Expenses to convert assets to cash (broker and legal fees, settlement costs for real estate transactions, penalty for early withdrawal), and
 - Money owed on the asset (e.g., mortgage balance)

Notes

Example:

Family has a CD with a market value of \$5,000, paying 4% interest, with penalty for early withdrawal = 3 months interest

$\$5,000 \times .04 = \200 Annual Income from interest

$\$200 \div 12 \text{ months} = \$16.67/\text{month}$ interest income

$\$16.67 \times 3 \text{ months} = \50.01 early withdrawal penalty

$\$5,000 - \$50 \text{ (rounded)} = \$4,950$ Cash Value of CD

- An asset may be *owned jointly* (owned by more than one person). Some of the owners of the asset may not be assisted family members. Owners must:
 - 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

Savings/Checking Accounts

- Savings and checking accounts are most common form of asset.
- Savings and checking accounts in foreign countries are also counted.
- Valuing a savings or checking account:
 - For savings accounts, use the current balance in the account
 - For checking accounts, use the average balance in the account for the last six months

4350.3 REV-1, Exhibit 5-2

*Notes***Cash**

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

Lump-sum Receipts as Assets

- 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
- With the exception of Social Security and SSI benefits, lump-sum payments received as a result of a delay in processing a periodic payment are generally counted as income.
 - For additional information on SS and SSI lump sum payments see Part III of Module 4
- How the lump sum amount is counted depends upon
 - The timing of receipt, and
 - Whether the family must report the receipt.

4350.3 REV-1, Par. 5-7G3.,
Exhibit 5-2

Notes

- If a family receives a 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, the cash value of those investments will be considered at the next recertification.

Example:

John Doe wins \$500 in the lottery. He spends \$100 on a celebration dinner for his family and places the rest in a savings account. At the next recertification the \$400 that was deposited and any interest it has earned will be considered an asset (assuming John has not withdrawn the remainder and spent it as well).

However, if John spends the entire lump sum amount before the family is recertified, it would never be counted as an asset.

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

Example:

A tenant receives a \$50,000 one-time lottery payment. The tenant pays a number of 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 this \$40,000 balance.

The tenant must report the increase to the owner and the owner must conduct an interim recertification. The balance in the savings account would be counted as an asset.

Notes

Retirement Accounts as Assets

- Retirement accounts take many forms, but could include:
 - Individual Retirement Accounts (IRAs), Keogh accounts, 401(k) accounts and similar types of retirement savings accounts
 - Company-specific retirement accounts and pension funds
- The money in a retirement account could include money contributed by the individual, money contributed by a third-party (e.g., the individual's employer) or some combination of sources.
- As with other types of asset accounts, balances held in retirement accounts are counted as assets if the money is *accessible* to the family member (even when early withdrawal would result in a penalty).
- A useful way to view the status of an individual's retirement account is to consider whether or not the individual is actually retired.

4350.3 REV-1, Par. 5-7G4.,
Exhibit 5-2

Notes

- ***Before Retirement:*** Owners may consider as an asset only the amount that is accessible to the individual without requiring the individual to retire or terminate employment.
 - Some retirement accounts (generally, company-specific retirement accounts and pension funds) may not permit any access to the account funds before the individual retires, or if the individual terminates employment before retirement.
 - Some retirement accounts (generally, IRAs, Keogh accounts, and 401(k) accounts) may permit the withdrawal of some account funds, but only if the individual pays a penalty.
 - When determining the value of the account as an asset, owners should count only the amount that remains after deduction of any penalties and transaction costs.
 - Owners must confirm the circumstances of the specific retirement account and any restrictions on the individual's access to account funds, on a case-by-case basis.
 - Prior to retirement, if the individual is making occasional withdrawals from an investment account (assuming this is permitted), these withdrawals are not counted as income as long as the total withdrawals do not exceed the amount the individual may have invested themselves. However, once the amount withdrawn equals the amount invested, subsequent withdrawals must be counted as income.
- ***Upon Retirement:*** When the individual retires or terminates employment, the individual may be able to withdraw all or part of the account balance as a lump-sum.
 - Any lump sum amount that is withdrawn is counted as a lump sum addition to assets (not as income).

Trainer Note:

Prior to retirement, don't count amounts withdrawn until family has received the amount invested.

Notes

- ***During Retirement:*** After they have retired, most individuals will receive periodic payments from their retirement account(s).
 - The full amounts of periodic payments are counted as annual income. The actual amount of a payment is either specified in the retirement plan or elected by the individual at retirement.
 - Some retirement accounts (generally, company-specific retirement accounts and pension funds) forbid the individual to access the account balance once the individual begins making regular withdrawals from the account after retirement. In this case, the account would no longer be an asset, after withdrawals have begun.
 - Owners may consider as an asset any amounts in retirement accounts that are accessible to the individual after they have retired. When determining the value of the asset, owners should count only the amount that remains after deduction of any penalties and transaction costs.
 - Owners must confirm the circumstances of the specific retirement account, and any restrictions on the individual's access to account funds, on a case-by-case basis.

Trainer Note:

After retirement, count periodic payments as income regardless of amounts invested.

Notes

Annuities as Assets

- An annuity is a contract sold by an insurance company that provides payments (usually to retired persons) at specified intervals.
- There are many types of annuities including:
 - **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
 - **Deferred Annuity** – delays income payments until holder chooses to receive them
 - **Life Annuity** – pays as long as holder is alive
 - **Single-life** – income for one person only
 - **Joint-life** – two individuals; payment as long as either is alive
- An *annuity* is considered an *asset* only if the owner has the ability to withdraw amounts from the annuity.
- Once the holder begins to receive periodic payments from the annuity, the holder usually would no longer have the ability to withdraw amounts.
- As long as an annuity is considered an asset, the owner must:
 - Calculate the cash value of the asset in the same way as any other asset (i.e., market value minus any costs required to convert the asset to cash).
 - Calculate the actual income from assets by multiplying the market value by the percentage at which the annuity is expected to increase over the coming year.
- If the annuity holder is receiving regular periodic payments from the annuity, the periodic payments are counted as income.

4350.3 REV-1, Par. 5-7G2.,
Exhibit 5-2

Notes

Example:

Joan H. purchased an annuity 10 years ago for \$15,000. The annuity has appreciated over time to a current balance of \$23,000 and the current variable interest rate on the annuity is 3.5 percent.

At the annual recertification, the owner confirms that Joan could elect to “cash out” the annuity for administrative fees and other penalties that total \$900. The owner:

- Records the market value of the asset as \$23,000

- Records the cash value of the asset as \$22,100 (\$23,000 minus \$900)

- Calculates actual income from assets of \$805 (\$23,000 X .035)

One year later, at the next annual recertification, the owner determines that Joan H. has retired and has begun to receive regular payments of \$150 from the annuity. The owner confirms that she cannot “cash out” the annuity now that payments have begun. The owner:

- Does *not* count the annuity as an asset and therefore does *not* calculate actual income from the asset.

- Will count the \$150/month as income.

Notes

Verification Issues

- To determine whether an annuity should be counted as an asset, the owner must verify whether the holder has the right to make withdrawals from the annuity.
- 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
- If the annuity holder is receiving periodic payments, the owner must verify the amount of the periodic payment.
- In some cases, the annuity holder may be able to both withdraw lump sums from the annuity as well as receive periodic payments.
 - If so, the market value of the annuity is counted as an asset.

Notes

Investment Accounts as Assets

4350.3 REV-1, Exhibit 5-2

- Investment accounts include stocks, bonds, treasury bills, certificates of deposit (CDs), mutual funds and money market accounts.
 - Retirement accounts may also be 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 the authorization for the release of information has been received) based upon verification documents obtained.
- Interest or dividends earned on these types of assets are counted as income from assets even when the earnings are reinvested.

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.

He has elected to reinvest the dividends to purchase more shares in the mutual fund, so he does not actually receive any income.

Based on the current rate of return (8%) the owner will include in annual income \$432 ($\$5,400 \times .08$) even though Dan will not actually receive this amount.

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

Notes

Life Insurance as an Asset

4350.3 REV-1, Exhibit 5-2

- The cash value of permanent life insurance policies that are available to the individual before death is counted as an asset. Generally this amount is referred to as the “surrender value.”
 - Insurance policies may also be term policies, which provide benefits to the family only upon the death of the insured person and therefore have no cash (surrender) value.
- **Permanent** insurance comes in many different permutations: *universal, whole, ordinary, and variable*, among others.
- Each type of permanent insurance has its own features, but in general:
 - The policy will pay a fixed amount (face value) upon the death of the insured.
 - The insured can surrender the policy at any time, forfeiting the face value at death, but obtaining the cash value immediately.
- The insured also can make use of the 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.

Example:

Janet P. has a permanent life insurance policy with a face value of \$100,000. Its 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:

$$\$40,000 \text{ minus } \$8,000 = \$32,000$$

Notes

Personal Property Held as Investment as an Asset

4350.3 REV-1, Exhibit 5-2

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

Assets Disposed of for Less than Fair Market Value

4350.3 REV-1, Par. 5-6G6.

- Generally, assets that were disposed of for less than fair market value in the two years prior to effective date of certification/recertification are counted as a current asset of the family.
- However, there are a few exceptions to this rule:
 - **Exception:** Assets disposed of as part of separation or divorce settlement are not considered as current assets of the family.
 - **Exception:** Assets disposed of as a result of foreclosure or bankruptcy sale are not considered as current assets of the family.
 - **Exception:** This rule applies only when the fair market value of all assets disposed of in the preceding two years exceeds the gross amount received by more than \$1,000.

Notes

Example:

During past 2 years, the family wrote checks from their checking account for three different charitable donations of \$300, \$150 and \$200, respectively.

Total disposed of for less than Fair Market Value:

$$\$300 + \$150 + \$200 = \$650$$

$$\$1,000 > \$650, \text{ so no asset counted}$$

Example:

Mrs. Johnson withdrew \$10,000 from her savings account and gave it to her son to help him make a down payment on a house for his family. Since the amount given is more than \$1,000, the owner continues to count the \$10,000 as an asset for Mrs. Johnson.

- 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.
- **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.
 - Owners should develop certification forms for this purpose.
 - Owners should make additional verification efforts only if the self-certification is inconsistent with other information provided by a family.

Notes

- Determining the Asset Cash Value:** The amount counted as an asset is the difference between the cash value of the asset and the amount actually received in compensation for asset.

Example:

Mrs. Franklin cashed in a \$10,000 certificate of deposit. She paid an interest penalty of \$386.

With the money, she made repairs to her car of \$1,800 and spent about \$200 on groceries. The remainder she gave to her sister (who does not live with her) to prevent foreclosure on her sister’s house.

The 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 auto and groceries
=	\$7,614	Disposed of for less than Fair Market Value (gave to sister)

- Expiration of the two-year period:** When the two-year period expires, the disposed of asset is no longer counted. The family may request an interim recertification to remove the disposed of asset if the two-year period expires between annual recertifications.

Income from Assets

- Annual Income includes income from assets.
- How income from assets is calculated depends upon the total cash value of all 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 Certificate of Deposit (C.D.), a \$500 Savings account, and a \$350 Stock

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv - expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
Eric	1	C.D.		\$1,000 – \$50* = \$950	\$950	\$1,000 x 4%	\$40
				* Withdrawal Fee			
Eric	1	Savings		\$500 – \$0	\$500	\$500 x 2.5%	\$13
Eric	1	Stock		\$350 – \$50*	\$300	\$350 x 0%	\$0
				* Broker Fee			
TOTAL					\$1,750		\$53
If 1d. Total is <i>greater than \$5,000</i> , complete Line 2. and Line 3. If 1d. Total is <i>less than or equal to \$5,000</i> , enter \$0 in Line 2. ; complete Line 3.							
2. Imputed income from assets						HUD approved passbook rate (.02) x 1d.Total	\$-----
3. Total Asset Income						Greater of Line 2. or 1e. Total	\$53

- If the **Total Cash Value of Assets is Greater Than \$5,000** – the owner includes in annual income the greater of:
 - The actual income the family receives from each asset, totaled, or
 - Imputed income from assets calculated by multiplying the total cash value of all assets by the HUD-established passbook savings rate (currently 2%).
 - Example for a \$6,000 Certificate of Deposit (C.D.), a \$455 Checking account, and a \$3,100 Stock

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv - expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
Eric	1	C.D.		\$6,000 – \$400* = \$5,600	\$5,600	\$6,000 x 2.5%	\$150
				* Withdrawal Fee			
Eric	1	Checking		\$455 – \$0	\$455	\$455 x 0%	\$0
Eric	1	Stock		\$3,100 – \$100* * Broker Fee	\$3,000	\$3,100 x 0%	\$0
TOTAL					\$9,055		\$150
If 1d. Total is <i>greater than \$5,000</i> , complete Line 2. and Line 3. If 1d. Total is <i>less than or equal to \$5,000</i> , enter \$0 in Line 2. ; complete Line 3.							
2. Imputed income from assets				HUD approved passbook rate (.02) x 1d.Total			\$181
3. Total Asset Income				Greater of Line 2. or 1e. Total			\$181

Notes

- Note the difference in computing *actual* income versus *imputed* income.
 - When computing **actual** income earned by assets (e.g., savings, checking, interest-bearing accounts), the *market value* of each asset is used to calculate actual anticipated income for that particular asset.
 - **Market Value X interest rate = actual income**
 - The actual anticipated income for each asset is then totaled, and the total is the amount that could be included in annual income.
 - When computing **imputed** income of assets, the *cash values* of all of the family's assets are totaled. This total is then used to calculate imputed income, which is the amount that could be included in annual income.
 - **Total Cash Value X 2% = imputed income**

Notes

PART III PERIODIC PAYMENTS

Overview

- In general, the full amount of periodic payments that provide a regular source of income must be counted when calculating the family's income.
- Special policies apply when:
 - There is a delay in the 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

Which Periodic Payments are Counted?

- The 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
- 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). See Handbook 4350.3 REV-1, Exhibit 5-1.

4350.3 REV-1, Exhibit 5-1

Trainer Note:

Examples of other types of periodic receipts include black lung sick benefits, veterans disability, dependent indemnity compensation for the widow of a serviceman killed in action.

4350.3 Rev 1; Par. 5-6J., Exhibit 5-1

Which Periodic Payments are Not Counted?

- This section discusses some of the types of periodic payments most often encountered. For a full list, see 4350.3 REV-1, Exhibit 5-1.
- **Foster Children/Adults:** Payments for the care of foster children or foster adults are explicitly excluded from annual income. 4350.3 REV-1, Exhibit 5-1
- **Qualified Training Programs:** Amounts received from training programs funded by HUD, and from other qualified training programs, are excluded from annual income. 4350.3 REV-1, Par. 5-6K., Exhibit 5-1
- **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 the cost of services and equipment needed to keep the developmentally disabled family member at home, are not counted as annual income. 4350.3 REV-1, Exhibit 5-1
- **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. 4350.3 REV-1, Par. 5-6J.

Notes

Adjustment for Prior Overpayment of Benefits

- If a family’s periodic benefits are reduced to account for a prior overpayment, the owner must count the periodic amount that will actually be provided to the family after the adjustment.

Delayed Start of Periodic Payments

- If the delayed start of a periodic payment results in payment of a lump-sum amount, for prospective monthly amounts, these amounts 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.

4350.3 REV-1, Par. 5-6H.

Trainer Note:

This policy applies even when the prior overpayment was due to fraud.

4350.3 REV-1, Par. 5-6O.,
Exhibit 5-1

NOTES

Notes

INTRODUCTION TO THE MODULE 4 CASE STUDIES

- Beginning with Case Study 1 of this Module 4, the training materials use excerpts from typical application and recertification forms to summarize information about the families studied. Although these excerpts do not provide all of the questions that should be asked on an application or recertification form, they may be useful for owners who are considering making improvements to their own forms.
- HUD does not prescribe a specific application form or a form to collect information from families during annual or interim recertifications. However, HUD does require owners to ask applicants and tenants the appropriate questions that enable the owner to accurately and thoroughly determine eligibility, income and rent in compliance with HUD requirements. Modules 1-3 of the RHIP training series, as well as Parts I-IV of this Module 4, have demonstrated how detailed and complex some of the information that must be collected can be.
- The challenge for owners is to develop forms that are both comprehensive and understandable. Many owners have found it 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 makes it harder for a family member to claim that they “forgot” to list a particular form of income or asset.

Notes

- On the following two pages you will find examples of charts which illustrate this technique of listing specific categories and asking families to actually state whether that particular category does or does not apply to them. The first chart lists various categories of non-employment, non-asset income and requires the family to indicate whether they do or do not have that particular income source. The second chart illustrates this same technique for assets.

Trainer Note:

See also HUD *Rent and Income Determination Quality Control Monitoring Guide*, Attachment 4 (included as Appendix 5 to the training manuals)

Other Income Chart

The following chart lists other possible sources of *non-employment* and *non-asset* income.

For each item, indicate whether anyone in your family (including children) receives or expects to receive money from that source in the coming 12 months. Check “Yes” or “No” for each item.

Where you check “yes”, list the specific family member and complete the more detailed chart on the application.

<i>Income Item</i>	<i>Yes</i>	<i>No</i>	<i>Family Member</i>
• Training	<input type="checkbox"/>	<input type="checkbox"/>	
• Work Study	<input type="checkbox"/>	<input type="checkbox"/>	
• Educational Loan(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Grants, Scholarship(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• TANF	<input type="checkbox"/>	<input type="checkbox"/>	
• General Relief	<input type="checkbox"/>	<input type="checkbox"/>	
• Unemployment Benefits	<input type="checkbox"/>	<input type="checkbox"/>	
• State Disability	<input type="checkbox"/>	<input type="checkbox"/>	
• Workers Compensations	<input type="checkbox"/>	<input type="checkbox"/>	
• Severance Pay	<input type="checkbox"/>	<input type="checkbox"/>	
• Child Support	<input type="checkbox"/>	<input type="checkbox"/>	
• Alimony and/or Spousal Support	<input type="checkbox"/>	<input type="checkbox"/>	
• Social Security	<input type="checkbox"/>	<input type="checkbox"/>	
• SSI	<input type="checkbox"/>	<input type="checkbox"/>	
• Pension / Retirement	<input type="checkbox"/>	<input type="checkbox"/>	
• Annuity	<input type="checkbox"/>	<input type="checkbox"/>	
• Veteran’s Benefit	<input type="checkbox"/>	<input type="checkbox"/>	
• Military Allotment	<input type="checkbox"/>	<input type="checkbox"/>	
• Railroad Retirement	<input type="checkbox"/>	<input type="checkbox"/>	
• Income from Rental Property	<input type="checkbox"/>	<input type="checkbox"/>	
• Regular Contributions from outside family	<input type="checkbox"/>	<input type="checkbox"/>	
• Regular Bill Payments from outside family	<input type="checkbox"/>	<input type="checkbox"/>	
• Other, Explain:	<input type="checkbox"/>	<input type="checkbox"/>	
• Other, Explain:	<input type="checkbox"/>	<input type="checkbox"/>	
• Other, Explain:	<input type="checkbox"/>	<input type="checkbox"/>	
• Other, Explain:	<input type="checkbox"/>	<input type="checkbox"/>	
• Other, Explain:	<input type="checkbox"/>	<input type="checkbox"/>	

Asset Chart

The following chart lists a number of possible resources that could be considered assets for the family. Each asset could also generate potential *income* for the family.

For each item, indicate whether anyone in your family (including children) has this asset. Check “Yes” or “No” for each item.

Where you check “yes”, list the specific family member and complete the more detailed chart on the application.

Asset	Yes	No	Family Member
• Cash	<input type="checkbox"/>	<input type="checkbox"/>	
• Checking Account(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Savings Account(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Safe Deposit Box	<input type="checkbox"/>	<input type="checkbox"/>	
• Life Insurance Policy	<input type="checkbox"/>	<input type="checkbox"/>	
• Trust Fund(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Annuity/Annuities	<input type="checkbox"/>	<input type="checkbox"/>	
• Stock(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Treasury Bill(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Mutual Fund Account(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Bond(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Money Market Account(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Certificate(s) of Deposit	<input type="checkbox"/>	<input type="checkbox"/>	
• Mortgage(s), Deed(s) of Trust	<input type="checkbox"/>	<input type="checkbox"/>	
• Individual Retirement Account(s) – IRA(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• 401K Account(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Keogh Account(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Company Retirement Account(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Pension(s)	<input type="checkbox"/>	<input type="checkbox"/>	
• Deferred Compensation	<input type="checkbox"/>	<input type="checkbox"/>	
• Real Estate	<input type="checkbox"/>	<input type="checkbox"/>	
• Personal Property Held as an Investment	<input type="checkbox"/>	<input type="checkbox"/>	
• Other, Explain:	<input type="checkbox"/>	<input type="checkbox"/>	
• Other, Explain:	<input type="checkbox"/>	<input type="checkbox"/>	
• Other, Explain:	<input type="checkbox"/>	<input type="checkbox"/>	
• Other, Explain:	<input type="checkbox"/>	<input type="checkbox"/>	
• Other, Explain:	<input type="checkbox"/>	<input type="checkbox"/>	

CASE STUDY 1: INTRODUCING THE WINCHESTERS

Introduction

- This case study focuses only on income and asset issues. Deductions from income to which the family might be entitled will not be considered. An actual rent calculation for the family is not required.

Background

- It is February 1st and it is time for the annual income recertification for the Winchester family. Sam and Amanda live in your development – Green Acres Apartments – along with their daughters – Cindy and Betsy – as well as their granddaughter (Cindy’s daughter) – Jessica.
- The Winchesters have completed an annual recertification form, listing relevant information about the family. You will need to verify this information and use it to establish the income and assets to be included in the family’s annual income for the annual recertification to be effective May 1st.

Housing Recertification Excerpt

Note: This is an **excerpt** from a housing recertification form, not the complete form. This excerpt provides key information needed for processing the Winchester family, but it does not have all of the information that should appear in a full recertification data collection form.

HOUSEHOLD COMPOSITION AND CHARACTERISTICS

List all family members who will be living in the unit. Include additional information listed.

Mem. No.	Full Name	Relation to Head	Birth Date	Sex	SSN	Occupation or School	C/EI* Y/N	Dis* Y/N	FTS* Y/N
1	Sam Winchester	Head	8/11/57	M	123-45-6789	Painter	Y	N	N
2	Amanda Winchester	Spouse	9/9/55	F	123-45-6788	Cook and Dishwasher	Y	N	N
3	Betsy Winchester	Dau.	11/11/85	F	123-45-6786	Central C. College	Y	N	Y
4	Cindy Winchester	Dau.	7/4/80	F	123-45-6787	None	Y	N	N
5	Jessica Simpson	G. Dau.	6/24/01	F	321-54-9876	None	Y	N	N

*NOTE: "C/EI" refers to Citizenship or Eligible Immigration status; "Dis" refers to Disability status; "FTS" refers to Full-Time Student status.

EMPLOYMENT INCOME

Is any member of the family employed (including self-employed), or expected to be employed in the next 12 months?

Yes No

If "Yes", complete table below.

Mem. No.	Employer Name Address Phone No.	Regular Income Rate (income per hour, per week, per month, etc.)	Other income (overtime, bonuses, tips, commissions, etc.)	Estimated Gross Annual Income
1	Acme House Painting	\$300 per week	\$NA per	\$14,000
2	Central Comm. College	\$6.50 per hour	\$NA per	\$12,000
3	The Daily Grind Cafe	\$100 per week	\$NA per	\$5,000

OTHER INCOME

Complete the "Other Income" chart (here's an excerpt from that chart):

Income Item	Yes	No	Family Member
Child Support	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cindy
Other, Explain: <i>Baby sitting</i>	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cindy

Where you checked "Yes" for any items, provide additional detail in the chart below.

Mem. No.	Other Income Item (from chart)	Income Provider Name Address Phone No.	Other income rate (income per hour, per week, per month, etc.)	Estimated Gross Annual Income
4	Child Support	Jeff Simpson	\$200 per month	\$2,000
4	Baby sitting	Varies	\$ per	\$

ASSETS AND ASSET INCOME

Complete the "Asset" chart (here's an excerpt from that chart):

Asset	Yes	No	Family Member
Checking Account(s)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sam and Amanda, Betsy
Savings Account(s)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sam and Amanda, Jessica
Individual Retirement Account(s) – IRA(s)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sam
401K Account(s)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Amanda
Company Retirement Account(s)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cindy

Where you checked "Yes" for any asset, provide additional detail in the chart below.

Mem. No.	Asset Type (from chart)	Asset Name Asset Provider Account No.	Current Value of Asset	Estimated Gross Annual Income from Asset
1,2	Checking	Emerald City Bank	\$200	\$None
1,2	Savings	Emerald City Bank	\$600	\$10 interest
3	Checking	One Bank	\$100	\$None
5	Savings	One Bank	\$120	\$1 interest
1	IRA	21st Century Funds	\$2,300	\$None
2	401(k)	Central Comm. College	\$12,000	\$None
4	Retirement	PayMor Dept. Stores	\$4,000	\$None

Have any adult family members sold or disposed of any business or asset in the past two years?

Yes No

If "Yes", explain:

Last year, gave \$700 to Amanda's mother, to help her pay heating bill.

Question 1: Employment Income for Sam and Amanda

- Sam reports \$300 per week in income from house painting and Amanda reports \$6.50/hour as cook and dishwasher for Central Community College.
 - List at least three things you will need to find out through employment verification for both Sam and Amanda.

Question 2: Employment Income for Betsy

- Betsy reports \$100 per week in income from a part-time job at “The Daily Grind” cafe.
 - What annual income will you count for Betsy? Explain your answer.

Question 3: Income for Cindy

- Cindy reports \$200 per month in child support from Jessica’s father, Jeff Simpson. She also reports baby sitting as a source of income, but does not indicate an amount.
 - List at least three things you will need to find out about Cindy’s income.

Question 4: Assets Disposed Of

- The family reports \$700 given to Amanda’s mother last year, with no compensation received. This amount appears to qualify as an asset (cash, in this instance) disposed of for less than fair market value.
 - What will be the cash value of this asset in the calculation of total Family Assets for the family? Explain your answer.

Question 5: Savings and Checking Accounts for Sam and Amanda

- The Winchesters provide you with bank statements that summarize their checking and savings account balances. However, you also send a letter directly to the bank – Emerald City Bank – and receive third-party verification directly back from the bank. That verification is copied on the following page.
 - Based on the third-party verification provided, answer the following questions:

- a. What is the Market Value of Sam and Amanda’s Savings Account?
- b. What is the Cash Value of Sam and Amanda’s Savings Account?
- c. What is the annual income generated by Sam and Amanda’s Savings Account?
- d. What is the Market Value of Sam and Amanda’s Checking Account?
- e. What is the Cash Value of Sam and Amanda’s Checking Account?
- f. What is the annual income generated by Sam and Amanda’s Checking Account?

Verification Letter from Bank

Bank Verification

TO: Emerald City Bank
2 Second St.
Emerald City, ST

RE: Sam and Amanda Winchester
 Name
123-45-6789/123-45-6788
 Social Security Number

FROM: Jennifer Evans
Green Acres Apartments
Emerald City, ST

Thank you for your prompt response. All information will be kept confidential.
 Please Contact: Jennifer
 at: (206) 555-6847 if you have any questions.

PERMISSION FOR RELEASE OF INFORMATION

You do not have to sign this form if either the requesting organization or the organization supplying the information is left blank.
 Release: I hereby authorize the release of the requested information. Information obtained under this consent is limited to information that is no older than 12 months. There are circumstances that would require the owner to verify information that is up to 5 years old, which would be authorized by me on a separate consent attached to a copy of this consent.

Sam Winchester
 Signature

2/1/05
 Date

THIS SECTION TO BE COMPLETED BY FINANCIAL INSTITUTION

SAVINGS ACCOUNT 1:
 Account No.: S1-787352
 Current Balance: \$ 700.00
 % Interest Rate: 1.25 %

SAVINGS ACCOUNT 2:
 Account No.: _____
 Current Balance: \$ _____
 % Interest Rate _____ %

CHECKING ACCOUNT 1:
 Account No.: C1-787353
 Current Balance: \$ 200.00
 Average Balance Last 6 Months: \$ 250.00
 % Interest Rate: _____ %

CHECKING ACCOUNT 2:
 Account No.: _____
 Current Balance: \$ _____
 Average Balance Last 6 Months: \$ _____
 % Interest Rate: _____ %

Please list other asset amounts (Certificates of Deposit, Money Market Accounts, Trusts, Mutual Funds, etc.)

Account Number	Balance	Type of Account	Rate of Interest	Cash Value *
<u>None</u>	\$ _____	_____	_____ %	\$ _____
_____	\$ _____	_____	_____ %	\$ _____
_____	\$ _____	_____	_____ %	\$ _____

* NOTE: Cash Value is the current market value minus penalties for early withdrawal

Signature: Fred Mertz
 Print Name: Fred Mertz
 Bank Name: Emerald City Bank
 Address: 2 Second St.
Emerald City, ST

Title: Manager
 Date: 2/15/05
 Phone: 206-555-0001

Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. HUD and any owner (or any employee of HUD or the owner) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form. Use of the information collected based on this verification form is restricted to the purposes cited above. Any person who knowingly or willingly requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than \$5,000. Any applicant or participant affected by negligent disclosure of information may bring civil action for damages and seek other relief, as may be appropriate, against the officer or employee of HUD or the owner responsible for the unauthorized disclosure or improper use. Penalty provisions for misusing the social security number are contained in the Social Security Act at 42 U.S.C. 208(f)(g) and (h). Violation of these provisions are cited as violations of 42 U.S.C. 408 f, g and h.

Question 6: Checking Account for Betsy / Savings Account for Jessica

As noted on the recertification form, the Winchesters report that Betsy has a checking account with a balance of \$100. The family is able to provide you with copies of the last six bank statements for this account. A copy of the current bank statement for the period ending January 31st is included on the following pages. The previous five bank statements are similar and show the following checking account ending balances:

- Statement ending December 31st \$80
- Statement ending November 30th \$115
- Statement ending October 31st \$105
- Statement ending September 30th \$120
- Statement ending August 31st \$101

In addition, the Winchesters report that Jessica, the granddaughter, has a small savings account with a balance of \$123. Through the interview, you determine that this account is a joint account established by Jessica’s father – Jeff Simpson – who is not a family member. The family is able to provide you with a current bank statement that includes the current savings account balance. A copy of this bank statement is included on the following pages.

However, you also send a letter directly to the bank – One Bank. After a few weeks and repeated attempts to contact the bank, you are unable to obtain direct third-party verification of the account information. So, you make notation in the file and elect to use the bank statements as the best available verification.

- Based on the bank statements provided, answer the following questions:

- a. What is the Market Value of Jessica’s Savings Account?
- b. What is the Cash Value of Jessica’s Savings Account?
- c. What is the annual income generated by Jessica’s Savings Account?
- d. What is the Market Value of Betsy’s Checking Account?
- e. What is the Cash Value of Betsy’s Checking Account?
- f. What is the annual income generated by Betsy’s Checking Account?

Bank statement verification for Jessica's Savings Account



1 FIRST STREET
EMERALD CITY, ST 97777

"Your money is Our money!"

STATEMENT OF ACCOUNT

JEFF SIMPSON / JESSICA SIMPSON
615 14TH AVENUE EAST
EMERALD CITY, ST 97777

STATEMENT PERIOD: FROM 01-01-05 THRU 01-31-05

SPECIAL SAVINGS ONE BANK, ST FDIC NON-INSURED

JEFF SIMPSON / JESSICA SIMPSON ACCOUNT NUMBER: 0202-6766

INTEREST RATE: 1.15%

ACCOUNT ACTIVITY:

FROM	THRU	BEGINNING BALANCE	TOTAL WITHDRAWALS	TOTAL DEPOSITS	ENDING BALANCE
01-01-05	01-31-05	\$118.02	\$0.00	\$5.00	\$123.02

YTD INTEREST PAID: \$0.0

DATE	WITHDRAWALS	DEPOSITS	BALANCE
01/15		5.00	123.02

ADDITIONAL TRANSACTION DETAILS AVAILABLE ONLINE AT WWW.ONEBANK.COM

Bank statement verification for Betsy's Checking Account



1 FIRST STREET
EMERALD CITY, ST 97777

"Your money is Our money!"

STATEMENT OF ACCOUNT

**BETSY WINCHESTER
3000 DENNY WAY, APT. 308
EMERALD CITY, ST 97777**

STATEMENT PERIOD: FROM 01-01-05 THRU 01-31-05

SPECIAL NON-INT CHECKING ONE BANK, ST FDIC NON-INSURED

BETSY WINCHESTER ACCOUNT NUMBER: 0202-3393

INTEREST RATE: 0.0%

ACCOUNT ACTIVITY:

FROM	THRU	BEGINNING BALANCE	TOTAL WITHDRAWALS	TOTAL DEPOSITS	ENDING BALANCE
01-01-05	01-31-05	\$80.00	\$40.00	\$60.00	\$100.00

YTD INTEREST PAID: \$0.0

DATE	WITHDRAWALS	DEPOSITS	TRANSACTIONS
01/05	15.00		ATM WITHDRAWAL
01/11		25.00	
01/24	25.00		CHECK # 1122
01/27		35.00	

ADDITIONAL TRANSACTION DETAILS AVAILABLE ONLINE AT WWW.ONEBANK.COM

Question 7: Individual Retirement Account (IRA) for Sam

As noted on the recertification form, the Winchesters report that Sam has an IRA with 21st Century Funds, with a balance of \$2,300. This balance has appreciated over the last few years, and Sam reports that he has contributed \$2,000.

Sam has provided you with a copy of an annual statement from 21st Century, showing his IRA account balance as of December 31, 2004 (see next page). You have contacted 21st Century directly, by telephone, but they are unwilling to give you specific information on Sam’s account. However, they will confirm that, if Sam withdraws any amount of the IRA before age 59 ½, he will incur a 10% penalty, as well as withholding of 20% of the total for taxes.

- Based on the account statement and information provided by 21st Century:

- a. What is the Cash Value of Sam’s IRA account?
- b. What is the Annual Income from Sam’s IRA account?

21st Century IRA Statement



21ST CENTURY FUNDS
800-555-2100

**INDIVIDUAL RETIREMENT ACCOUNT – IRA
STATEMENT**

SAM WINCHESTER
3000 DENNY WAY, APT. 308
EMERALD CITY, ST 97777

ACCOUNT NUMBER: IRA-SW001-2101
FUND: 21 GROWTH FUND
FUND TYPE: GROWTH AND INCOME
PENALTY FOR EARLY WITHDRAWAL: 10%

FUND HISTORY:

FROM	To	BEGINNING BALANCE	ENDING BALANCE
1/1/04	6/30/04	\$2,370	\$2,390
7/1/04	12/31/04	\$2,390	\$2,400

Question 8: 401(k) Account for Amanda

As noted on the recertification form, the Winchesters report that Amanda has a 401(k) retirement account with her employer – Central Community College. The account has a balance of \$12,000, with total contributions by Amanda of \$5,000.

Amanda has provided you with a copy of a quarterly statement, showing the 401(k) account balance as of December 31, 2004 (see next page). You have contacted Central Community College directly, by telephone, but they are unwilling to give you specific information on Amanda’s account. However, they will confirm that, as long as she remains employed with Central CC, Amanda cannot withdraw any amount of the 401(k) account before age 59 ½, except for certain narrowly defined emergencies and hardship circumstances. If Amanda were to leave employment with Central CC, Amanda could cash-out the vested amount, with a 10% penalty tax and 20% withheld for taxes.

- Assume that Amanda is fully vested.
- Based on the account statement and information provided by Central CC:

- a. What is the Cash Value of Amanda’s 401(k) account?
- b. What is the Annual Income from Amanda’s 401(k) account?

401(k) Quarterly Statement for Amanda



**Four O One
Investments
800-555-4015**

Account No. 401-009-111
Investor Class
Fund Code: 401

Account Owner:
Amanda Winchester
Central Community College
401K Plan

401(k) Account

Quarterly Statement Period Ending December 31, 2004

ACCOUNT SUMMARY

Value on 09-30-2004.....	\$11,604.90
Additions.....	+350.00
Withdrawals.....	-0.00
Appreciation/Depreciation.....	+45.13
Value on 12-31-2004.....	\$12,000.03

ACTIVITY THIS QUARTER

Date	Transaction	Dollar Amount	Share Price	Shares this Transaction	Total Shares
10-01-2004	Balance Forward				116.049
10-08-2004	401(k) Contribution	25.00	100.00	0.250	116.299
10-15-2004	401(k) Contribution	25.00	100.00	0.250	116.549
10-22-2004	401(k) Contribution	25.00	100.00	0.250	116.799
10-29-2004	401(k) Contribution	25.00	100.00	0.250	117.049
11-05-2004	401(k) Contribution	25.00	100.00	0.250	117.299
11-05-2004	401(k) Contribution	25.00	100.00	0.250	117.549
11-12-2004	401(k) Contribution	25.00	100.00	0.250	117.799
11-19-2004	401(k) Contribution	25.00	100.00	0.250	118.049
11-26-2004	401(k) Contribution	25.00	100.10	0.250	118.299
12-03-2004	401(k) Contribution	25.00	100.10	0.250	118.549
12-10-2004	401(k) Contribution	25.00	100.20	0.249	118.799
12-17-2004	401(k) Contribution	25.00	100.20	0.249	119.048
12-24-2004	401(k) Contribution	25.00	100.30	0.249	119.297
12-31-2004	401(k) Contribution	25.00	100.38	0.249	119.546
12-31-2004	Total Account Value	12,000.03	100.38		119.546

0000 000099977870214 401 009 111 00004

Question 9: Company Pension Account for Cindy

As noted on the recertification form, the Winchesters report that Cindy has a pension account from her former employer – PayMor Department Stores. The account has a balance of \$4,000, with total contributions by Cindy of \$1,500.

You have contacted PayMor directly, by letter. They have completed and returned the pension verification form (see next page). You have also contacted PayMor by telephone and they confirm that the balance in the fund available to Cindy to withdraw at any time. However, if she withdraws the amount before retirement age (age 62), she will incur a 10% penalty, as well as withholding of 20% of the total for taxes.

- Based on the verification letter and information provided by PayMor:

a. What is the Cash Value of Cindy’s pension account?

--

b. What is the Annual Income from Cindy’s pension account?

--

Cindy Pension Verification letter

Pension Verification

TO: Pay Mor Dept. Store
Pension Administrator
Emerald City, ST

RE: Cindy Winchester
Name
123-45-6787
Social Security Number

FROM: Jennifer Evans
Green Acres Apartments
Emerald City, ST

Thank you for your prompt response. All information will be kept confidential.

Please Contact: Jennifer
at: (206) 555-6847 if you have any questions.

PERMISSION FOR RELEASE OF INFORMATION

You do not have to sign this form if either the requesting organization or the organization supplying the information is left blank.
Release: I hereby authorize the release of the requested information. Information obtained under this consent is limited to information that is no older than 12 months. There are circumstances that would require the owner to verify information that is up to 5 years old, which would be authorized by me on a separate consent attached to a copy of this consent.

Cindy Winchester
Signature

2-1-2005
Date

THIS SECTION TO BE COMPLETED BY PENSION ADMINISTRATOR

Type of Pension: Pay Mor Pension Fund
Cash Value: \$ 4,000

Is the individual receiving regular payments from the fund?

Yes No

Current Gross Payment Amount: \$ _____ or \$ _____
Week Month

Date of Initial Award: _____ Effective Date of Current Amount: _____

Total Gross Pension Income expected for the next 12 months: \$ _____

Signature: Maynard G Krebs
Print Name: Maynard G. Krebs Title: Pension Administrator
Address: 13 Dream Street Date: 2/15/2005
Emerald City, ST Phone: (206) 555-1313

Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. HUD and any owner (or any employee of HUD or the owner) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form. Use of the information collected based on this verification form is restricted to the purposes cited above. Any person who knowingly or willingly requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than \$5,000. Any applicant or participant affected by negligent disclosure of information may bring civil action for damages and seek other relief, as may be appropriate, against the officer or employee of HUD or the owner responsible for the unauthorized disclosure or improper use. Penalty provisions for misusing the social security number are contained in the Social Security Act at 42 U.S.C. 208(f)(g) and (h). Violation of these provisions are cited as violations of 42 U.S.C. 408 f, g and h.

Question 10: Income and Asset Calculation

You have resolved, through appropriate verification, the income issues for Sam, Amanda, Betsy and Cindy. That information is recorded in the Annual Income table below.

- Using your answers from Questions 4-9, regarding the Winchester family assets, complete the Asset table below.
- Then, using your answer for Total Asset Income (Line 3 of the Asset table), compute Total Family Income (Line 6 of the Annual Income table).

Asset Table

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv - expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
					\$		\$
					\$		\$
					\$		\$
					\$		\$
					\$		\$
					\$		\$
					\$		\$
					\$		\$
TOTAL					\$		\$
If 1d. Total is <i>greater than</i> \$5,000, complete Line 2. and Line 3.							
If 1d. Total is <i>less than or equal to</i> \$5,000, enter \$0 in Line 2. ; complete Line 3.							
2. Imputed income from assets				HUD approved passbook rate (.02) x 1d.Total			\$
3. Total Asset Income				Greater of Line 2. or 1e. Total			\$

Annual Income Table

4a. Family Member Name	4b. FM #	Calculation	4c. Employment or Business	4d. Social Security, Pensions, etc.	4e. Public Assistance	4f. Other Income
Sam	1	$300 \times 52 = 15,600$	\$15,600			
Amanda	2	$(6.50 \times 40 \times 52) = 13,520$	\$13,520			
Betsy	3	$(100 \times 52) > 480$	\$480			
Cindy	4	200×12				\$2,400
4g. Total Income from each source			\$29,600	\$	\$	\$2,400
5. Total Income All Sources			Add all amounts on Line 4g. above:			\$32,000
6. Total Annual Income			Add Line 5. + Total Asset Income:			\$

TRAINER NOTES: APPROACH TO CASE STUDY 2 AND PRESENTATION MATERIALS**Purpose**

- This trainer note is intended to help trainers see how the training materials presented in Parts IV and V relate to Case Study 2 and to discuss techniques for addressing the material with participants.
- Case Study 2 permits participants to practice applying HUD rules related to the two deductions that are limited to households in which the head, spouse or co-head must be at least 62 or a person with disabilities: (1) the elderly/disabled family deduction and (2) medical expense deduction.
- Case Study 2 introduces the Blockwood family, an elderly household, and requires participants to prepare a complete 50059 calculation.

Materials

- The written materials in Parts IV and V summarize the Handbook 4350.3 REV-1 requirements. Part IV covers the elderly/disabled family deduction. Part V covers medical expenses.
- The special calculation that is required when a family has both medical expenses and disability assistance expenses is noted, but the illustration of this special calculation is postponed until Part VI.
- Answers to the case studies start on page 4-152 of the Participant Manual.

Presentation vs. Review

- In a conference call format, participants are expected to have reviewed Parts IV and V, and have completed the case study in advance.
- In a classroom training setting, Parts IV and V should be presented as an interactive discussion and participants should complete the case study in class.

Tips and Cautions

- The elderly/disabled household deduction – Part IV – is fairly simple and straightforward and should be covered as quickly as possible. The priority learning opportunity in this part is to ensure that participants understand that the presence of an elderly person or a person with disabilities in the family does not automatically qualify the family as an elderly or disabled family. In order to qualify as an elderly/disabled family, the head, spouse or co-head must be the elderly person or a person with disabilities.
- Part V describes four different types of medical expense that may be considered: (1) ongoing expenses, (2) new anticipated expenses, (3) payments on medical bills, and (4) one-time paid expenses. One-time paid medical expenses represent a change in policy issued with REV-1 of Handbook 4350.3 REV-1. Helping participants understand these four categories is a high-priority for Part V.
- Participants need to carefully review the list of items HUD has said are not medical expenses. Participants should be led to realize that significant owner judgment is required with respect to anticipating these expenses over the coming year.
- An important exercise in Case Study 2 is for participants to think-through the questions that should be on third-party verification forms for bank accounts and pensions, and to create these questions. The case study also asks the participant to evaluate the adequacy of a letter received from the hospital regarding an outstanding medical bill. The critical element in these exercises is to understand the importance of asking the right questions and gathering the right information for accurate third-party determination of medical expenses.

PART IV ELDERLY/DISABLED FAMILY HOUSEHOLD DEDUCTIONS

Overview of Household Composition

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

Elderly Person/Elderly Family

- An *elderly person* is a person at least 62 years of age.
- An *elderly family* is one in which the head, spouse or co-head is at least 62 years of age.

Persons with Disabilities/Disabled Family

- The detailed definition of *persons with disabilities* is provided in Handbook 4350.3 REV-1, Figure 3-6 (also found as Appendix 7 to the Participant Manual)
- A **disabled family** is one in which the head, spouse, co-head or sole member is a person with disabilities, as defined in 24 CFR 5.403.

4350.3 REV-1, Figure 3-6

Notes

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; *and*
 - Would not be living in the unit except to provide the necessary supportive services.
- 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 the unit once the tenant is no longer living in the unit.
- The income of a live-in aide is never counted in the family’s annual income.

4350.3 REV-1, Par. 3-6E.3.;
Glossary (pg. 16).

4350.3 REV-1, Par. 6-5A.4

4350.3 REV-1, Exhibit 5-1

*Notes***Elderly/Disabled Family Deduction**

4350.3 REV-1, Par. 5-10E.

- *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.

Exercise

- Which of the following families qualify for the elderly or disabled family deduction (answers on following page)?
 - a. George (head, age 65), Alice (spouse, age 64 and disabled)
 - b. Bryan (head, age 72), Jennifer (spouse age 45)
 - c. Elizabeth (head, age 38), her brother Bob (other adult, age 38 and disabled)
 - d. Sylvia (head, age 52) and her disabled mother (age 72)

Notes

Answers to 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.

Notes

Verification and Documentation Issues

- The owner must verify whether the household qualifies for the elderly/disabled family deduction.
- When qualifying a family based on the status of the head, spouse or co-head, the date of birth that establishes a family member’s age needs to be documented only once during continuous occupancy.
- When qualifying a family based on the disability status of the head, spouse or co-head, owners must obtain verification from an appropriate third-party source that the person meets HUD's regulatory definition of a person with disabilities for the population served by the property.
 - Receipt of Social Security disability assistance does not necessarily indicate whether the individual should be considered disabled for the purposes of assisted housing programs.
 - A person that does not receive Social Security disability may still qualify as a person with disabilities.
- Owners must not ask questions about a person’s specific disability unless this is necessary to determine the person's eligibility or disability preference status for a particular type of development.
- Unlike date of birth, a family member’s disability status may change over time. So, when qualifying an individual as disabled, owners may need to reverify this status periodically, to ensure that the individual continues to qualify for the appropriate benefit.

4350.3 REV-1, Par. 3-28

4350.3 REV-1, Par. 3-17;
Par. 3-20

NOTES

PART V MEDICAL EXPENSES

Overview

- The 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.
 - The deduction is not limited to the medical expenses of the elderly/disabled head, spouse, or co-head, but includes the medical expenses of all family members, regardless of whether they are elderly or disabled.
- A 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 this Module 4, as well as the special calculation for both medical and disability assistance expenses deduction.

4350.3 REV-1, Par. 5-10D.1., D.2.

Calculating the Medical Expenses Deduction (with no Disability Assistance Expenses)

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

4350.3 REV-1, Par. 5-10D.5.

<i>Example:</i>	
\$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

Notes

Eligible Medical Expenses

- In general, medical expenses include all expenses the family anticipates it will incur during the 12 months following the certification or recertification.
 - This could include periodic payments on outstanding medical bills, but only the portion that is anticipated to be paid in the coming 12-month period.
 - Under some circumstances, this could also include one-time nonrecurring medical expenses that were incurred in the past and that have already been paid in full. Such costs could be costs incurred and paid since the last certification for current tenants.
- Some of the most common eligible expenses are:
 - 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 (see discussion below)
 - Prescription/nonprescription medicines that have been prescribed by a medical practitioner
 - Transportation to treatment
 - Dental expenses, eyeglasses, hearing aids and batteries
 - 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
- Exhibit 5-3 in 4350.3 REV-1 contains examples of eligible medical expenses.
- Amounts that will be reimbursed from any source cannot be counted as medical expenses of the family.

4350.3 REV-1, Par. 5-10D.3., D.4.

4350.3 REV-1, Par. 5-10D.6.

4350.3 REV-1, Exhibit 5-3

Notes

Ineligible Medical Expenses

4350.3 REV-1, Exhibit 5-3

- The following costs are not considered eligible medical 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
 - 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, unless they are prescribed by a medical practitioner for a specific diagnosed medical condition
 - 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 medical practitioner for a particular condition

Long Term Care Insurance

4350.3 REV-1, Par. 5-6J.

- Long-term care insurance provides benefits for extended illnesses and generally begins payments when medical insurance coverage is reduced or ends.
- Coverage. Depending upon the 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

Notes

- Some long term care policies pay dividends (a share of the money made on insurance company investment of the paid premiums).
- **Qualified Policies.** HUD rules permit premiums for long term care policies to be considered medical expenses only for certain types of policies.
- The premiums may be considered a medical expense only if the policy meets all 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
 - (3) The insurance does not pay or reimburse expenses that would be covered by Medicare (except where Medicare is a “secondary player”)
OR
The contract makes per diem or other periodic payments without regard to expenses
- Example:
 - Some policies pay a flat daily rate for at-home nursing care whether the actual nursing care the family receives is more or less than that amount.

4350.3 REV-1, Exhibit 5-4

Notes

(4) Any refunds or dividends paid must be used to reduce future premiums or increase future benefits (except in the case of death of the insured or surrender/cancellation of the contract).

- Example:

- John Q pays \$100/month for his long term care policy. The policy has generated a \$250 annual dividend.
- If the policy permits, and John elects, to actually receive a check for this annual dividend (\$250), the policy does not qualify and the premiums cannot be deducted as a medical expense.
- On the other hand, if the dividend can be used to pay some of John's premiums (in this case, John would not have to pay premiums for 2-1/2 months), the policy does qualify and the premiums may be deducted.
- In addition, if the \$250 were used to pay the annual premium for additional services (e.g., more frequent home visits), then the policy would also qualify and the premiums may be deducted.

- **Verification.** Documentation that the 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.

4350.3 REV-1, Exhibit 5-4

Anticipating Expenses

- While the calculation of the deduction is relatively simple, determining whether particular costs should be classified as medical expenses and anticipating future costs can be challenging.
- Like all other income and expense items included in rent calculations, owners should attempt to anticipate what the family's medical expenses will be for the 12 month period following the certification effective date.

Ongoing Expenses

- **Past History:** Sometimes, in order to estimate these anticipated 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. However, the owner should consider whether:
 - The expenses will continue
 - The costs will inflate in the coming year
 - Whether the resources the family has to pay for the medical expenses has changed (e.g., different insurance coverage or other form of reimbursement)

Example 1

A family member has asthma and pharmacy records indicate the family fills three 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. But the question in this case is whether the family's coverage has changed and will the family continue to pay the same \$15 co-pay in the coming year?

Example 2

A mother (age 32, disabled) 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.

- **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.

*Notes***Expected Payments on 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. The owner would count \$1,200 as an anticipated medical expense (\$100 x 12 months).

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.

However, 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. The family reports at its annual recertification that there remains an outstanding balance on the bill of \$500. The owner would not count this \$500 as an anticipated medical expense for the coming year.

Trainer Note:

Emphasize that regular payments may count as a medical deduction only until the outstanding bill is fully paid. The debt may be fully paid sometime during the coming recertification year, in which case the deduction would not be given for the entire recertification year.

Notes

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 (assuming that the costs have not already been used as a deduction in the prior year).

Example:

At the current recertification, the 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 (assuming you did not already count these expenses in a prior certification or recertification).

- There are two options for addressing one-time medical expenses. A family has the option of requesting that these expenses be added to the family's total medical expenses either:
 - At the time the expense actually occurs and is paid, by requesting an interim recertification, or
 - At the upcoming annual recertification.
- 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.
 - Conducting an 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 not be advantageous if the family's anticipated expenses for the following year are less than 3% of the family's annual income.

4350.3 REV-1, Example –
page 5-43

Notes

Addressing Other Changes in Medical Expenses

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

Verification and Documentation Issues

- The specific types of documentation that should be sought are listed in 4350.3 REV-1, Appendix 3.
 - 4350.3 REV-1, Par. 3-28, also offers guidance on verification of age and disability status, for purposes of qualifying for the medical expenses deduction.
 - 4350.3 REV-1, Appendix 15-B, offers instructions and sample formats to use when verifying disability status.
 - In addition, 4350.3 REV-1, Appendix 15-C, offers guidance on information to request when verifying family type and medical expenses.
- 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.

4350.3 REV-1, Appendix 3;
Appendix 15; Par. 3-28

NOTES

CASE STUDY 2: THE BLOCKWOODS

Background

- It is April 2005. You are working on an annual recertification for the Blockwood family, to be effective June 1, 2005.
- Tyrone (70) and Irene Blockwood (60) have lived in Green Acres Apartments for 6 years. They have custody of their grandchildren Joseph (16) and Sarah (13). Tyrone is retired from his job with the R&R Railroad. Irene used to work at a construction company as a secretary; now she works part time as a secretary at her church.
- At Green Acres, the Blockwoods live in a three-bedroom unit. The contract rent for the unit is \$1,200 and the utility allowance is \$86.
- The Blockwoods completed the composition, income, assets and medical sections of your recertification form as follows.

Housing Recertification Excerpt

HOUSEHOLD COMPOSITION AND CHARACTERISTICS

List all family members who will be living in the unit. Include additional information listed.

Mem. No.	Full Name	Relation to Head	Birth Date	Sex	SSN	Occupation or School	C/EI* Y/N	Dis* Y/N	FTS* Y/N
1	Tyrone Blockwood	Head	8/11/34	M	123-45-6789	Retired	Y	N	N
2	Irene Blockwood	Spouse	7/4/44	F	123-45-6788	Retired	Y	N	N
3	Joseph Blockwood	G. Son	4/11/88	M	321-54-9876	High School	Y	N	Y
4	Sarah Blockwood	G. Dau.	5/12/91	F	321-54-9877	Middle School	Y	N	Y

EMPLOYMENT INCOME

Is any member of the family employed (including self-employed), or expected to be employed in the next 12 months?

Yes No

If "Yes", complete table below.

Mem. No.	Employer Name Address Phone No.	Regular Income Rate (income per hour, per week, per month, etc.)	Other income (overtime, bonuses, tips, commissions, etc.)	Estimated Gross Annual Income
2	Faith Church	\$7.00/hour, 10 hrs/week	\$NA per	\$3,640
3	Burger World	\$6.50/hour, 10 hrs/week	\$NA per	\$3,380

OTHER INCOME

Complete the "Other Income" chart (here's an excerpt from that chart):

Income Item	Yes	No	Family Member
Social Security	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Tyrone
Social Security	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Joseph
Social Security	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sarah
Pension	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Tyrone

Where you checked "Yes" for any items, provide additional detail in the chart below.

Mem. No.	Other Income Item (from chart)	Income Provider Name Account No.	Other Income Rate (Income per hour, per week, per month, etc.)	Estimated Gross Annual Income
1	Social Security	SSA	\$900/month	\$10,800
1	Railroad Pension	R&R Railroad Co.	\$250/month	\$3,000
3	Social Security	SSA	\$200/month	\$2,400
4	Social Security	SSA	\$200/month	\$2,400

Other Relevant Information (Describe):

Except for painful arthritis, Tyrone has been very healthy lately, especially since his pacemaker was installed.

The children – Joseph and Sarah – are covered by Medicaid.

Sarah has been healthy, but the doctor has recommended that she lose weight to help avoid the diabetes that has been a problem for her grandmother.

Other Potential Medical Expenses (Describe):

Family must pay \$65 monthly for regular doctor visits by Irene.

Family must pay a \$15 co-pay for Tyrone's annual doctor visit.

Family pays \$100 annual tuition for a nutrition and fitness course at the YWCA for Sarah.

Family pays \$125 annual YWCA youth membership for Sarah.

Joseph has asthma that requires the family to purchase prescription inhalers and requires periodic monitoring by the doctor.

Joseph broke his leg playing basketball in January and the family paid \$650 out of pocket for physical therapy afterward.

Family pays \$200 annual veterinarian bills for “Poochy”, the Blockwood's dog.

- c. You send out a standard verification request form to General Hospital, requesting information about the outstanding debt and payments made by the Blockwoods. General Hospital does not complete your form but sends you a letter clarifying the debt. A copy of that letter is found on the following page.
 - Is the verification from the hospital sufficient for the outstanding bill? For the purpose of rent calculation, what would you anticipate the Blockwoods will pay on this hospital debt during the coming year? Explain your answers.

Hospital Verification Form

G
H

General Hospital
3 Third Street
Emerald city, ST

April 15, 2005

Jennifer Evans
Green Acres Apartments
3000 Denny Way
Emerald City, ST

Dear Ms. Evans:

Mr. Tyrone Blockwood has authorized General Hospital to release the following information to you.

On July 14, 1999, Mr. Blockwood signed a repayment agreement with General Hospital. The full amount of the agreement was **\$4,710.00**.

As of March 31, 2005, the outstanding balance on this agreement is **\$710.00**.

During the 12 month period ending on March 31, 2005, payments were made as follows:

Month	Payment
April, 2004	\$ 60
May, 2004	\$ 60
June, 2004	\$ 60
July, 2004	\$ 0
August, 2004	\$ 120
September, 2004	\$ 60
October, 2004	\$ 60
November, 2004	\$ 60
December, 2004	\$ 60
January, 2005	\$ 0
February, 2005	\$ 0
March, 2005	\$ 60
Total	\$585

If you have any questions, please give me a call at 206.555.0909.

Sincerely,



Laura Spencer
Patient Accounts Specialist

- d. Let’s assume that you have clarified the various medical expenses and medical issues with the Blockwoods and have determined the following:
- Mr. Blockwood’s Medicare premium is \$78.20/month.
 - Medicare covers all of Mr. Blockwood’s medical expenses, except any co-pay amounts he must pay.
 - Medicare covered the costs of Mr. Blockwood’s pacemaker.
 - Mr. Blockwood's Medicare-gap policy does reimburse him for his co-pay and his prescription expenses.
 - Mrs. Blockwood has no medical insurance.
 - Medicaid does pay for the children's regular medical expenses (e.g., Joseph's inhaler). However, Medicaid disagreed about the need for physical therapy for Joseph and refused to pay. So, the family paid for Joseph’s physical therapy out of pocket.
 - The doctor recommended, but did not prescribe, some of the non-prescription medicines taken by the Blockwoods. The doctor also recommended the nutrition class for Sarah.
 - Using all of the Blockwood’s medical information you now know, complete the chart below. Indicate the medical expenses you would allow. Indicate how you would calculate the amount of the medical expense allowed, and the final amount of these expenses.

Medical Expense Description	Calculation	Annual Amount
Total:		

Question 2: Blank Verification Forms

HUD does not provide sample verification forms for assets.

On the following pages are two partially developed and completed verification request forms that the owner will send. One form will go to Emerald City Bank. The owner wishes to capture all relevant asset information from Emerald City Bank in a single form. The other form will go to R&R Railroad Company.

- a. What questions should the owner ask of Emerald City Bank? Write those questions in the space below.

- b. What questions should the owner ask of the R&R Railroad Company? Write those questions in the space below.

Blank Bank Verification Form

Bank Verification

TO: Emerald City Bank
2 Second Street
Emerald City, ST

RE: Tyrone and Irene Blockwood
Name
123-45-6789 / 123-45-6788
Social Security Number(s)

FROM: Jennifer Evans
Green Acres Apartments
Emerald City, ST

Please Contact: **Jennifer** at: (206) 555-6847
if you have any questions.

The above referenced individuals have applied for housing assistance under a program of the U.S. Department of Housing and Urban Development (HUD). HUD requires the housing owner to verify all information that is used in determining this person's eligibility or level of benefits. We ask your cooperation in providing the following information and returning it to the person listed at the top of the page.

PERMISSION FOR RELEASE OF INFORMATION

You do not have to sign this form if either the requesting organization or the organization supplying the information is left blank.
Release: I hereby authorize the release of the requested information. Information obtained under this consent is limited to information that is no older than 12 months. There are circumstances that would require the owner to verify information that is up to 5 years old, which would be authorized by me on a separate consent attached to a copy of this consent.

Signature

Date

THIS SECTION TO BE COMPLETED BY FINANCIAL INSTITUTION

Your questions would be inserted here:

Signature: _____
Print Name: _____ Title: _____
Bank Name: _____ Date: _____
Address: _____ Phone: _____

Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. HUD and any owner (or any employee of HUD or the owner) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form. Use of the information collected based on this verification form is restricted to the purposes cited above. Any person who knowingly or willingly requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than \$5,000. Any applicant or participant affected by negligent disclosure of information may bring civil action for damages and seek other relief, as may be appropriate, against the officer or employee of HUD or the owner responsible for the unauthorized disclosure or improper use. Penalty provisions for misusing the social security number are contained in the Social Security Act at 42 U.S.C. 208(f)(g) and (h). Violation of these provisions are cited as violations of 42 U.S.C. 408 f, g and h.

Blank Pension Verification Form

Pension Verification

TO: R&R Railroad Company
123 Tracks
Emerald City, ST

RE: Tyrone Blockwood
Name
123-45-6789
Social Security Number(s)

FROM: Jennifer Evans
Green Acres Apartments
Emerald City, ST

Please Contact: **Jennifer** at: **(206) 555-6847**
if you have any questions.

The above referenced individuals have applied for housing assistance under a program of the U.S. Department of Housing and Urban Development (HUD). HUD requires the housing owner to verify all information that is used in determining this person's eligibility or level of benefits. We ask your cooperation in providing the following information and returning it to the person listed at the top of the page.

PERMISSION FOR RELEASE OF INFORMATION

You do not have to sign this form if either the requesting organization or the organization supplying the information is left blank.
Release: I hereby authorize the release of the requested information. Information obtained under this consent is limited to information that is no older than 12 months. There are circumstances that would require the owner to verify information that is up to 5 years old, which would be authorized by me on a separate consent attached to a copy of this consent.

Signature

Date

THIS SECTION TO BE COMPLETED BY PENSION ADMINISTRATOR

Your questions would be inserted here:

Signature: _____
Print Name: _____ Title: _____
Address: _____ Date: _____
Phone: _____

Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. HUD and any owner (or any employee of HUD or the owner) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form. Use of the information collected based on this verification form is restricted to the purposes cited above. Any person who knowingly or willingly requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than \$5,000. Any applicant or participant affected by negligent disclosure of information may bring civil action for damages and seek other relief, as may be appropriate, against the officer or employee of HUD or the owner responsible for the unauthorized disclosure or improper use. Penalty provisions for misusing the social security number are contained in the Social Security Act at 42 U.S.C. 208(f)(g) and (h). Violation of these provisions are cited as violations of 42 U.S.C. 408 f, g and h.

Question 3: Calculation of Income and Rent

On the following pages are the remaining verification forms that the owner received from asset and income sources. These include:

- Verification response from Emerald City Bank
- Verification response from R&R Railroad Pension

You have also received the following completed income verification forms (not attached):

- Employment verification from Faith Church. Form shows that Irene is employed by Faith Church and works part-time, 10 hours/week, at a rate of \$7.00/hour.
- Employment verification from Burger World. Form shows that Joseph is employed by Burger World and works part-time, 10 hours/week, at a rate of \$6.50/hour.

You have contacted Social Security Administration and have verified the following:

- Tyrone Blockwood receives 978.20/month in gross Social Security benefits
- Joseph and Sarah Blockwood each receive \$200/month in gross Social Security benefits

Using all of the information you have to date, calculate annual income, adjusted income, assistance payments and rent for the Blockwoods. Use the forms immediately following the verification forms.

Completed Bank Verification Form

Bank Verification

TO: Emerald City Bank
2 Second St.
Emerald City, ST

RE: Tyrone and Irene Blockwood
 Name
123-45-6789/123-45-6788
 Social Security Number

FROM: Jennifer Evans
Green Acres Apartments
Emerald City, ST

Thank you for your prompt response. All information will be kept confidential.
 Please Contact: Jennifer
 at: (206) 555-6847 if you have any questions.

PERMISSION FOR RELEASE OF INFORMATION

You do not have to sign this form if either the requesting organization or the organization supplying the information is left blank.
 Release: I hereby authorize the release of the requested information. Information obtained under this consent is limited to information that is no older than 12 months. There are circumstances that would require the owner to verify information that is up to 5 years old, which would be authorized by me on a separate consent attached to a copy of this consent.

Tyrone Blockwood
 Signature

4/1/2005
 Date

THIS SECTION TO BE COMPLETED BY FINANCIAL INSTITUTION

SAVINGS ACCOUNT 1:
 Account No.: 52-787441
 Current Balance: \$ 786.00
 % Interest Rate: 3 %

SAVINGS ACCOUNT 2:
 Account No.: 52-787442
 Current Balance: \$ 4,650
 % Interest Rate: 3 %

CHECKING ACCOUNT 1:
 Account No.: C2-787443
 Current Balance: \$ 42.00
 Average Balance Last 6 Months: \$ 120.00
 % Interest Rate: 2.5 %

CHECKING ACCOUNT 2:
~~Account No.: _____
 Current Balance: \$ _____
 Average Balance Last 6 Months: \$ _____
 % Interest Rate: _____ %~~

Please list other asset amounts (Certificates of Deposit, Money Market Accounts, Trusts, Mutual Funds, etc.)

Account Number	Balance	Type of Account	Rate of Interest	Early WD Penalty
<u>IRA-787444</u>	<u>\$ 6,000</u>	<u>IRA</u>	<u>_____ %</u>	<u>1.5% of balance</u> <u>20% of balance for taxes</u>

Signature: Fred Mertz
 Print Name: Fred Mertz Title: Manager
 Bank Name: Emerald City Bank Date: 4/15/05
 Address: 2 Second St. Phone: 206-555-0001
Emerald City, ST

Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. HUD and any owner (or any employee of HUD or the owner) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form. Use of the information collected based on this verification form is restricted to the purposes cited above. Any person who knowingly or willingly requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than \$5,000. Any applicant or participant affected by negligent disclosure of information may bring civil action for damages and seek other relief, as may be appropriate, against the officer or employee of HUD or the owner responsible for the unauthorized disclosure or improper use. Penalty provisions for misusing the social security number are contained in the Social Security Act at 42 U.S.C. 208(f)(g) and (h). Violation of these provisions are cited as violations of 42 U.S.C. 408 f, g and h.

Completed Pension Verification Form

Pension Verification

TO: R+R Railroad Company
123 Tracks
Emerald City, ST

RE: Tyrone Blockwood
Name
123-45-6789
Social Security Number

FROM: Jennifer Evans
Green Acres Apartments
Emerald City, ST

Thank you for your prompt response. All information will be kept confidential.
Please Contact: Jennifer
at: (206) 555-6847 if you have any questions.

PERMISSION FOR RELEASE OF INFORMATION

You do not have to sign this form if either the requesting organization or the organization supplying the information is left blank.
Release: I hereby authorize the release of the requested information. Information obtained under this consent is limited to information that is no older than 12 months. There are circumstances that would require the owner to verify information that is up to 5 years old, which would be authorized by me on a separate consent attached to a copy of this consent.

Tyrone Blockwood
Signature

4/1/2005
Date

THIS SECTION TO BE COMPLETED BY PENSION ADMINISTRATOR

Type of Pension: R+R Railroad Pension
Current Value: \$ 44,500

Did the individual contribute to the fund? Yes No
If yes, what is the total amount of the individual's contribution to date? \$ _____

Is the individual receiving regular payments from the fund? Yes No
If yes, current Gross Payment Amount: \$ _____ or \$ 250
Week Month

If yes, what is the total amount of the individual's payments to date? \$ 15,500
If yes, total Gross Pension Income expected for the next 12 months: \$ 3,000

Can the individual elect to withdraw additional amounts during the year? Yes No

Comments: Mr. Blockwood cannot access the balance in the Pension Fund account. Mr. Blockwood could borrow against the balance, but only for limited purposes.

Signature: John Henry
Print Name: John Henry Title: Administrator
Address: 123 Tracks Date: 4/15/05
Emerald City, ST Phone: 206-555-7777

Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. HUD and any owner (or any employee of HUD or the owner) may be subject to penalties for unauthorized disclosures or improper uses of information collected based on the consent form. Use of the information collected based on this verification form is restricted to the purposes cited above. Any person who knowingly or willingly requests, obtains or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than \$5,000. Any applicant or participant affected by negligent disclosure of information may bring civil action for damages and seek other relief, as may be appropriate, against the officer or employee of HUD or the owner responsible for the unauthorized disclosure or improper use. Penalty provisions for misusing the social security number are contained in the Social Security Act at 42 U.S.C. 208(f)(g) and (h). Violation of these provisions are cited as violations of 42 U.S.C. 408 f, g and h.

NOTES

Asset Income

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv - expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
TOTAL					\$		\$
If 1d. Total is <i>greater than</i> \$5,000, complete Line 2. and Line 3.							
If 1d. Total is <i>less than or equal to</i> \$5,000, enter \$0 in Line 2.; complete Line 3.							
2. Imputed income from assets				HUD approved passbook rate (.02) x 1d.Total			\$
3. Total Asset Income				Greater of Line 2. or 1e. Total			\$

Annual Income

4a. Family Member Name	4b. FM #	Calculation	4c. Employment or Business	4d. Social Security, Pensions, etc.	4e. Public Assistance	4f. Other Income
4g. Total Income from each source			\$	\$	\$	\$
5. Total Income All Sources			Add all amounts on Line 4g. above:			\$
6. Total Annual Income			Add Line 5. + Total Asset Income:			\$

Adjusted Income

6. Total Annual Income: Carryover from Line 6. on Annual Income table		\$	
7. Enter 3% of Total Annual Income (Line 6. x .03)			
Dependent Allowance			
8. Allowance for Dependents (# of dependents ____ x \$480)		\$	
Child Care Allowance			
9. Child Care Allowance (Line 8a. plus Line 8b.)		\$	
9a. Expense enabling family member to work (may not exceed \$ earned by family member enabled to work)	\$		
9b. Expense enabling family member to attend school and/or look for work	\$		
Elderly/Disabled Household Allowance			
10. Elderly/Disabled Household Allowance (\$400 or \$0)		\$	
Disability Assistance Expenses			
11. Enter total unreimbursed disability assistance expenses:	\$		
12. Maximum allowable disability assistance expense (Line 11. minus Line 7.)			
• If positive or zero, enter in Box 12a.	12a. \$		
• If negative, enter as positive number in Box 12b.	12b. \$		
13. Enter \$ earned by family member enabled to work as a result of disability expenses	\$		
14. Enter lower of Line 12a. or Line 13. If Line 12a. is blank or zero, enter zero	\$		
Medical Expenses			
15. Enter the total annual unreimbursed medical expenses for all family members of a disabled or elderly family	\$		
Medical/Disability Assistance Expenses Allowance			
16. Enter the total of Line 14. and Line 15.	\$		
17. Enter Line 12b. If Line 12b. is blank or zero, enter zero.	\$		
18. Medical/Disability Assistance Expense: Line 16. minus Line 17. (but not less than zero)			
19. Total Allowances: Total of Lines 8., 9., 10. and 18.			
Total Adjusted Income			
20. Adjusted Annual Income: Line 6. minus Line 19			

Tenant Rent Calculation

1.	Monthly Income (Line 6. from Annual Income table ÷ 12)	\$
2.	Monthly Adjusted Income (Line 20. from Adjusted Income table ÷ 12)	\$
3.	30% of Monthly Adjusted Income (Line 2. x .30)	\$
4.	10% of Monthly Income (Line 1. x .10)	\$
5.	Welfare Rent (If applicable)	\$
6.	Minimum Rent (\$25 for Section 8 / \$0 for PAC/PRAC)	\$
7.	Total Tenant Payment (greater of Line 3., 4., 5., or 6.) <i>Note:</i> May never exceed unit gross rent in Sec. 8 or PAC programs.	\$
8.	Utility Allowance (UA)	\$
9.	Tenant Rent: TTP – UA (Line 7. minus Line 8.)	\$
	a. Tenant Rent: If positive number, enter	\$
	b. Utility Reimbursement: If negative number, enter as positive	\$

Assistance Payment Calculation

1.	Contract Rent:	\$
2.	Utility Allowance (same as Line 8. on Tenant Rent Calc. table)	\$
3.	Gross Rent (Line 1. plus Line 2.)	\$
4.	TTP (same as Line 7. on Tenant Rent Calc. table)	\$
5.	Assistance Payment: (Line 3. minus Line 4.)	\$
5.a.	Assistance Payment to Owner for Rent (Lesser of Line 5. or Line 1.)	\$
5.b.	Assistance Payment to Owner for Utility Reimbursement (Line 5. minus Line 5.a.)	
	<i>Note:</i> Should equal Line 9.b. on Tenant Rent Calc. table	\$

TRAINER NOTES: APPROACH TO CASE STUDY 3 AND PRESENTATION MATERIALS**Purpose**

- This trainer note is intended to help trainers see how the training materials presented in Part VI relate to Case Study 3 and to discuss techniques for addressing the material with participants.
- Case Study 3 enables participants to practice correctly determining eligible disability assistance expenses and conducting the special calculation required when a family has both medical and disability assistance expenses.
- Case Study 3 continues with the Winchester family and requires the participant to prepare a complete 50059 calculation.

Materials

- The written materials in Part VI summarize the Handbook 4350.3 REV-1 requirements.
- Answers to Case Study 3 begin on page 4-162 of the Participant Manual

Tips and Cautions

- Case Study 3 is actually a summary case study for the entire module, using elements of each topic covered in Module 4. Participants must deal with all aspects of an income and rent determination including earned and other income, dependent and child care deductions, elderly/disabled household deduction, medical expenses and disability assistance.
- There are many similarities between medical expenses (addressed in Part V) and disability assistance expenses (addressed in Part VI). Part VI refers the participant back to Part V for some tips and examples regarding verification of expenses.
- Ensure that participants understand the distinction between qualification for medical expenses and qualification for disability assistance expenses. Qualification for medical expenses requires that the head, spouse or co-head be an elderly person or a person with disabilities. Qualification for disability assistance expenses requires that any family member be a person with disabilities and that someone in the family be enabled to work as a result of the disability assistance expenses.
- The most challenging part of the case study for participants will likely be the classification of expenses and the special calculation of medical and disability assistance expenses. In particular, ensure that participants understand that a family could qualify for a deduction for both types of expenses, and that some expenses could be classified as both medical and disability assistance. How these expenses are classified can have an impact on the family's adjusted income and rent.
- Reinforce understanding of the special calculation required when a family has both medical expenses and disability assistance expenses. This special calculation is described here in Part VI, and the calculation worksheets used throughout the case studies “walk” the participant through this calculation.
- Perhaps the most common disability assistance expense is the presence of a “care attendant,” though expenses may also include equipment, vehicle modifications, among others. The key issue for disability assistance expenses is that the expenses must be directly related to enabling someone in the family (which could include the disabled individual) to actually work.
- There are similarities between the use of a care attendant for a disabled individual and the use of a child care provider for child care. In some cases, a care attendant could perform both duties in a household. However, participants must understand the different requirements for qualifying an expense as a child care expense vs. a disability assistance expense. The case study illustrates this distinction.

PART VI DISABILITY ASSISTANCE EXPENSES

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

Notes

Calculating the Disability Assistance Expenses 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.
- If more than one person is enabled to work (e.g., the person with disabilities and another family member) the deduction cannot exceed their combined incomes.

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.

Annual Income:

- $\$5,824 + \$1,200 (\$100 \times 12) = \mathbf{\$7,024}$

3% of Annual Income:

- $\$7,024 \times .03 = \mathbf{\$211}$

Expenses in excess of 3% of Annual Income:

- $\$6,240 (\text{Attendant Care}) - \$211 = \mathbf{\$6,029}$

Eligible deduction:

- $\mathbf{\$5,824}$ (capped by Patty's earned income)

Notes

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 an hour and he works about 12 hours/week.

Total Earned Income:

\$5,824	Patty's income
+ \$3,744	John's income
\$9,568	Total Earned Income

Total Annual Income:

\$9,568	Total Earned Income
+ \$1,200	Disability benefits
\$10,768	Total Annual Income

Total Disability Assistance Expense:

\$6,240	Attendant Care Cost
+ \$1,000	Auxiliary Apparatus
\$7,240	Total Disability Assistance Expense

3% of Annual Income:

$$\$10,768 \times .03 = \mathbf{\$323}$$

Total Disability Assistance Expenses in excess of 3% of Annual Income:

\$7,240	Total Disability Assistance Expense
- \$323	3% of Annual Income
\$6,917	Total Disability Assistance Expense

Eligible Deduction:

\$6,917 (is less than total earned income \$9,568)

- NOTE: A special calculation is required if a family is eligible for both a disability assistance and a medical deduction. These issues are addressed later in this Part.

Notes

Types and Timing 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
- 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
- Amounts that will be reimbursed from any source are not counted.

Notes

Eligible Auxiliary Apparatus Expenses

- **What is an “auxiliary apparatus?”**
 - An auxiliary apparatus can be equipment, furniture, tools and other devices that assist a person with disabilities.
- 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)
 - 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
 - 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.
- **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 a family member to work (including the disabled family member).

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.

Notes

- **Exclusive Use.** 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 the van is used by other family members. Vehicle expenses must be prorated to reflect the eligible and not eligible uses.

Attendant Care Expenses

- 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
- When the 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.
- 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.

*Notes****Example***

A care attendant cares for Diane (age 32 and disabled spouse), Rachel (age 11), and Robbie (age 13) while Bart (head) works. The care attendant is paid \$250/week (\$13,000/year). Under this scenario:

- Rachel's care could be considered eligible child care expenses
- Diane's care could be considered 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 \$13,000 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.

Anticipating and Verifying Disability Assistance Expenses

- Like all other income and expense items included in rent calculations, owners should attempt to anticipate what the family's disability assistance expenses will be for the 12 months beginning with the certification or recertification effective date.
- The specific types of documentation that should be sought are listed in HUD 4350.3 REV-1, Appendix 3.
- The verification and documentation process for disability assistance expenses is similar to that for medical expenses. That process is summarized below.
 - Refer to the discussion in **Part V. Medical Expenses**, for specific examples.

Trainer Note:

The following four sections are basically the same principles that would apply for medical expenses. The information here repeats the earlier discussion, without the specific examples.

4350.3 REV-1, Appendix 3

Notes

Ongoing Disability Assistance Expenses

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

New Disability Assistance Expenses and Expected Payments on Outstanding Bills

- 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.
- 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 the family's payment history shows that actual payments have been inconsistent in the past, the owner must make a judgment call about how much of the payments to consider as expenses for the coming year.
- However, 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.

Notes

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.
- There are two options for addressing one-time disability assistance expenses. A family has the option of requesting that these expenses be added to the family's total disability assistance expenses either:
 - At the time the expense actually occurs and is paid, by requesting an interim recertification, or
 - At the upcoming annual recertification.
- 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 reexamination, it cannot also be added to disability assistance expenses at the next annual recertification.

Notes

The Relationship between Medical Expenses and Disability Assistance Expenses

- A family may be eligible for *both* the medical expense deduction *and* the disability assistance expense deduction.
 - In this situation, certain expenses may qualify as medical expenses, certain expenses may qualify as disability assistance expenses, and certain expenses may qualify as both 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.
- In some cases, it is easy to determine whether an expense should be classified as either a medical or a disability assistance expense.
 - For example, emergency room services for a broken leg are clearly medical; a voice-activated computer program to allow a disabled person to work is clearly an auxiliary apparatus.
- In other cases, an item may legitimately be classified as *both* a medical *and* a disability assistance expense.
 - For example, a wheelchair may be medically necessary and may also permit the person to work.

Notes

- When an item can be classified as *both* a medical *and* a disability assistance expense, and family is eligible for a deduction for both types of expenses, the owner should select the classification that is most advantageous for the family.
 - In many instances, the decision will have no impact on the rent. For example, where an elderly family has earned income that exceeds the cost of the expenses, either classification will have the same effect on the family's TTP.
 - However, for some households, the decision to classify an expense as either a medical expense or a disability assistance expense could make a great deal of difference.

Example:

Don (head, age 32) and Julie (spouse, age 33) have a disabled son who uses a wheel chair and receives daily care from a practical nurse. In addition, his 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, if the owner classifies these expenses as medical expenses, *none* of them can be deducted from annual income for this family because neither the head nor the spouse is elderly or a person with disabilities. In other words, the family does not qualify as an elderly/disabled family.

On the other hand, these 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. Certainly, the nursing care qualifies as such an expense. Could the wheel chair and trapeze installation count? If these two devices make it possible for the practical nurse to take appropriate care of the son, they could be counted.

Under this scenario, all of the expenses that exceed \$600 (3% of \$20,000) could be deducted.

Notes

- What about those situations where it is clear that an eligible family will have some expenses that will be classified as medical expenses *and* some expenses that will be classified as disability assistance expenses at the same certification/recertification?
 - In other words, not only is the family eligible for both types of deductions, but the family will actually have both medical expenses and disability assistance expenses.
- The regulations specify that the appropriate deduction will be the sum of eligible medical and disability assistance expenses that exceed 3 percent of annual income.
- 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.
- In this circumstance, the owner must make the appropriate calculations **in the following order**:
 1. Owner caps the eligible disability assistance expenses by the earned income of the family member(s) enabled to work.
 2. The owner then deducts 3% of annual income from remaining eligible disability assistance expenses.
 - 3a. Where 3% of annual income *exceeds* the disability assistance expenses, the balance of the 3% is deducted from medical expenses. The result is the medical/disability assistance deduction.
 - 3b. Where 3% of annual income *is less than* 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.

- The three examples in the following table illustrate this calculation.

	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 member Enabled to Work	\$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 the earned income limitation	\$8,000 is less than \$12,000, so \$8,000 is result	\$8,000 is more than \$6,000, so expenses capped at \$6,000	\$500 is less than \$6,000, so \$500 is result
Step 2: Deduct 3% of annual income from the result to determine allowable disability assistance	$8,000 - 750 =$ \$7,250	$6,000 - 750 =$ \$5,250	$500 - 750 =$ (250)
Step 3.a. Deduct any remaining portion of 3% of annual income from medical expenses.	NA	NA	$4,500 - 250 =$ \$4,250
Step 3.b. Add any remaining disability assistance expenses to medical expenses.	$7,250 + 4,500 =$ \$11,750	$5,250 + 4,500 =$ \$9,750	NA
Total Medical and Disability	\$11,750	\$9,750	\$4,250

NOTES

CASE STUDY 3: THE WINCHESTERS – MEDICAL AND DISABILITY ASSISTANCE EXPENSES

Background

In this case study, we return to the Winchester family, introduced in Case Study 1 of the module

- Sam Winchester has come in to ask for an interim recertification. The family is in the midst of turmoil. Amanda was in a car accident about 6 weeks ago and was seriously injured. She is home from the hospital and Cindy is taking care of her. To help with expenses, Betsy has reduced her class load at Central Community College to part-time and has taken a second job at Belmont Furniture store (in addition to working at the Daily Grind Cafe).
- The doctor has indicated to the family that Amanda can no longer work. The family's medical bills have skyrocketed, and there are more to come. Sam is currently working with a social service agency to see if it can assist with the cost of a motorized wheel chair. They have applied for SSI disability payments for Amanda but have been told it may take as long as 90 days to find out if she is eligible.
- Cindy has just found a neighbor – Mrs. Johnson – who is willing to come in to care for both Amanda and Jessica so that Cindy can look for a job.
- The information that follows is an excerpt from the recertification form that Mr. Winchester filled out. Review this information and then answer the questions that follow.

Housing Recertification Excerpt

HOUSEHOLD COMPOSITION AND CHARACTERISTICS

List all family members who will be living in the unit. Include additional information listed.

Mem. No.	Full Name	Relation to Head	Birth Date	Sex	SSN	Occupation or School	C/EI Y/N	Dis Y/N	FTS Y/N
1	Sam Winchester	Head	8/11/57	M	123-45-6789	Painter	Y	N	N
2	Amanda Winchester	Spouse	9/9/55	F	123-45-6788	None	Y	Y	N
3	Betsy Winchester	Dau.	11/11/85	F	123-45-6786	College; Daily Grind; Belmont Furniture	Y	N	Y
4	Cindy Winchester	Dau.	7/4/80	F	123-45-6787	None	Y	N	N
5	Jessica Simpson	G. Dau.	6/24/01	F	321-54-9876	None	Y	N	N

EMPLOYMENT INCOME

Is any member of the family employed (including self-employed), or expected to be employed in the next 12 months? Yes No

If "Yes", complete table below.

Mem. No.	Employer Name Address Phone No.	Regular Income Rate (income per hour, per week, per month, etc.)	Other income (overtime, bonuses, tips, commissions, etc.)	Estimated Gross Annual Income
1	Acme House Painting	\$300 per week	NA	\$15,600
3	The Daily Grind Cafe	\$100 per week	NA	\$5,200
3	Belmont Furniture	\$5 per hour; 20 hours per week	NA	\$5,200
4	?	?	NA	?

OTHER INCOME

Complete the "Other Income" chart (here's an excerpt from that chart):

Income Item	Yes	No	Family Member
Child Support	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cindy

Where you checked "Yes" for any items, provide additional detail in the chart below.

Mem. No.	Other Income Item (from chart)	Income Provider Name Account No.	Other Income Rate (Income per hour, per week, per month, etc.)	Estimated Gross Annual Income
4	Child Support	Jeff Simpson	\$200 per month	\$2,400

ASSETS AND ASSET INCOME

Complete the “Asset” chart (here’s an excerpt from that chart):

Asset	Yes	No	Family Member
Checking Account(s)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sam and Amanda, Betsy
Savings Account	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Jessica
Individual Retirement Account(s) – IRA(s)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Sam
Company Retirement Account(s)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	Cindy

Where you checked “Yes” for any asset, provide additional detail in the chart below.

Mem. No.	Asset Type (from chart)	Asset Name Asset Provider Account No.	Current Value of Asset	Estimated Gross Annual Income from Asset
1,2	Checking	Emerald City Bank	\$200	\$None
3	Checking	One Bank	\$100	\$None
5	Savings	One Bank	\$120	\$1 interest
1	IRA	21st Century Funds	\$1,000	\$None
4	Retirement	PayMor Dept. Stores	\$4,000	\$None

MEDICAL EXPENSES

The family head of household and/or the spouse of the head of household are:

- a) 62 years of age or older;
- b) handicapped; or
- c) disabled?

Yes No

If “Yes”, indicate estimated costs to the family for medical expenses (for example - medications, medical/dental treatments, medical insurance, prescribed medical appliances, etc.) which are not reimbursed by an outside source.

Medical Insurance: ACME Health Insurance (through Sam’s work)

Outstanding Medical Bills:

Balance Amount	Amount Paid per Month
\$720	\$50/month

Hospital bill with General Hospital

Prescription Drugs: Amount Paid per Month

\$300/month (family)

Amounts confirmed with printout from PDQ Pharmacy

Other Potential Medical Expenses (Describe):

Family pays \$150 per month for physical therapy for Amanda. Therapy is not covered by Sam's insurance.

Family has purchased a motorized wheelchair for Amanda (she has been unable to use the manual wheelchair provided by the hospital). The motorized wheelchair is not covered by Sam's insurance. The value of the wheelchair is \$2,300. The family paid a \$1,000 down payment on the wheelchair and makes \$75/month in installment payments. It is possible that a social service agency will help the family with this expense, sometime soon, but this has yet to be determined.

Family made a one-time \$400 payment to the hospital to cover the deductible on Sam's health insurance policy.

Family incurred a number of dental expenses a couple of months ago. Both Sam and Amanda had dental work done - \$300 of dental work for Sam and \$400 of dental work for Amanda. All of the dental work was covered by Sam's health insurance, except for a \$50 deductible payment for Sam and a \$50 deductible payment for Amanda. Cindy also had some dental work done, as well as a number of visits to an aromatherapist. Cindy's dental work totaled \$350, and was not covered by insurance. The visits to the aromatherapist totaled \$200 and were also not covered by any insurance.

OTHER EXPENSES

Do you have any other expenses that you wish us to consider when determining your income and allowable deductions under federal regulations?

Yes **No**

If "Yes", indicate estimated expenses not reimbursed by an outside source:

Family pays \$250 per week to Mrs. Johnson, a neighbor, to care for Amanda and Jessica during the day, to enable Cindy to look for a job.

Family pays \$1,500 annual "tuition" costs to send Jessica to pre-school, three mornings each week.

Question 1: Employment Income for Betsy

You have received verification from the Daily Grind Café that confirms Betsy's stated income of \$100 per week.

Verification received from Belmont Furniture store confirms that Betsy works 20 hours per week and that her rate of pay is \$5.00/hour. However, they also indicate that sales associates receive a 1% commission on any sale they make that is over \$400. Betsy hasn't been there long enough to establish a track record but her employer reports that the best associates earn commissions equal to amount 20% of their annual pay and the less successful ones usually earned about 1-2% of their annual pay.

- What annual employment income will you count for Betsy? Explain your answer.

Question 2: Asset and Asset Income

You notice that Sam and Amanda's savings account and Amanda's 401(k) account that were reported at the last annual recertification (see Case Study 1) are not listed by the family at this interim recertification.

During the interview, when questioned about this discrepancy, Sam explains that, after Amanda's accident, the family needed money to pay medical bills. The family cashed out the balance in the savings account – \$600. Emerald City Bank confirms that the account was closed out.

Of necessity, Amanda quit her job with Central Community College and the family decided to cash out her 401(k), also to help pay the medical bills. After appropriate taxes and penalties were deducted, the family received a lump sum of \$1,600. You are able to confirm this with Central CC.

Explanations of your decision for each expense item: (Use back of page if needed).

Question 6: Calculating Income and Rent

Using the charts on the following pages, calculate income and rent for the Winchesters at this interim recertification. Note that some of the information has already been completed for you. Assume that, at Green Acres, the Winchesters live in a 3 bedroom unit. The contract rent for the unit is \$1,200 and the utility Allowance is \$86.

Asset Income

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv - expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
Sam, Amanda	1,2	Checking		250 – 0	\$250	250 x 0%	\$0
Betsy	3	Checking		104 – 0	\$104	104 x 0%	\$0
Jessica	5	Savings		123 – 0	\$123	123 x 1.15%	\$1.41
Sam	1	IRA		2,400 – 240 – 480	\$1,680	2,400 x 0%	\$0
Cindy	4	Pension		4,000 – 400 – 800	\$2,800	4,000 x 0%	\$0
				TOTAL			
If 1d. Total is greater than \$5,000, complete Line 2. and Line 3.							
If 1d. Total is less than or equal to \$5,000, enter \$0 in Line 2.; complete Line 3.							
2. Imputed income from assets				HUD approved passbook rate (.02) x 1d.Total			
3. Total Asset Income				Greater of Line 2. or 1e. Total			

Annual Income

4a. Family Member Name	4b. FM #	Calculation	4c. Employment or Business	4d. Social Security, Pensions, etc.	4e. Public Assistance	4f. Other Income
Sam	1	300 x 52 = 15,600	\$15,600			
Betsy	3	5 x 20 x 52	\$5,200			
Betsy	3	100 x 52	\$5,200			
Cindy	4	200 x 12				\$2,400
Cindy	4	6.50 x 32 x 52	\$10,816			
4g. Total Income from each source						
5. Total Income All Sources			Add all amounts on Line 4g. above:			
6. Total Annual Income			Add Line 5. + Total Asset Income:			

Adjusted Income

6. Total Annual Income: Carryover from Line 6. on Annual Income table		
7. Enter 3% of Total Annual Income (Line 6. x .03)		
Dependent Allowance		
8. Allowance for Dependents (# of dependents <u>1</u> x \$480)		
Child Care Allowance		
9. Child Care Allowance (Line 8a. plus Line 8b.)		
9a. Expense enabling family member to work (may not exceed \$ earned by family member enabled to work)		
9b. Expense enabling family member to attend school and/or look for work		
Elderly/Disabled Household Allowance		
10. Elderly/Disabled Household Allowance (\$400 or \$0)		
Disability Assistance Expenses		
11. Enter total unreimbursed disability assistance expenses:		
12. Maximum allowable disability assistance expense (Line 11. minus Line 7.)		
• If positive or zero, enter in Box 12a.	12a.	
• If negative, enter as positive number in Box 12b.	12b.	
13. Enter \$ earned by family member enabled to work as a result of disability expenses		
14. Enter lower of Line 12a. or Line 13. If Line 12a. is blank or zero, enter zero		
Medical Expenses		
15. Enter the total annual unreimbursed medical expenses for all family members of a disabled or elderly family		
Medical/Disability Assistance Expenses Allowance		
16. Enter the total of Line 14. and Line 15.		
17. Enter Line 12b. If Line 12b. is blank or zero, enter zero.		
18. Medical/Disability Assistance Expense: Line 16. minus Line 17. (but not less than zero)		
19. Total Allowances: Total of Lines 8., 9., 10. and 18.		
Total Adjusted Income		
20. Adjusted Annual Income: Line 6. minus Line 19		

Tenant Rent Calculation

1.	Monthly Income (Line 6. from Annual Income table ÷ 12)				
2.	Monthly Adjusted Income (Line 20. from Adjusted Income table ÷ 12)				
3.	30% of Monthly Adjusted Income (Line 2. x .30)				
4.	10% of Monthly Income (Line 1. x .10)				
5.	Welfare Rent (If applicable)				
6.	Minimum Rent (\$25 for Section 8 / \$0 for PAC/PRAC)				
7.	Total Tenant Payment (greater of Line 3., 4., 5., or 6.) <i>Note:</i> May never exceed unit gross rent in Sec. 8 or PAC programs.				
8.	Utility Allowance (UA)				
9.	Tenant Rent: TTP – UA (Line 7. minus Line 8.)				
	<table border="1"> <tr> <td>a. Tenant Rent: If positive number, enter</td> <td></td> </tr> <tr> <td>b. Utility Reimbursement: If negative number, enter as positive</td> <td></td> </tr> </table>	a. Tenant Rent: If positive number, enter		b. Utility Reimbursement: If negative number, enter as positive	
a. Tenant Rent: If positive number, enter					
b. Utility Reimbursement: If negative number, enter as positive					

Assistance Payment Calculation

1.	Contract Rent:	
2.	Utility Allowance (same as Line 8. on Tenant Rent Calc. table)	
3.	Gross Rent (Line 1. plus Line 2.)	
4.	TTP (same as Line 7. on Tenant Rent Calc. table)	
5.	Assistance Payment: (Line 3. minus Line 4.)	
5.a.	Assistance Payment to Owner for Rent (Lesser of Line 5. or Line 1.)	
5.b.	Assistance Payment to Owner for Utility Reimbursement (Line 5. minus Line 5.a.)	
	<i>Note:</i> Should equal Line 9.b. on Tenant Rent Calc. table	

TRAINER NOTES: APPROACH TO CASE STUDY 4 AND PRESENTATION MATERIALS**Purpose**

- Case Study 4 builds on all of the issues and concepts discussed earlier in the module and presents illustrations of more complex calculations and applications of policy.

Tips and Cautions

- Case Study 4 is actually a series of three separate, smaller case studies which offer additional opportunity to practice and to “think through” the issues already covered in Module 4.
- No additional materials are provided for Case Study 4. When working through the Case Study 4 case studies, trainers and participants should refer back to the earlier sections of Module 4, as well as the relevant sections of 4350.3 REV-1, for clarification and to reinforce the principles learned.
- Case Study 4A offers additional practice with understanding and calculating the value of and income from retirement plans. In addition, Case Study 4A offers an example of the unique situation of a family member permanently confined to a nursing home, and receiving long-term care insurance payments to reimburse the costs of care. Participants need to understand the limit on the amount of daily long-term care insurance payments that can be disregarded as income (\$180). In addition, participants see an example of calculation of medical expenses in such a situation.
- Case Study 4B offers additional practice with a number of asset types. These assets include life insurance policies, annuities and mutual funds. Participants will see an additional illustration of the principles of “market value”, “cash value”, and computation of actual income from an asset. In addition, the case study reinforces the concept of counting disbursements from an asset as income only after the individual has recaptured the amount originally invested.
- Case Study 4C focuses on the relationship between medical expenses and disability assistance expenses for a family that qualifies for both types of deductions. In Case Study 4C, participants are able to see how classifying an expense as either a medical expense or a disability assistance expense can have a significant impact on the family’s income calculation.

PART VII ADVANCED TOPICS

- Module 4 has addressed a number of challenging issues related to income and rent, including:
 - Assets and asset income
 - Medical expenses
 - Disability assistance expenses
 - Absent family members
- The case studies presented thus far have served to illustrate the principles behind determination of income and rent for families that present these unique circumstances.
- Part VII builds on the discussion in Parts I – VI, offering three additional smaller case studies that highlight different aspects of these issues.
- By reviewing Parts I – VI, as well as the relevant sections of Handbook 4350.3 REV-1, you should be able to answer the questions posed in Case Study 4.

NOTES

CASE STUDY 4A: OSCAR AND HILDA SPARKS

Oscar (age 72, head) and Hilda (age 70, spouse) live in your development. Both Oscar and Hilda receive \$800/month in social security benefit payments.

Oscar has an Individual Retirement Account (IRA) with a remaining balance of \$30,000. Over the years while he was working, Oscar figures that he contributed about \$20,000 to the account. Now that he is retired, he withdraws \$200/month to supplement his social security income. He has been withdrawing \$200/month now for the past 6 years (72 months total).

Question 1: Assuming no other income for Oscar, what will Oscar's annual income be for the coming year? Explain your answer.

Hilda has a 401(k) retirement plan with her former employer, with a balance of \$20,000. Over the years while she was working, Hilda has contributed \$10,000 of her own money to the account.

When she retired, Hilda did not elect to receive regular periodic distributions from her account. However, the plan administrator has just informed her that she must either receive the entire amount in her account, or begin receiving regular periodic distributions, by April 1st of the coming year (i.e., April 1st of the first year after the calendar year in which she reached age 70½). Hilda has decided to receive a \$150/month payment from the account, beginning April 1st. The effective date of the current annual recertification in progress will be February 1st.

Question 2: Assuming no other income for Hilda, what will Hilda's annual income be for the coming year? Explain your answer.

At the next annual recertification for Oscar and Hilda, you find that Hilda will need to be placed in a nursing home permanently. Her husband Oscar does not want to remove her as a family member and has chosen to include her income and deductions when calculating the family's income.

The cost of Hilda's care in the nursing home is \$210 per day. Fortunately, Oscar and Hilda purchased long-term care insurance and that insurance reimburses them at a rate of \$200 per day.

Question 3: How much of the insurance payment will you count as annual income to the family for the coming year? Explain your answer.

Question 4: Assuming that the entire amount of Hilda's daily nursing home care expenses qualify as medical expenses, how much of the \$210/day expenses will you be able to qualify as medical expenses for coming year? Explain your answer.

CASE STUDY 4B: RALPH AND ALICE KRAMDEN

Ralph (age 55, head) and Alice (age 50, spouse) live in your development. Ralph and Alice have a number of assets.

Alice and her father Fred, who does not live in the assisted unit, own a mutual fund that they bought together 10 years ago, hoping to make some money in the stock market. At the time of purchase, Alice and Fred paid \$1,500 for the fund. Alice contributed \$500 and Fred contributed \$1,000. The fund has seen ups and downs, and is currently valued at \$2,250.

While Alice's name and social security number are on the account with her father, Alice states that she has never reported the fund on her income taxes. She assumes that her father has.

Question 1: Based on the information provided, how would you handle this asset? Explain your answer.

Ralph has a whole life insurance policy. The face value on the policy is \$100,000. The cash value of the policy had been \$35,000, but he borrowed \$10,000 using the policy as collateral to help pay for his (now adult) daughter’s college education. He is paying that amount back, with interest, and has so far managed to pay back \$2,000 of the principal.

Question 2: Based on the information provided, what will you count as an asset for Ralph? Explain your answer.

Alice has a term life insurance policy. The face value on the policy is \$50,000. She has not borrowed any money using the policy as collateral.

Question 3: Based on the information provided, what will you count as an asset for Alice? Explain your answer.

Ralph has purchased an annuity, available to him upon his retirement (in a few years). You verify that Ralph paid \$10,000 for the annuity and its current value is \$14,500, and that the annuity appreciates at a rate of 2.5% per year. Ralph could elect to cash out the annuity at any time, but would have to pay administrative fees and other penalties that total \$600.

Question 4: Determine the following totals for this annuity:

a. Market Value:	
b. Cash Value:	
c. Actual Income:	

Question 5: Assume that, when Ralph retires and begins receiving payments from the annuity, his monthly payment will be \$200. How long will it take before you may count the annuity payments as annual income? Explain your answer.

CASE STUDY 4C: PAUL AND IMOGENE FURLEY

Paul and Imogene Furley have three children – Jack (age 13), Janet (age 11) and Krissy (age 8). Imogene is disabled and has significant mobility impairment. If the family purchases a motorized wheelchair for Imogene, she will be able to work part-time, earning approximately \$3,000/year. The wheelchair would cost around \$4,500.

Paul works full-time, earning \$10,000/year, and would be able to continue working full-time regardless of whether Imogene worked or stayed at home. Currently, the family has anticipated medical expenses of \$3,500 for the year.

- Assuming no other income, assets or expenses, compute the family’s Adjusted Income two different ways:
 - Use the wheelchair as a Medical Expense
 - Use the wheelchair as a Disability Assistance Expense

Annual Income:	
3% of Annual Income:	
Dependent Deduction:	
Disabled Household Deduction:	

	Wheelchair as Medical Expense	Wheelchair as Disability Assist. Expense
Disability Assistance Expenses:		
Medical Expenses:		
Total Allowable Expenses:		
Total Deductions:		
Adjusted Income:		

MODULE 4 – POST-TRAINING SELF TEST

Note: This test is provided as a learning tool. The post-training self test is designed to measure your level of knowledge after studying this module. Answer the questions as best you can, (without looking at the training materials). Any questions you miss represent areas you should review in the training materials and Handbook 4350.3 REV-1.

Answers to Post-training Self Test are in Attachment F at the end of this module.

1. Juanita (62) has served as a live-in aide for Mrs. B. (83) for the past 10 years. Mrs. B has just been admitted to a nursing home and is not expected to return.
 - Indicate whether each of the following is true or false.

- a. Juanita may remain in the unit until Mrs. B dies, because there's always the possibility that she will come back to the unit.
- b. The owner can sign a new lease with Juanita as the head of household because, although she was not elderly when she moved in, she is now 62
- c. The owner must require Juanita to leave the unit.

True	False

2. The Barnes family contributed \$500 to the church this year. Is this amount counted as an asset disposed of for less than fair market value? Explain your answer
 - a. Yes
 - b. No

3. Jack R. has worked for the Bank Three system for 10 years. Although he doesn't plan on retiring anytime soon, he is glad to have passed the 10 year mark because that's when he becomes fully vested in the bank's retirement plan.
 - What does an owner need to know about the bank's retirement plan in order to know whether you should or should not count it as an asset?

4. The asset amount to be counted for a savings account is which of the following?
 - a. Current balance
 - b. Average 6-month balance
 - c. Average 6-month balance x 2 to reach an annual figure.

5. Janice (age 48, head) recently got owner approval to have her mother (age 75, disabled) move in with her. Her mother is able to stay alone during the day, but is not able to give herself the daily injections she requires. Therefore, Janice has made an arrangement with the county visiting nurses association to come in each day to give the shots. Each visit costs Janice \$10.00 because the county charges on a sliding scale.
 - Would Janice be better off to report this as a medical expense or a disability assistance expense? Explain your answer.

- 6. John H. has recently been placed in a nursing home. His Alzheimer's disease has reached the point that the family can no longer take care of him at home. The owner has explained to the family that they can either continue to list John on the 50059 and count the income and deductions attributable to him, or not list him and count neither income nor deductions attributable to him.
 - a. If the family decides to keep John listed on the 50059, how would he be listed?

 - b. What are the key factors that determine whether it is better for the family to remove John's name or keep John as a family member?

7. Which of the following are considered assets?

- a. Checking accounts of adults
- b. Savings account in a child's name
- c. Term life insurance policy
- d. Permanent life insurance policy
- e. COBRA Medical Savings Account
- f. Lump sum receipt of unemployment assistance

Yes	No

- 8. Barbara has a disabled 9 year old son Kyle. She pays a care attendant \$200/week to stay with Kyle. This enables her to work 6 hours/day Monday through Friday and to go to school for two hours two evenings a week.
 - a. How much weekly earned income must Barbara have in order to deduct the expenses for the care of her child?

 - b. Assuming she earned the required amount in a. above, how much can you deduct annually for this care?

- 9. What are the two key differences between the medical expense deduction and the disability assistance expense deduction?

10. The bank reports that Jill (who lives in your development) is listed as a joint-owner of a savings account with her sister Jan (who does not live in assisted housing). Jill explains that they have each been contributing to the account as they can in order to have money set aside for their mother's funeral expenses. The bank confirms that neither has ever withdrawn any money from the account. The account now has a balance of \$2,500.

- Indicate whether each of the following statements is true or false.

- a. \$1,250 should be counted as an asset for Jill (1/2 of the account)
- b. The full \$2,500 should be counted as an asset for Jill.
- c. The savings account should not be considered because burial funds are not considered assets.

True	False

NOTES

Module 4

Attachments

NOTES

ATTACHMENT A – PRE-TRAINING SELF TEST ANSWERS

1. Which of the following families is eligible for the medical expense deduction and/or the disability assistance expense deduction?

Family Circumstances	Medical Expenses Deduction?		Disability Assistance Deduction?	
	Yes	No	Yes	No
a. Head of Household – age 64; Spouse – age 47	Yes**			No**
b. Head of Household – age 47; Other Adult – age 23 and disabled; Minor – age 14		No**	Yes**	
c. Head of Household – age 48; Spouse – age 47 and disabled	Yes**		Yes**	
d. Head of Household – age 35; Spouse – age 36; Child – age 7 and disabled		No**	Yes**	

Comment:

Regarding 1.d., the family would be eligible for a disability assistance expense deduction based on the disabled child – age 7. However, expenses for the care of the disabled child might also qualify as child care expenses.

2. If both the head and spouse are elderly, only one Medicare premium may be deducted as a medical expense.
- a. True
 - b. False****

Comment:

Medicare insurance is provided for individual persons. Each person who is eligible for Medicare would have their own premium deduction.

Reference: 4350.3 REV-1, Par.5-10D.

3. Dan (age 44) has a company retirement pension fund through his employer. The statement from the pension fund provider contained the following information:

Value at inception:	\$1,000
Current value:	\$12,000
Employee contribution:	\$8,000
Employer contribution:	\$4,000
Employee 30% vested	

- How much of the pension fund is considered “accessible”?
 - a. None, because retirement funds are not accessible until Dan retires or employment is terminated
 - b. \$12,000
 - c. \$11,000
 - d. **\$9,200****

Comment:

The amount that is accessible is the amount that the tenant could elect to receive. Retirement programs frequently have a “vesting” period – a period of time the employee is required to wait in order to be able to receive the employer contributions portion of the fund. The vesting period serves to encourage employees to remain with the employer. For example, an employee might be able to withdraw 1/3 of employer contributions after three years, 2/3 after six years and all of the employer contribution after 10 years.

In this case the accessible amount includes the entire amount that the employee has contributed —\$8,000—plus 30% of the employer contribution of \$4,000 ($\$4,000 \times .30 = \$1,200$). Total accessible amount is \$9,200. Note that this is not necessarily the same as the cash value of the pension fund. If Dan should elect to cash out the \$9,200, penalties would likely apply and the actual cash value Dan would receive would be less.

Reference: 4350.3 REV-1,Par.5-7G.4.

4. Jane (age 70, head) has an ailment that requires the doctor to see her and test her blood monthly. The cost each month is \$145 (doctor and laboratory fees). Jane’s insurance policy covers 80% of the cost once a \$500 annual deductible is paid by Jane.
- What medical expenses may be considered for the medical deduction?

Answer: \$748 may be considered.

Comment: Only those medical expenses that are not reimbursed from another source may be eligible for deduction. The annual cost of the blood tests is $\$145 \times 12 = \1740 . Her insurance company will pay \$992 ($1740 - 500 = 1240 \times .80 = 992$). Therefore, Jane is responsible for \$748 [$1740 - 992$].

Reference: 4350.3 REV-1, Par 5-10D.2.

5. Using your answer from question 4 above, if Jane's annual income is \$15,000, what is the amount that can be deducted from annual income for medical expenses?

Answer: \$298 may be deducted from annual income.
Comment: Only those expenses that exceed 3 percent of annual income may be deducted. $\$15,000 \times .03 = \450 . Total medical expenses of \$748 minus \$450 equals \$298.
Reference: 4350.3 REV-1, Par. 5-10D.5.

6. Which of the following are considered family assets?

Item	Asset?	
	Yes	No
a. Checking accounts of adults	Yes**	
b. Life insurance policy	Yes**	
c. College Savings Fund	Yes**	
d. Savings account in child's name	Yes**	

- **Reference:** 4350.3 REV-1, Exhibit 5-2

7. Mrs. Johnson (age 75, spouse) reports that her husband has Alzheimer's disease and has been transferred to a nursing home. He will not be returning to the unit.
- Can Mrs. Johnson count the nursing home expenses that are not covered by insurance as a medical expense? Explain your answer.

Answer: Yes

Mrs. Johnson may be able to deduct the expenses, but only under certain conditions. When a former family member is permanently confined to a nursing home, the family has the following choice:

(1) Continue to count the person as a family member. The individual may not be named family head, spouse, or co-head, but may continue as a family member. In this case, the family must include the individual's income in the family's income, and will be able to receive allowable deductions related to medical expenses of the permanently confined individual.

(2) Not count the person as a family member. In this case, the family would not include the individual's income in the family's income, but would also be unable to receive allowable deductions related to medical expenses of the permanently confined individual.

Which is most advantageous to the family will vary depending upon family circumstances.

Reference: 4350.3 REV-1, Par. 5-6C.

8. The bank has provided the information shown below about a savings account in the name of one of your tenants. What will you count as an asset?
- Current Balance: \$2,345
 - Average Six Month Balance: \$1,950
 - Interest Earned in Past 12 Months: \$65.40
 - Current Interest Rate Paid on Account: 3.5%

Answer: \$2,345

Comment: Handbook 4350.3 REV-1 requires owners to count as an asset the current balance in a savings account. In this instance, that would be \$2,345.

Reference: 4350.3 REV-1, Exhibit 5-2

9. Sally (who lives in your development) is listed as the joint owner of a checking account with her elderly mother who does not live with Sally.
- List three things that would affect your decision about whether Sally “effectively owns” the checking account.

Answer:

1. Has Sally ever withdrawn amounts from the account for her own use?
2. Is Sally the joint owner of the asset solely to facilitate access to the asset in the event of an emergency that might require Sally to handle payments for her mother?
3. Under whose social security number is the interest on the account reported to the IRS?

Reference: 4350.3 REV-1, Par. 5-7D., Exhibit 5-2B.6.

10. The face value of a permanent life insurance policy is \$50,000. The surrender value is \$23,000.
- What amount should an owner count as an asset for rent calculation purposes?

Answer: \$23,000

Comment: The surrender value is the amount the family could receive in cash if it decided to terminate the insurance policy.

Reference: 4350.3 REV-1, Exhibit 5-2A.7.

ATTACHMENT B – CASE STUDY 1 ANSWERS**Question 1: Employment Income for Sam and Amanda**

- Sam reports \$300 per week in income from house painting and Amanda reports \$6.50/hour as cook and dishwasher for Central Community College.
 - List at least three things you will need to find out through employment verification for both Sam and Amanda.

1. Resolve the discrepancy between the gross annual income reported by Sam and Amanda, and the annual incomes determined by 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 ($\300×52).
 - Amanda reported \$12,000/year; but if the rate of income Amanda reported is annualized, the amounts hold be \$13,520 ($\$6.50 \times 40 \times 52$).
2. Confirm the rates and amounts of employment income, as reported by Sam and Amanda.
3. Determine if these rates and amounts are consistent throughout the year for Sam and Amanda.
 - 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?

Question 2: Employment Income for Betsy

- Betsy reports \$100 per week in income from a part-time job at “The Daily Grind” cafe.
 - What annual income will you count for Betsy? Explain your answer.

Answer: \$480

Explain:

Betsy is a full-time student, age 19. The owner must 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 that the income verification shows that Betsy earns approximately the amount that she reports, then only \$480 of that income would be counted as annual income.

Question 3: Income for Cindy

- Cindy reports \$200 per month in child support from Jessica's father, Jeff Simpson. She also reports baby sitting as a source of income, but does not indicate an amount.
 - List at least three things you will need to find out about Cindy's income.

Answer:

1. Confirm and verify the monthly amount of child support.
2. Determine if the 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. Depending upon the information the owner collects either \$2,000 or \$2,400 might be the correct amount to include. 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.
3. Determine if baby sitting provides a regular source of income for Cindy, or if the baby sitting is sporadic. If regular, determine and verify the amount of income from baby sitting.

Question 4: Assets Disposed Of

- The family reports \$700 given to Amanda's mother last year, with no compensation received. This amount appears to qualify as an asset (cash, in this instance) disposed of for less than fair market value.
 - What will be the cash value of this asset in the calculation of total Family Assets for the family? Explain your answer.

Answer: \$0 Cash Value**Explain:**

In order to count assets disposed of for less than fair market value, the 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. In this instance, the fair market value of assets disposed of in the preceding 2 years is \$700. So, this cash will not be counted as an asset in the calculation of Total Family Assets.

Question 5: Savings and Checking Accounts for Sam and Amanda

- The Winchesters provide you with bank statements that summarize their checking and savings account balances. However, you also send a letter directly to the bank – Emerald City Bank – and receive third-party verification directly back from the bank. That verification is copied on the following page.
 - Based on the third-party verification provided, answer the following questions:

- a. What is the Market Value of Sam and Amanda’s Savings Account?
- b. What is the Cash Value of Sam and Amanda’s Savings Account?
- c. What is the annual income generated by Sam and Amanda’s Savings Account?
- d. What is the Market Value of Sam and Amanda’s Checking Account?
- e. What is the Cash Value of Sam and Amanda’s Checking Account?
- f. What is the annual income generated by Sam and Amanda’s Checking Account?

Answer: \$700; current balance according to verification source.
Answer: \$700; no difference between Market Value and Cash Value
Answer: \$8.75 (\$700 x 1.25%)
Answer: \$250; average balance, last six months, according to verification source.
Answer: \$250; no difference between Market Value and Cash Value.
Answer: \$0; no interest earned.

Question 6: Checking Account for Betsy / Savings Account for Jessica

As noted on the recertification form, the Winchesters report that Betsy has a checking account with a balance of \$100. The family is able to provide you with copies of the last six bank statements for this account. A copy of the current bank statement for the period ending January 31st is included on the following pages. The previous five bank statements are similar and show the following checking account ending balances:

- Statement ending December 31st \$80
- Statement ending November 30th \$115
- Statement ending October 31st \$105
- Statement ending September 30th \$120
- Statement ending August 31st \$101

In addition, the Winchesters report that Jessica, the granddaughter, has a small savings account with a balance of \$123. Through the interview, you determine that this account is a joint account established by Jessica’s father – Jeff Simpson – who is not a family member. The family is able to provide you with a current bank statement that includes the current savings account balance. A copy of this bank statement is included on the following pages.

However, you also send a letter directly to the bank – OneBank. After a few weeks and repeated attempts to contact the bank, you are unable to obtain direct third-party verification of the account information. So, you make notation in the file and elect to use the bank statements as the best available verification.

- Based on the bank statements provided, answer the following questions:

a. What is the Market Value of Jessica’s Savings Account?

Answer: \$123; current balance, according to bank statement.

b. What is the Cash Value of Jessica’s Savings Account?

Answer: \$123; no difference between Market Value and Cash Value.
--

c. What is the annual income generated by Jessica’s Savings Account?

Answer: \$1.41 (\$123 x 1.15%)

Note that, while the earned income of minors is excluded, the assets of minors are counted. Also note that the account is a joint account in the name of both Jessica, a family member, and her father, a non-family member. As such, Jessica appears to have full access to the account.

d. What is the Market Value of Betsy’s Checking Account?

Answer: \$104; $(\$100 + \$80 + \$115 + \$105 + \$120 + \$101) \div 6$

e. What is the Cash Value of Betsy’s Checking Account?

Answer: \$104, no difference between Market Value and Cash Value.
--

f. What is the annual income generated by Betsy’s Checking Account?

Answer: \$0; no interest earned.

Question 7: Individual Retirement Account (IRA) for Sam

As noted on the recertification form, the Winchesters report that Sam has an IRA with 21st Century Funds, with a balance of \$2,300. This balance has appreciated over the last few years, and Sam reports that he has contributed \$2,000.

Sam has provided you with a copy of an annual statement from 21st Century, showing his IRA account balance as of December 31, 2004 (see next page). You have contacted 21st Century directly, by telephone, but they are unwilling to give you specific information on Sam’s account. However, they will confirm that, if Sam withdraws any amount of the IRA before age 59 ½, he will incur a 10% penalty, as well as withholding of 20% of the total for taxes.

- Based on the account statement and information provided by 21st Century:

a. What is the Cash Value of Sam’s IRA account?

\$1,680 Cash Value

b. What is the Annual Income from Sam’s IRA account?

\$0 Income

Comment: The ending balance in the IRA account, as of December 31, 2004, is \$2,400. Using this balance, 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. The only amounts included in annual income for retirement benefits are amounts received through periodic payments.

Question 8: 401(k) Account for Amanda

As noted on the recertification form, the Winchesters report that Amanda has a 401(k) retirement account with her employer – Central Community College. The account has a balance of \$12,000, with total contributions by Amanda of \$5,000.

Amanda has provided you with a copy of a quarterly statement, showing the 401(k) account balance as of December 31, 2004 (see next page). You have contacted Central Community College directly, by telephone, but they are unwilling to give you specific information on Amanda’s account. However, they will confirm that, as long as she remains employed with Central CC, Amanda cannot withdraw any amount of the 401(k) account before age 59 ½, except for certain narrowly defined emergencies and hardship circumstances. If Amanda were to leave employment with Central CC, Amanda could cash-out the vested amount, with a 10% penalty tax and 20% withheld for taxes.

- Based on the account statement and information provided by Central CC:

- a. What is the Cash Value of Amanda’s 401(k) account?
- b. What is the Annual Income from Amanda’s 401(k) account?

	\$0 Cash Value
	\$0 Income

Comment:
 You may count as an asset only amounts that can be withdrawn without retiring or terminating employment. Because Amanda is not retiring or terminating employment, you cannot count any of the 401(k) account amount, as long as Amanda is still employed by Central CC.
 As with Sam, no income is generated by Amanda’s 401(k) account. The only amounts included in annual income for retirement benefits are amounts received through periodic payments.

Question 9: Company Pension Account for Cindy

As noted on the recertification form, the Winchesters report that Cindy has a pension account from her former employer – PayMor Department Stores. The account has a balance of \$4,000, with total contributions by Cindy of \$1,500.

You have contacted PayMor directly, by letter. They have completed and returned the pension verification form (see next page). You have also contacted PayMor by telephone and they confirm that the balance in the fund available to Cindy to withdraw at any time. However, if she withdraws the amount before retirement age (age 62), she will incur a 10% penalty, as well as withholding of 20% of the total for taxes.

- Based on the verification letter and information provided by PayMor:

a. What is the Cash Value of Cindy’s pension account?

\$2,800 Cash Value

b. What is the Annual Income from Cindy’s pension account?

\$0 Income

Comment

The balance in the Pension account, as of December 31, 2004, is \$4,000.

Using this balance, 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. The only amounts included in annual income for retirement benefits are amounts received through periodic payments.

Question 10: Income and Asset Calculation

You have resolved, through appropriate verification, the income issues for Sam, Amanda, Betsy and Cindy. That information is recorded in the Annual Income table below.

- Using your answers from Questions 4-9, regarding the Winchester family assets, complete the Asset table below.
- Then, using your answer for Total Asset Income (Line 3 of the Asset table), compute Total Family Income (Line 6 of the Annual Income table).

Asset Table

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv - expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
Sam, Amanda	1,2	Checking		250 – 0	\$250	250 x 0%	\$0
Sam, Amanda	1,2	Savings		700 – 0	\$700	700 x 1.25%	\$9
Betsy	3	Checking		104 – 0	\$104	104 x 0%	\$0
Jessica	5	Savings		123 – 0	\$123	123 x 1.15%	\$1
Sam	1	IRA		2,400 – 240 – 480	\$1,680	2,400 x 0%	\$0
Amanda	2	401(k)		-----	\$0	-----	\$0
Cindy	4	Pension		4,000 – 400 – 800	\$2,800	4,000 x 0%	\$0
TOTAL					\$5,657		\$10
If 1d. Total is <i>greater than \$5,000</i> , complete Line 2. and Line 3.							
If 1d. Total is <i>less than or equal to \$5,000</i> , enter \$0 in Line 2. ; complete Line 3.							
2. Imputed income from assets				HUD approved passbook rate (.02) x 1d.Total			\$113
3. Total Asset Income				Greater of Line 2. or 1e. Total			\$113

Annual Income Table

4a. Family Member Name	4b. FM #	Calculation	4c. Employment or Business	4d. Social Security, Pensions, etc.	4e. Public Assistance	4f. Other Income
Sam	1	$300 \times 52 = 15,600$	\$15,600			
Amanda	2	$(6.50 \times 40 \times 52) = 13,520$	\$13,520			
Betsy	3	$(100 \times 52) > 480$	\$480			
Cindy	4	200×12				\$2,400
4g. Total Income from each source			\$29,600	\$	\$	\$2,400
5. Total Income All Sources			Add all amounts on Line 4g. above:			\$32,000
6. Total Annual Income			Add Line 5. + Total Asset Income:			\$32,113

ATTACHMENT C – CASE STUDY 2 ANSWERS**Question 1: The Medical Expenses**

- Based on the information provided by the Blockwoods regarding their medical expenses, answer the following questions:
 - a. Which expenses about would you NOT consider medical expenditures?

Answer:

Veterinarian bills for “Poochy”, the Blockwood's dog.

YWCA membership for Sarah.

Nutrition class for Sarah.

- b. Write a list of additional questions and issues you might need to resolve regarding the medical expenses in order to establish the expenses you will count for a deduction.

Answer:

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)?

The Blockwoods incur \$25/month in non-prescription medicine costs. Such costs might be allowable, but only 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 might you want to see?

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? Was it within the past year? Did the family incur any out-of-pocket expenses? If so, did the family request an interim at the time, or would those expenses now qualify as fully-paid, one-time costs for this reexamination?

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

- c. You send out a standard verification request form to General Hospital, requesting information about the outstanding debt and payments made by the Blockwoods. General Hospital does not complete your form but sends you a letter clarifying the debt. A copy of that letter is found on the following page.
- Is the verification from the hospital sufficient for the outstanding bill? For the purpose of rent calculation, what would you anticipate the Blockwoods will pay on this hospital debt during the coming year? Explain your answers.

Answer:

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. However, the owner might also want the following:

- Because the 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.
- 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.
- The owner needs to check the numbers for any obvious discrepancies. Sometimes even verification sources make math mistakes. In this instance, the amounts listed by the hospital add up to \$600 for the 12-month period, not the \$585 total they indicate.
- Also note that the actual original debt was \$4,710, not the \$6,000 that the Blockwoods reported.

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 an 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.
- An owner might look at the overall payment history of this debt. Without getting any additional information from the hospital we can surmise that the Blockwoods have been paying pretty regularly. We know this by doing some quick math:
 - From August 1999 to August 2004 is 5 years (60 months); September 2004 to March 2005 is 7 months. If the Blockwoods had paid every month during this period, they would have paid \$4,020 (67 months x \$60) and their outstanding balance would be \$690 (the original debt of \$4,710 minus \$4,020 equals \$690).
 - The actual outstanding balance is \$710. That means that, in approximately five and one-half years, the net amount that the Blockwoods have paid is only \$20 less than what they owed – a steady and consistent record of payment. Based on that record, the owner might reasonably assume that they will pay every month in the coming year.
 - However, 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.
 - 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.
 - What is the right approach? Either approach, or some other approach, could be appropriate. The owner should discuss the issue further with the family. Ultimately, the owner must explain in the tenant file what his/her thought process was. In situations like this, the 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.

- d. Let’s assume that you have clarified the various medical expenses and medical issues with the Blockwoods and have determined the following:
- Mr. Blockwood’s Medicare premium is \$78.20/month.
 - Medicare covers all of Mr. Blockwood’s medical expenses, except any co-pay amounts he must pay.
 - Medicare covered the costs of Mr. Blockwood’s pacemaker.
 - Mr. Blockwood's Medicare-gap policy does reimburse him for his co-pay and his prescription expenses.
 - Mrs. Blockwood has no medical insurance.
 - Medicaid does pay for the children's regular medical expenses (e.g., Joseph's inhaler). However, Medicaid disagreed about the need for physical therapy for Joseph and refused to pay. So, the family paid for Joseph’s physical therapy out of pocket.
 - The doctor recommended, but did not prescribe, some of the non-prescription medicines taken by the Blockwoods. The doctor also recommended the nutrition class for Sarah.
 - Using all of the Blockwood’s medical information you now know, complete the chart below. Indicate the medical expenses you would allow. Indicate how you would calculate the amount of the medical expense allowed, and the final amount of these expenses.

Medical 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
	Total:	\$7,638

Question 2: Blank Verification Forms

HUD does not provide sample verification forms for assets.

On the following pages are two partially developed and completed verification request forms that the owner will send. One form will go to Emerald City Bank. The owner wishes to capture all relevant asset information from Emerald City Bank in a single form. The other form will go to R&R Railroad Company.

- What questions should the owner should ask of Emerald City Bank and R&R Railroad Company? Write those questions in the space below.

Answer: Following are questions that could be asked of **Emerald City Bank:**

1. The above-referenced family has reported the following accounts at your bank. Please provide the requested information for each account.
 Checking Account No. _____
 Whose name(s) are on the account? _____
 Is the account interest bearing? Yes No
 If yes, what is the current interest rate? _____%
 How much interest did this account earn in the past 12 months? _____
 What is the current balance in this account? _____
 What is the average six-month balance in this account? _____
 Is there a penalty for withdrawing funds from this account? Yes No
 Savings Account No. _____
 Whose name(s) are on the account? _____
 Is the account interest bearing? If yes, what is the current interest rate? _____%
 How much interest did this account earn in the past 12 months? _____
 What is the current balance in this account? _____
 What is the average six-month balance in this account? _____
 Is there a penalty for withdrawing funds from this account? Yes No
2. Does this person have any other accounts of any kind at your bank? Yes No
 If yes, please describe the type of account and provide the same information requested above.
3. If an account is an IRA or other retirement account, please provide the following information:
 Amount that is available to be withdrawn at this time (with or without penalty): _____
 Itemize any penalties that would be imposed.

Amount of Penalty	Type of Penalty
_____	_____
_____	_____

Answer: Following are questions that could be asked of **R&R Railroad Company:**

1. What is the total amount of pension benefits the above-referenced person received in the past 12 months? \$ _____

Comment: This question will help confirm the information Tyrone provided.

2. What pension payments will this person receive for the period June 1, 2005 through May 31, 2006?

\$ _____ \$ _____

\$ _____ \$ _____

\$ _____ \$ _____

\$ _____ \$ _____

On what basis is the payment made? \$ _____ /per _____ (week, month, year, etc.)

Comment: The question helps the owner to anticipate income. Perhaps Tyrone will receive a cost of living increase mid-year.

3. What is the current value of the pension? \$ _____
 What is the total amount the employee has received in pension benefits since retirement? \$ _____

Comment: These questions help establish whether Tyrone has any benefits left in the pension account and whether these benefits will be sufficient to provide payments for the entire recertification year.

4. Can this person elect to withdraw from the pension fund any additional amounts during the year (e.g., a lump sum payment) If so, how much can be withdrawn and for what purposes?

Comment: This question helps the owner to determine whether any amount of the pension should be considered an asset.

Question 3: Calculation of Income and Rent

On the following pages are the remaining verification forms that the owner received from asset and income sources. These include:

- Verification response from Emerald City Bank
- Verification response from R&R Railroad Pension

You have also received the following completed income verification forms (not attached):

- Employment verification from Faith Church. Form shows that Irene is employed by Faith Church and works part-time, 10 hours/week, at a rate of \$7.00/hour.
- Employment verification from Burger World. Form shows that Joseph is employed by Burger World and works part-time, 10 hours/week, at a rate of \$6.50/hour.

You have contacted Social Security Administration and have verified the following:

- Tyrone Blockwood receives 978.20/month in gross Social Security benefits
- Joseph and Sarah Blockwood each receive \$200/month in gross Social Security benefits

Using all of the information you have to date, calculate annual income, adjusted income, assistance payments and rent for the Blockwoods. Use the forms immediately following the verification forms.

Comment:

Note that Joseph's earned income is not counted. Joseph is under age 18. The income from the employment of children under the age of 18 years is excluded from annual income.

Asset Income

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv - expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
Tyrone	1	Check	C		\$120	120 x .025	\$3
Tyrone	1	Saving	C		\$786	786 x .03	\$24
Tyrone	1	Saving	C		\$4,650	4,650 x .03	\$140
Irene	2	IRA	I	6000 x .015 = 90 6000 x .20 = 1200 6000 - 1290 =	\$4,710	0	
TOTAL					\$10,266		\$167
If 1d. Total is greater than \$5,000, complete Line 2. and Line 3.							
If 1d. Total is less than or equal to \$5,000, enter \$0 in Line 2.; complete Line 3.							
2. Imputed income from assets				HUD approved passbook rate (.02) x 1d.Total			\$205
3. Total Asset Income				Greater of Line 2. or 1e. Total			\$205

Annual Income

4a. Family Member Name	4b. FM #	Calculation	4c. Employment or Business	4d. Social Security, Pensions, etc.	4e. Public Assistance	4f. Other Income
Tyrone	1	978.20 x 12		\$11,738		
Tyrone	1	250 x 12		\$3,000		
Irene	2	7 x 10 x 52	\$3,640			
Joseph	3	200 x 12		\$2,400		
Sarah	4	200 x 12		\$2,400		
4g. Total Income from each source			\$3,640	\$19,538	\$	\$
5. Total Income All Sources			Add all amounts on Line 4g. above:			\$23,178
6. Total Annual Income			Add Line 5. + Total Asset Income:			\$23,383

Adjusted Income

6. Total Annual Income: Carryover from Line 6. on Annual Income table		\$23,383
7. Enter 3% of Total Annual Income (Line 6. x .03)	\$701	
Dependent Allowance		
8. Allowance for Dependents (# of dependents <u>2</u> x \$480)		\$960
Child Care Allowance		
9. Child Care Allowance (Line 8a. plus Line 8b.)		\$0
9a. Expense enabling family member to work (may not exceed \$ earned by family member enabled to work)	\$	
9b. Expense enabling family member to attend school and/or look for work	\$	
Elderly/Disabled Household Allowance		
10. Elderly/Disabled Household Allowance (\$400 or \$0)		\$400
Disability Assistance Expenses		
11. Enter total unreimbursed disability assistance expenses:		\$0
12. Maximum allowable disability assistance expense (Line 11. minus Line 7.)		
• If positive or zero, enter in Box 12a.	12a.	\$
• If negative, enter as positive number in Box 12b.	12b.	\$701
13. Enter \$ earned by family member enabled to work as a result of disability expenses		\$
14. Enter lower of Line 12a. or Line 13. If Line 12a. is blank or zero, enter zero		\$0
Medical Expenses		
15. Enter the total annual unreimbursed medical expenses for all family members of a disabled or elderly family		\$7,638
Medical/Disability Assistance Expenses Allowance		
16. Enter the total of Line 14. and Line 15.		\$7,638
17. Enter Line 12b. If Line 12b. is blank or zero, enter zero.		\$701
18. Medical/Disability Assistance Expense: Line 16. minus Line 17. (but not less than zero)		\$6,937
19. Total Allowances: Total of Lines 8., 9., 10. and 18.		\$8,297
Total Adjusted Income		
20. Adjusted Annual Income: Line 6. minus Line 19		\$15,086

Tenant Rent Calculation

1.	Monthly Income (Line 6. from Annual Income table ÷ 12)	\$1,949
2.	Monthly Adjusted Income (Line 20. from Adjusted Income table ÷ 12)	\$1,257
3.	30% of Monthly Adjusted Income (Line 2. x .30)	\$377
4.	10% of Monthly Income (Line 1. x .10)	\$195
5.	Welfare Rent (If applicable)	\$0
6.	Minimum Rent (\$25 for Section 8 / \$0 for PAC/PRAC)	\$25
7.	Total Tenant Payment (greater of Line 3., 4., 5., or 6.) <i>Note:</i> May never exceed unit gross rent in Sec. 8 or PAC programs.	\$377
8.	Utility Allowance (UA)	\$86
9.	Tenant Rent: TTP – UA (Line 7. minus Line 8.)	\$291
	a. Tenant Rent: If positive number, enter	
	b. Utility Reimbursement: If negative number, enter as positive	\$

Assistance Payment Calculation

1.	Contract Rent:	\$1,200
2.	Utility Allowance (same as Line 8. on Tenant Rent Calc. table)	\$86
3.	Gross Rent (Line 1. plus Line 2.)	\$1,286
4.	TTP (same as Line 7. on Tenant Rent Calc. table)	\$377
5.	Assistance Payment: (Line 3. minus Line 4.)	\$909
5.a.	Assistance Payment to Owner for Rent (Lesser of Line 5. or Line 1.)	\$909
5.b.	Assistance Payment to Owner for Utility Reimbursement (Line 5. minus Line 5.a.)	
	<i>Note:</i> Should equal Line 9.b. on Tenant Rent Calc. table	\$

ATTACHMENT D – CASE STUDY 3 ANSWERS**Question 1: Employment Income for Betsy**

You have received verification from the Daily Grind Café that confirms Betsy’s stated income of \$100 per week.

Verification received from Belmont Furniture store confirms that Betsy works 20 hours per week and that her rate of pay is \$5.00/hour. However, they also indicate that sales associates receive a 1% commission on any sale they make that is over \$400. Betsy hasn’t been there long enough to establish a track record but her employer reports that the best associates earn commissions equal to amount 20% of their annual pay and the less successful ones usually earned about 1-2% of their annual pay.

- What annual employment income will you count for Betsy?

Answer: \$10,400

Daily Grind Café: $\$100/\text{week} \times 52 \text{ weeks} = \$5,200/\text{year}$

Belmont Furniture: $\$5.00/\text{hour} \times 20 \text{ hours/week} \times 52 \text{ weeks} = \$5,200/\text{year}$

$\$5,200 + \$5,200 = \$10,400$

Comment: Two issues to consider here:

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.

Note that, even though Belmont Furniture indicates a potential sales commission income of anywhere from 1% of annual pay to 20% of annual pay, no sales commission income has been added for Betsy. Generally, when attempting to project uncertain income such as sales commissions for a particular individual, an owner might rely on a history and pattern of such income. However, this should be based on the 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. It would generally be inappropriate for the owner to establish any projected income for an individual based solely on a speculative estimate that the employer offers for other employees.

Question 2: Asset and Asset Income

You notice that Sam and Amanda's savings account and Amanda's 401(k) account that were reported at the last annual recertification (see Case Study 1) are not listed by the family at this interim recertification.

During the interview, when questioned about this discrepancy, Sam explains that, after Amanda's accident, the family needed money to pay medical bills. The family cashed out the balance in the savings account – \$600. Emerald City Bank confirms that the account was closed out.

Of necessity, Amanda quit her job with Central Community College and the family decided to cash out her 401(k), also to help pay the medical bills. After appropriate taxes and penalties were deducted, the family received a lump sum of \$1,600. You are able to confirm this with Central CC.

Sam reports that the entire amount received from both accounts – \$2,200 – went to cover medical expenses.

Given that the total value of the assets disposed of exceeded \$1,000, how much of these assets will you count in the family's total family assets?

Answer: \$0

While the value of disposed assets exceeds \$1,000, the assets were not “disposed of for less than fair market value.” In this instance, the assets were used to pay medical bills. Generally, the family would sign a certification indicating that the assets were not disposed of for less than fair market value. The owner would verify this information only if the information does not appear to agree with other information provided by the family.

Question 3: Other Expenses

Based on the information provided by the family, the owner determines that the family is eligible for a deduction for child care expense deduction.

a. Upon what basis did the owner make that determination?

Answer: Family is now incurring expenses to care for Jessica, to enable Cindy to seek employment.

b. What expenses are eligible to be used for the child care expenses deduction?

Answer: Pre-school costs – \$1,500/year – for care of Jessica would be eligible. Some portion of the \$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.

Question 4: Medical and Disability Assistance Expenses

Based on the information provided by the family, the owner determines that the family is eligible for a deduction for child care expense deduction.

- a. Based on the information provided, is the family eligible for a medical deduction? Explain your answer.

Answer: Yes

It is likely that the family will be eligible for a medical expenses deduction.

To be eligible, 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. The family has not yet been notified whether Amanda is eligible for SSI disability. However, an individual may qualify as a person with disabilities without receiving SSI disability. In this instance, a doctor has indicated to the family that Amanda can no longer work. The 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.

- b. Based on the information provided, is the family eligible for disability assistance expenses deduction? Explain your answer.

Answer: No

It does not appear that the family is eligible for a disability assistance expenses deduction.

Disability assistance expenses must enable a family member to actually work. Up to this point, Sam has been working and Betsy has been working and going to school, while Cindy has been taking care of Amanda. So, 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. However, 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.

Question 5: Clarifying Expenses

You are processing the interim recertification for the Winchesters. Assume the following:

- Mrs. Johnson has split the \$250/week costs between Amanda and Jessica. Because Jessica is now in pre-school three days a week, and the care of Amanda is more strenuous, Mrs. Johnson specifies that she would care for Jessica alone for \$75/week. That leaves \$175/week attributable to Amanda's care
- While you are processing the interim recertification, Cindy actually finds a job. It now appears that the family is eligible for the disability assistance expense deduction. She will be working at the Daily Bread bakery, 32 hours per week, making \$6.50 per hour. You verify these figures with the bakery.

Taking all that you now know about the Winchester’s expenses, use the chart below to classify those expenses.

- First, list each expense item.
- Then, indicate the annual amount of that expense that you will count and the annual amount you will not count.
- Finally, classify the expense – Medical, Disability Assistance, Other.
- Give a brief explanation of your decision for each expense item.

(Note: This exercise is identifying, totaling and classifying the expenses themselves. Do not apply the earned income cap or deduct 3% of annual income from any expense. This will be done in Question 6).

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

Explanations:

<p>Hospital Bill: Total balance remaining on hospital bill is \$720. However, Winchesters pay only \$50/month. $\\$50 \times 12 \text{ months} = \\600 as the amount the Winchesters will pay over the coming year.</p>
<p>Prescription Drugs: Family pays \$300/month on prescribed drugs, confirmed with the pharmacy. $\\$300/\text{month} \times 12 \text{ months} = \\$3,600$</p>
<p>Physical Therapy: Family pays \$150/month for physical therapy for Amanda. $\\$150/\text{month} \times 12 \text{ months} = \\$1,800$</p>

Wheelchair: Family has already paid \$1,000 on the wheelchair, and will pay \$75/month in payments. $\$1,000 + (\$75/\text{month} \times 12 \text{ months}) = \$1,900$. 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.

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

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 of them pay a \$50 deductible payment. Cindy is not covered under any dental insurance. The entire amount of her dental bill - \$350 – was paid out-of-pocket and is an eligible medical expense.

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.

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.

Jessica Care: Mrs. Johnson is caring for Jessica when Jessica is not in preschool. Again, child care expenses are allowable if they assist an individual in working, seeking employment, or furthering his/her education. As with the pre-school tuition, 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. Mrs. Johnson has estimated that \$75 of the \$250/week costs of care may be allocated to Jessica's care. $\$75/\text{week} \times 52 \text{ weeks} = \$3,900$

Amanda Care: Mrs. Johnson is caring for Amanda. Initially, this care enabled Cindy to look for work. As such, the expenses were not eligible to be used as disability assistance expenses. Disability assistance expenses must enable a family member to actually work. However, now that Cindy has found employment, the expenses enable Cindy to actually work. Mrs. Johnson has estimated that \$175 of the \$250/week costs of care may be allocated to Amanda's care. $\$175/\text{week} \times 52 \text{ weeks} = \$9,100$.

Question 6: Calculating Income and Rent

Using the charts on the following pages, calculate income and rent for the Winchesters at this interim recertification. Note that some of the information has already been completed for you. Assume that, at Green Acres, the Winchesters live in a 3 bedroom unit. The contract rent for the unit is \$1,200 and the utility Allowance is \$86.

Asset Income

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv - expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
Sam, Amanda	1,2	Checking		250 – 0	\$250	250 x 0%	\$0
Betsy	3	Checking		104 – 0	\$104	104 x 0%	\$0
Jessica	5	Savings		123 – 0	\$123	123 x 1.15%	\$1.41
Sam	1	IRA		2,400 – 240 – 480	\$1,680	2,400 x 0%	\$0
Cindy	4	Pension		4,000 – 400 – 800	\$2,800	4,000 x 0%	\$0
TOTAL					\$4,957		\$1
If 1d. Total is <i>greater than</i> \$5,000, complete Line 2. and Line 3.							
If 1d. Total is <i>less than or equal to</i> \$5,000, enter \$0 in Line 2. ; complete Line 3.							
2. Imputed income from assets				HUD approved passbook rate (.02) x 1d.Total			
3. Total Asset Income			Greater of Line 2. or 1e. Total				\$1

Annual Income

4a. Family Member Name	4b. FM #	Calculation	4c. Employment or Business	4d. Social Security, Pensions, etc.	4e. Public Assistance	4f. Other Income
Sam	1	300 x 52 = 15,600	\$15,600			
Betsy	3	5 x 20 x 52	\$5,200			
Betsy	3	100 x 52	\$5,200			
Cindy	4	200 x 12				\$2,400
Cindy	4	6.50 x 32 x 52	\$10,816			
4g.Total Income from each source			\$36,816	\$	\$	\$2,400
5. Total Income All Sources			Add all amounts on Line 4g. above:			\$39,216
6. Total Annual Income			Add Line 5. + Total Asset Income:			\$39,217

Adjusted Income

6. Total Annual Income: Carryover from Line 6. on Annual Income table		\$39,217
7. Enter 3% of Total Annual Income (Line 6. x .03)	\$1,177	
Dependent Allowance		
8. Allowance for Dependents (# of dependents <u>1</u> x \$480)		\$480
Child Care Allowance		
9. Child Care Allowance (Line 8a. plus Line 8b.)		\$5,400
9a. Expense enabling family member to work (may not exceed \$ earned by family member enabled to work)	\$5,400	
9b. Expense enabling family member to attend school and/or look for work	\$	
Elderly/Disabled Household Allowance		
10. Elderly/Disabled Household Allowance (\$400 or \$0)		\$400
Disability Assistance Expenses		
11. Enter total unreimbursed disability assistance expenses:	\$9,100	
12. Maximum allowable disability assistance expense (Line 11. minus Line 7.)		
• If positive or zero, enter in Box 12a.	12a. \$7,923	
• If negative, enter as positive number in Box 12b.	12b. \$	
13. Enter \$ earned by family member enabled to work as a result of disability expenses	\$10,816	
14. Enter lower of Line 12a. or Line 13. If Line 12a. is blank or zero, enter zero	\$7,923	
Medical Expenses		
15. Enter the total annual unreimbursed medical expenses for all family members of a disabled or elderly family	\$8,750	
Medical/Disability Assistance Expenses Allowance		
16. Enter the total of Line 14. and Line 15.	\$16,673	
17. Enter Line 12b. If Line 12b. is blank or zero, enter zero.	\$0	
18. Medical/Disability Assistance Expense: Line 16. minus Line 17. (but not less than zero)		\$16,673
19. Total Allowances: Total of Lines 8., 9., 10. and 18.		\$22,953
Total Adjusted Income		
20. Adjusted Annual Income: Line 6. minus Line 19		\$16,264

Tenant Rent Calculation

1.	Monthly Income (Line 6. from Annual Income table ÷ 12)		\$3,268
2.	Monthly Adjusted Income (Line 20. from Adjusted Income table ÷ 12)		\$1,355
3.	30% of Monthly Adjusted Income (Line 2. x .30)		\$407
4.	10% of Monthly Income (Line 1. x .10)		\$327
5.	Welfare Rent (If applicable)		\$0
6.	Minimum Rent (\$25 for Section 8 / \$0 for PAC/PRAC)		\$25
7.	Total Tenant Payment (greater of Line 3., 4., 5., or 6.) <i>Note:</i> May never exceed unit gross rent in Sec. 8 or PAC programs.		\$407
8.	Utility Allowance (UA)		\$86
9.	Tenant Rent: TTP – UA (Line 7. minus Line 8.)	a. Tenant Rent: If positive number, enter	\$321
		b. Utility Reimbursement: If negative number, enter as positive	\$

Assistance Payment Calculation

1.	Contract Rent:		\$1,200
2.	Utility Allowance (same as Line 8. on Tenant Rent Calc. table)		\$86
3.	Gross Rent (Line 1. plus Line 2.)		\$1,286
4.	TTP (same as Line 7. on Tenant Rent Calc. table)		\$407
5.	Assistance Payment: (Line 3. minus Line 4.)		\$879
	5.a. Assistance Payment to Owner for Rent (Lesser of Line 5. or Line 1.)		\$879
	5.b. Assistance Payment to Owner for Utility Reimbursement (Line 5. minus Line 5.a.)		\$
	<i>Note:</i> Should equal Line 9.b. on Tenant Rent Calc. table		

ATTACHMENT E – CASE STUDY 4 ANSWERS**Case Study 4A: Oscar and Hilda Sparks**

Oscar (age 72, head) and Hilda (age 70, spouse) live in your development. Both Oscar and Hilda receive \$800/month in social security benefit payments.

Oscar has an Individual Retirement Account (IRA) with a remaining balance of \$30,000. Over the years while he was working, Oscar figures that he contributed about \$20,000 to the account. Now that he is retired, he withdraws \$200/month to supplement his social security income. He has been withdrawing \$200/month now for the past 6 years (72 months total).

Question 1: Assuming no other income for Oscar, what will Oscar’s annual income be for the coming year?

Answer: \$12,000

Comment:

The full amount of periodic amounts received from retirement funds must be included in annual income.

Oscar’s regular withdrawals of \$200/month for the past years appear to qualify as “periodic amounts received.”

- $(\$800 \times 12 \text{ months}) + (\$200 \times 12 \text{ months}) = \$12,000$

Reference: 4350.3 REV-1, Exhibit 5-1

Hilda has a 401(k) retirement plan with her former employer, with a balance of \$20,000. Over the years while she was working, Hilda has contributed \$10,000 of her own money to the account.

When she retired, Hilda did not elect to receive regular periodic distributions from her account. However, the plan administrator has just informed her that she must either receive the entire amount in her account, or begin receiving regular periodic distributions, by April 1st of the coming year (i.e., April 1st of the first year after the calendar year in which she reached age 70½). Hilda has decided to receive a \$150/month payment from the account, beginning April 1st. The effective date of the current annual recertification in progress will be February 1st.

Question 2: Assuming no other income for Hilda, what will Hilda's annual income be for the coming year?

Answer: \$11,100

Comment:

The full amount of period amounts received from retirement funds must be included in annual income.

The effective date of the current recertification will be February 1st. On April 1st, Hilda will begin drawing \$150/month from her account. This means that Hilda will receive periodic income from her account for 10 months of the coming recertification year (April 1 – January 31)

- $(\$800 \times 12 \text{ months}) + (\$150 \times 10 \text{ months}) = \$11,100$

Reference: 4350.3 REV-1, Exhibit 5-1

At the next annual recertification for Oscar and Hilda, you find that Hilda will need to be placed in a nursing home permanently. Her husband Oscar does not want to remove her as a family member and has chosen to include her income and deductions when calculating the family's income.

The cost of Hilda's care in the nursing home is \$210 per day. Fortunately, Oscar and Hilda purchased long-term care insurance and that insurance reimburses them at a rate of \$200 per day.

Question 3: How much of the insurance payment will you count as annual income to the family for the coming year?

Answer: \$7,300

Comment:

Given that the 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. However, handbook 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.

In this instance, you must include \$20 per day ($\$200 - \180) as income for the family.

- $\$20/\text{day} \times 365 \text{ days} = \$7,300$

Question 4: Assuming that the entire amount of Hilda's daily nursing home care expenses qualify as medical expenses, how much of the \$210/day expenses will you be able to qualify as medical expenses for coming year?

Answer: \$10,950

Comment:

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

However, an additional \$20/day of nursing home care expenses are unreimbursed. Why? 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. Therefore, the family must come up with an additional \$20/day, out-of-pocket, to pay for Hilda's care. The family can count this additional \$20/day as unreimbursed medical expenses.

- $(\$10/\text{day} + \$20/\text{day}) \times 365 = \$10,950$

Reference: 4350.3 REV-1, Par. 5-6J.

Case Study 4B: Ralph and Alice Kramden

Ralph (age 55, head) and Alice (age 50, spouse) live in your development. Ralph and Alice have a number of assets.

Alice and her father Fred, who does not live in the assisted unit, own a mutual fund that they bought together 10 years ago, hoping to make some money in the stock market. At the time of purchase, Alice and Fred paid \$1,500 for the fund. Alice contributed \$500 and Fred contributed \$1,000. The fund has seen ups and downs, and is currently valued at \$2,250.

While Alice's name and social security number are on the account with her father, Alice states that she has never reported the fund on her income taxes. She assumes that her father has.

Question 1: Based on the information provided, how would you handle this asset? Explain your answer.

Answer: Since Alice has reported to you that she owns this asset, it is likely that you will consider this an asset that is jointly owned by Alice and her father. The challenge will be to determine her share of the asset. 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 ($\$2,250 \times .33 = \$743.$) Owners are not required to enforce IRS rules, so whether she has reported the fund on her income taxes is not your concern from that standpoint.

However, 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. 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. However, 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 which individuals have ownership of an asset requires collecting as much information as is available and making the best judgment possible based on that information.

Reference: 4350.3 REV-1, Par. 5-7D.

Ralph has a whole life insurance policy. The face value on the policy is \$100,000. The cash value of the policy had been \$35,000, but he borrowed \$10,000 using the policy as collateral to help pay for his (now adult) daughter's college education. He is paying that amount back, with interest, and has so far managed to pay back \$2,000 of the principal.

Question 2: Based on the information provided, what will you count as an asset for Ralph?

Answer: \$27,000

Comment: The face value of the asset is not relevant to the asset calculation because it is not available to Ralph. He could, however, surrender the policy and receive the current cash (“surrender”) value:

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

Reference: 4350.3 REV-1, Exhibit 5-2

Alice has a term life insurance policy. The face value on the policy is \$50,000. She has not borrowed any money using the policy as collateral.

Question 3: Based on the information provided, what will you count as an asset for Alice?

Answer: \$0

Comment: 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.

Reference: 4350.3 REV-1, Exhibit 5-2

Ralph has purchased an annuity, available to him upon his retirement (in a few years). You verify that Ralph paid \$10,000 for the annuity and its current value is \$14,500, and that the annuity appreciates at a rate of 2.5% per year. Ralph could elect to cash-out the annuity at any time, but would have to pay administrative fees and other penalties that total \$600.

Question 4: Determine the following totals for this annuity:

a. Market Value:	\$14,500
b. Cash Value:	$\$14,500 - \$600 = \$13,900$
c. Actual Income:	$\$14,500 \times .025 = \363

Question 5: Assume that, when Ralph retires and begins receiving payments from the annuity, his monthly payment will be \$200. How long will it take before you may count the annuity payments as annual income?

Answer: 50 months

Comment: 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.

- $\$10,000 \div \$200/\text{month} = 50 \text{ months}$

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. After that point, you will be able to count the \$200/month as annual income for Ralph. (Note: Pending revision to 4350.3 REV-1 could change this interpretation.)

Reference: 4350.3 REV-1, Par. 5-7G.2.

Case Study 4C: Paul and Imogene Furley

Paul and Imogene Furley have three children – Jack (age 13), Janet (age 11) and Krissy (age 8). Imogene is disabled and has significant mobility impairment. If the family purchases a motorized wheelchair for Imogene, she will be able to work part-time, earning approximately \$3,000/year. The wheelchair would cost around \$4,500.

Paul works full-time, earning \$10,000/year, and would be able to continue working full-time regardless of whether Imogene worked or stayed at home. Currently, the family has anticipated medical expenses of \$3,500 for the year.

- Assuming no other income, assets or expenses, compute the family’s Adjusted Income two different ways:
 - a. Use the wheelchair as a Medical Expense
 - b. Use the wheelchair as a Disability Assistance Expense

Annual Income:	$\$10,000 + \$3,000 = \$13,000/\text{year}$
3% of Annual Income:	$\$13,000 \times .03 = \390
Dependent Deduction:	$\$480 \times 3 = \$1,440$
Disabled Household Deduction:	\$400

	Wheelchair as Medical Expense	Wheelchair as Disability Assist. Expense
Disability Assistance Expenses:	\$0	\$3,000
Medical Expenses:	$\$4,500 + \$3,500 = \$8,000$	\$3,500
Total Allowable Expenses:	$\$8,000 - \$390 = \$7,610$	$(\$3,000 - \$390) + \$3,500 = \$6,110$
Total Deductions:	$\$1,440 + \$400 + \$7,610 = \$9,450$	$\$1,440 + \$400 + \$6,110 = \$7,950$
Adjusted Income:	$\$13,000 - \$9,450 = \$3,550$	$\$13,000 - \$7,950 = \$5,050$

Comment: The family’s disability assistance expenses would be capped by the amount of income that Imogene would be able to earn. By classifying the wheelchair as a disability assistance expense, the amount of the wheelchair expense (\$4,500) is capped by Imogene’s income (\$3,000). By classifying the wheelchair as a medical expense, no such cap exists and the full expense would be counted as a medical expense. In this instance, the approach would have a significant effect on the family’s adjusted income and, ultimately, on the amount of rent they would pay.

Reference: 4350.3 REV-1, Par. 5-10C. and D.

ATTACHMENT F – POST-TRAINING SELF TEST ANSWERS

1. Juanita (62) has served as a live-in aide for Mrs. B. (83) for the past 10 years. Mrs. B has just been admitted to a nursing home and is not expected to return.
 - Indicate whether each of the following is true or false.

	True	False
a. Juanita may remain in the unit until Mrs. B dies, because there's always the possibility that she will come back to the unit.		False**
b. The owner can sign a new lease with Juanita as the head of household because, although she was not elderly when she moved in, she is now 62		False**
c. The owner must require Juanita to leave the unit.	True**	

Comment: Live-in aides do not have rights under the lease as remaining members of the tenant family.
Reference: Handbook 4350.3 REV-1, Par. 3-6E.3.

2. The Barnes family contributed \$500 to the church this year. Is this amount counted as an asset disposed of for less than fair market value? Explain your answer
 - a. Yes
 - b. **No ****

Comment: The requirement to consider assets disposed of for less than fair market value applies only if the cumulative total value of assets disposed of in the past two years exceeds \$1000.
Reference: Handbook 4350.3 REV-1, Par. 5-7G.6

3. Jack R. has worked for the Bank Three system for 10 years. Although he doesn't plan on retiring anytime soon, he is glad to have passed the 10 year mark because that's when he becomes fully vested in the bank's retirement plan.
 - What does an owner need to know about the bank's retirement plan in order to know whether you should or should not count it as an asset?

Answer: The owner needs to know whether Jack has any access to the amounts in the retirement fund before he retires or terminates employment. If yes, the cash value of the retirement fund is an asset. If not, it is not counted as an asset.
Reference: Handbook 4350.3 REV-1, Par. 5-7G.4

4. The asset amount to be counted for a savings account is which of the following?
- Current balance ****
 - Average 6-month balance
 - Average 6-month balance x 2 to reach an annual figure.

Comment: Handbook 4350.3 REV-1 requires owners to count the current balance in savings accounts.

Reference: Handbook 4350.3 REV-1, Exhibit 5-2, and Appendix 3

5. Janice (age 48, head) recently got owner approval to have her mother (age 75, disabled) move in with her. Her mother is able to stay alone during the day, but is not able to give herself the daily injections she requires. Therefore, Janice has made an arrangement with the county visiting nurses association to come in each day to give the shots. Each visit costs Janice \$10.00 because the county charges on a sliding scale.
- Would Janice be better off to report this as a medical expense or a disability assistance expense? Explain your answer.

Answer: Disability Assistance Expense

Comment: It is likely that Janice should report this as disability assistance expense, as an expense that enables her to be employed. In addition, based on the scenario presented, this family is not eligible for medical expenses. In this instance, neither the head, spouse nor co-head is an elderly person or a person with disabilities. If Janice were to designate her mother as co-head of the family, then the family could qualify for medical expenses.

Reference: Handbook 4350.3 REV-1, Par. 5-10 C

6. John H. has recently been placed in a nursing home. His Alzheimer's disease has reached the point that the family can no longer take care of him at home. The owner has explained to the family that they can either continue to list John on the 50059 and count the income and deductions attributable to him, or not list him and count neither income nor deductions attributable to him.
- If the family decides to keep John listed on the 50059, how would he be listed?

Answer: Other Adult

Comment: A permanently absent family member can never be the head, spouse or co-head.

- b. What are the key factors that determine whether it is better for the family to remove John's name or keep John as a family member?

Answer:

- What is the family's current household composition? If John is removed from the 50059, will there be a head, spouse or co-head remaining in the family who is elderly or a person with disabilities? If not, the family will no longer be eligible for medical expense deduction.
- What is the relationship of John's income to his medical expenses and the total family medical expenses? Generally, if the income attributable to John is less than the medical expenses that would be deducted, it is better for the family to keep John's name on the 50059.

Reference: Handbook 4350.3 REV-1, Par. 5-6 C

7. Which of the following are considered assets?

- a. Checking accounts of adults
- b. Savings account in a child's name
- c. Term life insurance policy
- d. Permanent life insurance policy
- e. COBRA Medical Savings Account
- f. Lump sum receipt of unemployment assistance for a claim dispute

Yes	No
Yes **	
Yes **	
	No **
Yes **	
	No **
Yes **	

Comment: Lump sum unemployment payments caused by a delay in processing a periodic payment is included as income. However, if the lump sum is a settlement payment as a result of a claim dispute, the amount is counted as an asset.

Reference: Handbook 4350.3 REV-1, Par. 5-7G.

8. Barbara has a disabled 9 year old son Kyle. She pays a care attendant \$200/week to stay with Kyle. This enables her to work 6 hours/day Monday through Friday and to go to school for two hours two evenings a week.
- a. How much weekly earned income must Barbara have in order to deduct the expenses for the care of her child?

Answer: \$176

Comment: The care covers two activities. Each week the care enables Barbara to work 30 hours and go to school 4 hours

This means that 88% of the \$200 cost can be attributable to work. (30hours/34 hours = 88%). Therefore the amount she earns must exceed \$176 (\$200 x .88)

- b. Assuming she earned the required amount in a. above, how much can you deduct annually for this care?

Answer: \$10,400
 $\$200 \times 52 = \$10,400$
Comment: Even though Kyle is disabled, the care should be considered child care, not disability assistance expense, because Kyle is only 9. This is advantageous to the family because disability assistance expenses must enable an individual do work (not go to school).
Reference: Handbook 4350.4 REV-1, Par. 5-10B and Par. 5-10C

9. What are the two key differences between the medical expense deduction and the disability assistance expense deduction?

Answer
 In order for a family to be eligible for a medical expense deduction, the head, spouse or co-head must be at least 62 or a person with disabilities. The disability assistance expenses deduction is available to elderly/disabled households and non-elderly/disabled households. Medical expenses in excess of 3% of annual income can be deducted without regard to the family's earned income. Disability assistance expenses must enable a family member to work and must not exceed the amount earned.
Reference: Handbook 4350.3 REV-1, Par. 5-10C. and Par. 5-10D.

10. The bank reports that Jill (who lives in your development) is listed as a joint-owner of a savings account with her sister Jan (who does not live in assisted housing). Jill explains that they have each been contributing to the account as they can in order to have money set aside for their mother's funeral expenses. The bank confirms that neither has ever withdrawn any money from the account.

- The account now has a balance of \$2,500. Indicate whether each of the following statements is true or false.

	True	False
a. \$1,250 should be counted as an asset for Jill (1/2 of the account)	True **	
b. The full \$2,500 should be counted as an asset for Jill.		False **
c. The savings account should not be considered because burial funds are not considered assets.		False **

Comment: This appears to be a true joint account. The owner should consider the asset based upon the percentage of ownership. In this case we have concluded that each of the sisters owns 50% of the account. However, if Jill could provides evidence that her sister contributed significantly more to this account, a different percentage could be used.
Reference: Handbook 4350.3 REV-1, Par. 5-7D

NOTES

Trainer Manual

Module 4

Part C: Power Point Presentation

