



**U.S. Department of Housing and Urban Development**  
Office of Public and Indian Housing

**VERIFICATION GUIDANCE**  
FOR THE PUBLIC HOUSING & HOUSING CHOICE VOUCHER PROGRAMS

**TO BE USED BY**  
HUD PUBLIC HOUSING FIELD OFFICES & PUBLIC HOUSING AGENCIES

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## **I. INTRODUCTION**

The verification process during the time of application, interim reexamination and annual reexamination is a critical task in the administration of the Department of Housing and Urban Development (HUD) assisted housing programs. This task requires Public Housing Agencies (PHAs) to verify factors that affect the determination of an applicant's/participant's adjusted income. The verification process also requires the applicant/participant to provide and disclose information that is true and complete, which is necessary in the administration of HUD's assisted housing programs.

Based on results from HUD computer matching and Rental Housing Integrity Improvement Project (RHIP) initiatives, HUD has determined that a substantial number of participants are not accurately reporting their income. HUD's Office of Policy Development and Research (PD&R) published a final report in June 2001, on its "Quality Control for Rental Assistance Subsidies Determination." The study found that 60% of rent calculations had some type of administrative or calculation component error contributing to a subsidy overpayment or underpayment situation. The study projected, with 95% confidence, that the amount of subsidy overpayments attributed to tenant underreporting of income was \$978 million plus or minus \$247 million. This underreporting of income resulted in overpayment of limited government funding, thus not serving as many families in need of housing assistance, as should have been served.

This publication serves as a tool for PHA administrators of Public Housing and tenant-based Section 8 programs to use in the verification process of family income and a supplement to previously published HUD occupancy guidebooks. The basis of this guidance comes from the regulations found at 24 CFR Parts 5, 903, 960 and 982, applicable to the Public Housing and Housing Choice Voucher Programs.

## **II. INCOME & RENT DETERMINATION POLICIES**

All PHAs should have written policies that provide for third party verification of income for families who pay an income-based rent. HUD regulations, 24 CFR Parts 960.259(c) and 982.516(a), require PHAs to obtain and document in the tenant files, independent third party verification (or document the reason why third party verification was not available) of reported family income, the value of assets, expenses related to deductions from income and other factors affecting adjusted income.

In accordance with 24 CFR Part 903.7(d), a PHA's annual plan must include a statement of the PHA's basic discretionary policies that govern rents charged for public housing units, applicable flat rents, and the rental contributions of families receiving tenant-based assistance.

The PHA should provide detailed verification procedures in its written policies so that participants are thoroughly informed of the verification process. This will clarify the steps to be taken in the independent validation of income and deter falsification of information. While the high level of details of the verification process is not a mandatory component of the

Administrative Plan, PHAs are strongly encouraged to demonstrate their ability to effectively manage and account for government funds appropriated for low-income housing programs. A detailed statement of the PHA's rent determination policies, including verification procedures, is an important step towards demonstrating the PHA's ability to establish management controls geared to reducing subsidy overpayment errors.

In addition to inclusion of verification procedures in the PHA's policies, PHAs should ensure that staff interviewers are trained to explain the types of information that the PHA will verify during interviews, and the methods of verification the PHA will use, including upfront income verification (UIV) and computer matching.

**Q:** What is recommended for inclusion in a PHA's administrative plan or Admissions and Continued Occupancy Policy (ACOP) regarding verification procedures?

**A:** In light of the regulations at 24 CFR §903.7, §960.259(c)(1) and §982.516(a)(2), the PHA should include its general policy on verification in its administrative plan or ACOP. The policy should also provide information on the following components of rent determination:

- What must be verified.
- The type of verification methods that will be used by the PHA (including computer matching).
- Require all family members 18 years of age or older to sign a consent form to authorize the release of information.
- Applicant's/Tenant's responsibility to provide documents at the request of the PHA.
- Minimum rent.
- Flat rent/income-based rent option. (Note: flat rents apply to public housing units only.)
- Interim reexamination procedures.

### **III. FILE DOCUMENTATION**

PHAs must maintain a file for each program applicant/participant. Files may be maintained in paper or electronic format. These files are subject to audit and review by HUD, or Independent Public Accountants (IPAs), or HUD's designee upon proper notification to the PHA. The file should include (but is not limited to): housing application and supporting documents, income executed lease(s), unit inspection reports, verifications, leases, supplements to lease, notices and letters, income and rent determinations and a summary of PHA interactions with the tenant. The PHA must maintain these files in an area that is secure and private. The PHA must also have record retention and destruction policies. See 24 CFR 982.158 for Section 8 requirements.

For those PHAs that elect to maintain electronic files, HUD recommends that PHAs keep all documents that are normally required for paper files be included in electronic files, if feasible. This can be accomplished by scanning documents and placed in the electronic file. Lastly,

electronic files should be organized in a logical and consistent manner and e-documents should be properly labeled for easy retrieval and review.

#### **IV. VERIFICATION OF SOCIAL SECURITY NUMBERS**

24 CFR §5.216 requires applicants and participants to disclose the complete and accurate social security number (SSN) assigned to the applicant/participant and to each member of the applicant's/participant's household, who is at least six years of age **and** to provide documentation to verify each SSN.

In the event an applicant or participant or household member, who is at least six years of age, has not been assigned an SSN, the household member (or guardian if the member is under the age of 18) must execute a certification that states the household member was not issued a social security number.

**Q:** How do you verify the social security numbers (SSN) of a participant's/applicant's household?

**A:** The documentation necessary to verify the SSN of an individual, who is required to disclose his/her SSN, is a valid social security card issued by the Social Security Administration, or such other evidence of the SSN as HUD, and where applicable, the Public Housing Agency (PHA) may prescribe in administrative instructions. See 24 CFR §5.216(f).

**Note:** The PHA may include in its written policies, other documents the PHA may accept in lieu of a social security card. Some examples of other documents (containing the SSN) that PHAs may accept are:

- A driver's license.
- Identification card issued by a federal, state, or local agency.
- Identification card issued by a medical insurance company or provider (including Medicare and Medicaid).
- Identification card issued by an employer or trade union.
- Benefit award letters from government agencies.
- Retirement benefit letter
- Life insurance policies
- Court records (real estate, tax notices, marriage and divorce, judgment, or bankruptcy records).

#### **V. REQUIRED CONSENT BY APPLICANTS & PARTICIPANTS**

Each member of the family of an assistance applicant or participant, who is at least 18 years of age, and each family head and spouse, regardless of age, shall sign one or more consent forms. See 24 CFR §5.230.

PHAs must ensure that they use appropriate consent forms to obtain specific information. The HUD Form 9886 authorizes HUD and the PHA to obtain third party verification of the following:

- Any income information or materials from State Wage Information Collection Agencies (SWICA).
- Income information obtained from previous and current employers.

The HUD Form 9886 authorizes HUD **only**, to obtain third party verification of the following:

- Income information from the SSA.
- Income return information from the IRS.

The HUD Form 9886 may not be used to obtain any other information. PHAs may generate other types of consent forms to verify items not covered under the HUD Form 9886. Examples are available in the appendix of the Public Housing Occupancy Guidebook.

## **VI. REQUIREMENT FOR THIRD PARTY VERIFICATION**

The requirement for third party verification can be found at 24 CFR §960.259(c)(1) and §982.516(a)(2) and states that “The PHA must obtain and document in the family file third party verification of the following factors, or must document in the file why third party verification was not available:

- (i) Reported family annual income;
- (ii) The value of assets;
- (iii) Expenses related to deductions from annual income; and
- (iv) Other factors that affect the determination of adjusted income or income-based rent.”

The Department has defined third party verification based on verification requirements established by the Inspector General’s Office, prior HUD notices and guidebooks.

References: PIH Notice 2001-15: Improving Income Integrity in Public and Assisted Housing Housing Choice Voucher Program Guidebook (Section 12-4) issued April 2001  
The Tenant Integrity Program Training Guide issued by the Office of the Inspector General (Page 51) issued October 1989

**Third party verification** is defined as independent verification of income and/or expenses by contacting the individual income/expense source(s) supplied by the family. The verification documents must be supplied directly to the independent source by the PHA and returned directly to the PHA from the independent source.

The tenant shall not hand carry documents to or from the independent source. The PHA may elect to mail, fax, or e-mail the verification request form to the independent source.

In the event that the independent source does not respond to the PHA's faxed, mailed, or e-mailed request for information, the PHA may pursue oral third party verification.

## **VII. VERIFICATION OF INCOME**

PHAs must put forth a conscientious effort to ensure that they use all available resources, including upfront income verification techniques, to obtain verification of tenant reported (unreported or underreported) income. There is an increased burden on the PHA to verify earned income and social security benefits. While other income components, such as assets are important, earned income and social security benefits are material components of income that have high rates of underreporting and represents a large portion of subsidy payment errors.

**Q:** How do you verify family reported income?

**A:** HUD regulations require PHAs to obtain and document third party verification of reported family annual income. However, if third party verification is not available, the PHA must document in the tenant file the reason why third party verification was not available.

Most recently, HUD is strongly encouraging PHAs to use upfront income verification techniques, which is considered a type of third party verification, during required reexaminations (and initial application, if available) of family income. Below is a summary of how to verify family reported income of different types, using different verification methods.

There are several methods available for PHAs to verify and document income and assets. HUD strongly encourages the use of upfront income verification techniques to improve the accuracy and efficiency of the income verification process. No one verification method is the answer to every possible situation, but studies show that the use of upfront income verification techniques has decreased the number of unreported and under reported income cases.

Below are verification methods that a PHA may use in determining a family's Total Tenant Payment (TTP).

**A. Upfront Income Verification:**

The verification of income, before or during a family reexamination, through an independent source that systematically and uniformly maintains income information in computerized form for a large number of individuals.

## **Authorization for Use of Upfront Income Verification**

To prevent fraud and abuse in HUD programs, the United States Code (USC) and Code of Federal Regulations (CFR) allow HUD and PHAs to obtain information about applicants and participants to determine their eligibility or level of benefits. Most importantly, the USC authorizes computer-matching agreements of income information. Below is a summary of laws and regulations that govern the use of upfront income verification.

24 CFR §5.234 (Requests for Information from SWICAs and Federal Agencies; Restrictions on Use) indicates that income information will generally be obtained through computer matching agreements between HUD and a SWICA or Federal Agency, or between a PHA and a SWICA.

42 USC 3544(c)(2)(A) (Preventing Fraud and Abuse in Housing and Urban Development Programs) provides the legal basis for preventing fraud and abuse in HUD programs. The law allows HUD to require that applicants and participants sign a consent form to request the following: current or previous wages and salaries from employers, wage information and unemployment compensation from the State agency charged with the administration of the State unemployment law, and income information from the Commissioner of Social Security and the Secretary of the Treasury.

### **Types of Income That May be Verified Using Upfront Income Verification (UIV).**

- (1) Gross Wages and Salaries (including overtime pay, commission, fees, tips, bonuses, and other compensation for personal services.)
- (2) Unemployment Compensation
- (3) Welfare Benefits
- (4) Social Security Benefits (including Federal and State benefits, Black Lung benefits, dual benefits.)
  - (a) Social Security (SS)
  - (b) Supplemental Security Income (SSI)

**Note:** Other income types (i.e., child support, pensions, etc.) should be verified using upfront income verification techniques if the resources are available.

### **Available Upfront Income Verification Techniques**

PHAs may obtain upfront income verification through the following methods:

- (1) Computer matching agreements with a federal, state, or local government agency, or a private agency;
- (2) Use of HUD's Tenant Assessment Subsystem (TASS); or
- (3) Submit direct requests for income verifications to a federal, state, or local government agencies or a private agency.

## **HUD Systems Available for Upfront Income Verification.**

Use of HUD's Tenant Assessment Sub-System (TASS) and centralized UIV System are acceptable methods for verifying family income. HUD will announce the availability of the UIV System through issuance of a Public Housing Notice (PIH) or other appropriate means in the future.

**Note:** The PHA **must** have a valid HUD Form 9886 signed by all household members who are 18 years of age or older in the tenant file.

## **Use of Third Party Verification to Supplement Upfront Income Verification.**

Upfront income verification replaces, to a large extent, the more time consuming and less accurate third party verification process of contacting individual employers identified by the family or reviewing outdated income verification documents. However, third party verification may continue to be necessary to complement upfront income verification, for example, when the tenant disputes the data. It should not be considered as an automatic substitute for other third party verification, and may supplement other verification documentation, such as original, current tenant provided documents.

### **B. Written Third Party Verification:**

Independent verification of income and/or expenses by contacting the individual income/expense source(s) supplied by the family. The verification documents must be supplied directly to the independent source by the PHA and be returned directly to the PHA from the independent source.

### **C. Oral Third Party Verification:**

Independent verification of income and/or expenses by contacting the individual income/expense source(s) supplied by the family, via telephone or in-person visit. PHA staff should document in the tenant file, the date and time of the telephone call, the name of the person contacted and telephone number, along with the confirmed verified information.

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

### **D. Document Review:**

The PHA reviews original documents provided by the tenant in support of their declaration of income during the income reexamination. This verification method can only be used as the sole source of income verification when third party verification cannot be obtained. When the PHA resorts to reviewing tenant-provided documents, the PHA must document in the tenant file why third party verification was not available.

## **Acceptable Participant-Provided Documents**

Housing program participants have an obligation to the PHA to provide any letter or other notice, including any letter or notice from HUD that provides information concerning the amount or verification of family income, per section 3(f) of the U.S. Housing Act of 1937, as amended. In support of the tenant's declaration of income, the PHA may review original (authentic) documents provided by the participant. All documents should be dated **within the last 60 days** of the interview. The PHA should make a photocopy of the original document(s) and maintain the copy in the participant case file. The PHA should also document in the tenant file, the receipt, copy, and review of the original (authentic) document. Below is a summary of some acceptable participant-provided documents:

- Consecutive and original pay stubs
- Social Security Administration award letter
- Bank statements
- Pension benefit statements
- Temporary Assistance to Needy Families (TANF) award letter
- Other official and authentic documents from a Federal, State, or local agency.

### **E. Tenant Certification:**

The tenant submits an affidavit or notarized statement of reported income and/or expenses. This verification method should be used as a last resort when all other verification methods are not possible. When the PHA relies on tenant certification, the PHA must document in the tenant file why third party verification was not available.

## VIII. LEVELS OF VERIFICATION METHODS

PHAs should begin with the highest level of verification methods. The use of lower level verification methods will place a higher burden on the PHA to justify its use of that particular verification method rather than a higher level of verification methods. PHAs may be required to provide documentation for each case.

<b>Upfront (UIV)</b>	<b>Highest (Highly Recommended, highest level of third party verification)</b>
<b>Written 3<sup>rd</sup> Party</b>	<b>High (Mandatory if upfront income verification is not available or if UIV data differs substantially from tenant-reported information)</b>
<b>Oral 3<sup>rd</sup> Party</b>	<b>Medium (Mandatory if written third party verification is not available)</b>
<b>Document Review</b>	<b>Medium-Low (Use on provisional basis)</b>
<b>Tenant Declaration</b>	<b>Low (Use as a last resort)</b>

Income Type	Upfront	Written Third Party	Oral Third Party	Document Review	Tenant Declaration
	(LEVEL 5)	(LEVEL 4)	(LEVEL 3)	(LEVEL 2)	(LEVEL 1)
Wages/Salaries	Use of computer matching agreements with a State Wage Information Collection Agency (SWICA) to obtain wage information electronically, by mail or fax or in person.	The PHA mails, faxes, or e-mails a verification form directly to the independent sources to obtain wage information.	In the event the independent source does not respond to the PHA's written request for information, the PHA may contact the independent source by phone or make an in person visit to obtain the requested information.	When neither form of third party verification can be obtained, the PHA may accept original documents such as consecutive pay stubs (HUD recommends the PHA review at least three months of pay stubs, if employed by the same employer for three months or more), W-2 forms, etc. from the tenant. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.	The PHA may accept a notarized statement or affidavit from the tenant that declares the family's total annual income from earnings. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.
	Agreements with private vendor agencies, such as The Work Number or ChoicePoint to obtain wage and salary information.	The PHA may have the tenant sign a Request for Earnings Statement from the SSA to confirm past earnings. The PHA mails the form to SSA and the statement will be sent to the address the PHA specifies on the form.			
	Use of HUD systems, when available.				
<p><b>Verification of Employment Income:</b> The PHA should always obtain as much information as possible about the employment, such as start date (new employment), termination date (previous employment), pay frequency, pay rate, anticipated pay increases in the next twelve months, year-to-date earnings, bonuses, overtime, company name, address and telephone number, name and position of the person completing the employment verification form.</p> <p><b>Effective Date of Employment:</b> The PHA should always confirm start and termination dates of employment.</p>					

Income Type	Upfront	Written Third Party	Oral Third Party	Document Review	Tenant Declaration
	<b>(LEVEL 5)</b>	<b>(LEVEL 4)</b>	<b>(LEVEL 3)</b>	<b>(LEVEL 2)</b>	<b>(LEVEL 1)</b>
Self-Employment	Not Available	The PHA mails or faxes a verification form directly to sources identified by the family to obtain income information.	The PHA may call the source to obtain income information.	The PHA may accept any documents (i.e. tax returns, invoices and letters from customers) provided by the tenant to verify self-employment income. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not obtained.	The PHA may accept a notarized statement or affidavit from the tenant that declares the family's total annual income from self-employment. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.
<b>Verification of Self-Employment Income:</b> Typically, it is a challenge for PHAs to obtain third party verification of self-employment income. When third party verification is not available, the PHA should always request a notarized tenant declaration that includes a perjury statement.					
Social Security Benefits	Use of HUD Tenant Assessment System (TASS) to obtain current benefit history and discrepancy reports.	The PHA mails or faxes a verification form directly to the local SSA office to obtain social security benefit information. <b>(Not Available in some areas because SSA makes this data available through TASS. SSA encourages PHAs to use TASS.)</b>	The PHA may call SSA, with the tenant on the line, to obtain current benefit amount. <b>(Not Available in some areas because SSA makes this data available through TASS. SSA encourages PHAs to use TASS.)</b>	The PHA may accept an original SSA Notice from the tenant. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.	The PHA may accept a notarized statement or affidavit from the tenant that declares monthly social security benefits. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.
Welfare Benefits	Use of computer matching agreements with the local Social Services Agency to obtain current benefit amount electronically, by mail or fax or in person.	The PHA mails, faxes, or e-mails a verification form directly to the local Social Services Agency to obtain welfare benefit information.	The PHA may call the local Social Services Agency to obtain current benefit amount.	The PHA may review an original award notice or printout from the local Social Services Agency provided by the tenant. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.	The PHA may accept a notarized statement or affidavit from the tenant that declares monthly welfare benefits. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.

Income Type	Upfront	Written Third Party	Oral Third Party	Document Review	Tenant Declaration
	(LEVEL 5)	(LEVEL 4)	(LEVEL 3)	(LEVEL 2)	(LEVEL 1)
Child Support	Use of agreement with the local Child Support Enforcement Agency to obtain current child support amount and payment status electronically, by mail or fax or in person.	The PHA mails, faxes, or e-mails a verification form directly to the local Child Support Enforcement Agency or child support payer to obtain current child support amount and payment status.	The PHA may call the local Child Support Enforcement Agency or child support payer to obtain current child support amount and payment status.	The PHA may review an original court order, notice or printout from the local Child Support Enforcement Agency provided by the tenant to verify current child support amount and payment status. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.	The PHA may accept a notarized statement or affidavit from the tenant that declares current child support amount and payment status. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.
Unemployment Benefits	Use of computer matching agreements with a State Wage Information Collection Agency to obtain unemployment compensation electronically, by mail or fax or in person.	The PHA mails, faxes, or e-mails a verification form directly to the State Wage Information Collection Agency to obtain unemployment compensation information.	The PHA may call the State Wage Information Collection Agency to obtain current benefit amount.	The PHA may review an original benefit notice or unemployment check stub, or printout from the local State Wage Information Collection Agency provided by the tenant. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.	The PHA may accept a notarized statement or affidavit from the tenant that declares unemployment benefits. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.
	Use of HUD systems, when available.				
Pensions	Use of computer matching agreements with a Federal, State, or Local Government Agency to obtain pension information electronically, by mail or fax or in person.	The PHA mails, faxes, or e-mails a verification form directly to the pension provider to obtain pension information.	The PHA may call the pension provider to obtain current benefit amount.	The PHA may review an original benefit notice from the pension provider provided by the tenant. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.	The PHA may accept a notarized statement or affidavit from the tenant that declares monthly pension amounts. <b>Note:</b> The PHA must document in the tenant file, the reason third party verification was not available.

Income Type	Upfront	Written Third Party	Oral Third Party	Document Review	Tenant Declaration
	(LEVEL 5)	(LEVEL 4)	(LEVEL 3)	(LEVEL 2)	(LEVEL 1)
Assets	Use of cooperative agreements with sources to obtain asset and asset income information electronically, by mail or fax or in person.	The PHA mails, faxes, or emails a verification form directly to the source to obtain asset and asset income information.	The PHA may call the source to obtain asset and asset income information.	The PHA may review original documents provided by the tenant. <b>Note: The PHA must document in the tenant file, the reason third party verification was not available.</b>	The PHA may accept a notarized statement or affidavit from the tenant that declares assets and asset income. <b>Note: The PHA must document in the tenant file, the reason third party verification was not available.</b>
Comments	Whenever HUD makes available wage, unemployment, and SSA information, the PHA should use the information as part of the reexamination process. Failure to do so may result in disallowed costs during a RIM review.	<b>Note:</b> The independent source completes the form and returns the form directly to the PHA. Agency. The tenant should not hand carry documents to or from the independent source.	The PHA should document in the tenant file, the date and time of the telephone call or in person visit, along with the name and title of the person that verified the current income amount.		The PHA should use this verification method as a last resort, when all other verification methods are not possible or have been unsuccessful. <b>Notarized statement should include a perjury penalty statement.</b>

**Note:** The PHA must not pass verification costs along to the participant.

**Note:** In cases where the PHA cannot reliably project annual income, the PHA may elect to complete regular interim reexaminations (this policy should be apart of the PHA's written policies.)

**Example:** Mary Tenant reports that she is employed by K-mart as of June 1, 2003, and earns \$300 a month. Ms. Tenant also reports she no longer receives Transitional Emergency Medical and Housing Assistance (TEMHA) benefits. Household size is 1.

**Q:** Which income verification method should the PHA use first, second, etc.? How should the PHA use each of the above noted verification methods and under what circumstances should the PHA use each method?

**A:** The PHA should use the following verification methods in the order listed below:

- (1) Upfront Verification
- (2) Written Third Party Verification
- (3) Oral Third Party Verification

- (4) Document Review
- (5) Tenant Declaration

The PHA should attempt to use upfront income verification first and whenever possible, since it is the most preferred method by HUD and does not rely on an individual filling out a form, which may result in lower data integrity.

If upfront verification is not available (PHA does not have access to this type of information or it is too costly to obtain) then the PHA should obtain required written third party verification. Verification forms should be mailed, faxed or e-mailed directly to the independent source.

In the event that the independent source fails to respond to written verification requests, the PHA should then contact the independent source by telephone or an in person visit to obtain the verification. Upon receipt of the information, the PHA should document in the family file, the date and time the information was received along with the name of the person and title that provided the information.

## **IX. EXCEPTIONS TO THIRD PARTY VERIFICATION REQUIREMENTS**

HUD is aware that in some situations, third party verification is not available for a variety of reasons. Oftentimes, the PHA may have made numerous attempts to obtain the required verifications with no luck, or the income source may not honor written or oral requests for income information, or the asset or expenses to be verified is an insignificant amount, or it may not be cost effective to obtain third party verification of assets and expenses, when the impact on total tenant payment is minimal (See summary of example exceptions to third party verification below). In these cases, it is acceptable for PHAs to review original documents provided by the tenant. However, the PHA is **required to document in the family file the reason(s) why third party verification was not available**. The PHA should also maintain a photocopy of the original document in the family file.

Exceptions to Third Party Verification Summary:

- A. Income**
  - a. PHA made at least two documented attempts to obtain third party verification, with no luck.
  - b. The income source does not have the capability to provide written or oral third party verification.
  
- B. Assets and Expenses**
  - a. PHA made at least two documented attempts to obtain third party verification, with no luck.
  - b. The asset or expense to be verified is an insignificant amount, thus it is not cost effective or reasonable to obtain third party verification.

HUD expects all PHAs to use upfront income verification systems made available to PHAs during mandatory reexaminations of income. HUD Rental Integrity Monitoring (RIM) reviews will issue a finding in cases where PHAs have not documented why third party verification was not obtained for earned income and social security benefits. Effective December 19, 2003, PHAs will also be subject to disallowed costs as a result of PHAs errors uncovered during RIM reviews that result in HUD overpayment of subsidy (see PIH Notice 2003-34(HA)). Below is a summary of examples in which third party verification may not be available:

INCOME TYPE	REASON 3 <sup>RD</sup> PARTY VERIFICATION IS NOT AVAILABLE
Checking/Savings Accounts	Balance is under a specified reasonable threshold (determined by the PHA and included in PHA plans and policies) and it would not be cost effective to incur bank verification fee and/or use PHA administrative staff time to facilitate 3 <sup>rd</sup> party verification.
Employment	PHA has attempted third party verification (and documented the tenant file) and has not received a response. It would not be reasonable or cost effective to continue seeking 3 <sup>rd</sup> party verification.
Self-Employment Verification	The tenant may do odd jobs such as babysitting, cutting lawns, running errands for various people, or other Schedule C type work. Often times, the participant cannot provide a name and address or telephone number for the PHA to confirm this type of income, thus making it impossible for the PHA to obtain 3 <sup>rd</sup> party verification.
Social Security Benefits	Benefit information is not available in HUD's Tenant Assessment Sub-system (TASS) and the Social Security Administration (SSA) Office does not accept verification requests from PHAs. (Examples of why data is not available: invalid SSN in PIC system, newly admitted family into program.)
Unemployment Benefits	PHA does not have a computer matching agreement with the State Wage Information Collection Agency (SWICA) to obtain income verification. SWICA refuses to provide information over the telephone or in writing.
Welfare Benefits	PHA does not have a computer matching agreement with the local welfare office to obtain income verification. Local welfare office refuses to provide information over the telephone or in writing.

The exception to third party verification can be found at 24 CFR §960.259(c)(1) and §982.516(a)(2), which states, “The PHA must obtain and document in the family file third party verification of the following factors, **or must document in the file why third party verification was not available.**”

**Note:** HUD requires PHAs to provide **adequate** documentation for lack of third party verification of earned income.

**Example:** Harry Long reports continued employment with ABC Box Company. He provides the PHA staff with three months of consecutive pay stubs. The PHA staff calculates TTP based on the submitted pay stubs and documents the file as follows:

07/10/03      **“Annual Review 10/03** completed. No assets. No change in family composition. Sole income is from wages earned at ABC Box Company. Average weekly pay is \$250 based on submitted consecutive pay stubs (12 in quantity) for the months of May and June. Third party verification not available. Offered choice of flat rent of \$465 or income based rent of \$325. Tenant selected income based rent. TTP is \$325 effective 10/03.”

*O. Specialist*

The above documentation does **not** demonstrate the PHA’s efforts to obtain third party verification and would be viewed as non-compliant with the requirement to obtain third party verification or document the reason third party verification was not available. The PHAs burden to justify non-use of third party verification for earned income will increase significantly. PHAs should not simply rely on information obtained from the tenant.

An example of proper documentation is below:

06/03/03      Mailed wage form to ABC Box Company; 123 Main Street, Wash. DC 20036. Tenant consent on form.

*O. Specialist*

06/18/03      No response received from ABC Box Company regarding wage form mailed on 06/03/03. Faxed copy of original wage form to 202-555-1212 to the attention of Bubba Miller.

*O. Specialist*

07/07/03      Called ABC Box Company (202-555-1234) to verify wage information. Spoke with Cindy Blue, who informed writer that the company does not honor verbal income verification requests and that Marvin Tammer, who handles written income verification, is out on extended leave for two months.

*O. Specialist*

07/10/03      **“Annual Review 10/03** completed. No assets. No change in family composition. Sole income from wages earned at ABC Box Company. No response to two attempts to obtain third party verification from ABC Box Company. Average weekly pay is \$250 based on submitted consecutive pay stubs (12 in quantity) for the months of April, May and June. Offered choice of flat rent of \$465 or income based rent of \$325. Tenant selected income based rent. TTP is \$325 effective 10/03.”

*O. Specialist*

The above documentation demonstrates the PHA's effort to comply with third party verification requirements. The PHA documents on 07/10/03, why tenant provided documents were used, which justifies why third party verification was not available.

**Q:** When may a PHA make an exception to third party verification?

**A:** The PHA may make an exception to obtaining third party verification when:

**For Income:**

- (1) Staff has made at least two documented efforts (mail, fax, telephone call, or e-mail) to obtain third party verification of income and no response is received; or
- (2) An independent source does not have the capability of sending written third party verification directly to the PHA or does not facilitate oral third party verification.

**For Assets and Expenses:**

- (1) The asset or expense to be verified is not a significant amount and would have minimum impact on the total tenant payment (TTP) **and** the PHA is able to verify the asset or expense through review of original documents provided by the tenant; or
- (2) An independent source does not have the capability of sending written third party verification directly to the PHA or does not facilitate oral third party verification; or
- (3) It is not cost effective or reasonable to obtain third party verification of assets and expenses.

**Note:** The cost of postage and envelopes to obtain third party verification of income, assets, and expenses is not an unreasonable cost.

**Example:** Mandy Lee reports that she has a savings account with a monthly average balance of \$1,000.00, which earns 1.25% interest (annual percentage rate). Ms. Lee provides the PHA with the most recent bank statement and bank statements for the last year. The PHA pursues third party verification of the reported asset, only to learn that the bank charges a \$10 verification fee. It is not cost effective or reasonable for the PHA to incur the \$10 verification fee (and administrative time) to receive the verification. See below:

**Costs:**

<b>Third Party Verification Costs</b>	<b>Document Review Costs</b>
\$10.00 Verification Fee	\$0.00
\$ 9.00 Administrative Time	
<b>Total Costs \$19.00</b>	<b>\$0.00</b>

The PHA incurs cost of \$19.00 to process a third party verification request of a \$12.50 annual interest payment that can be accurately verified by reviewing documents provided by the tenant, and will result in little change in the family's TTP if the interest amount was slightly more than according to third party verification versus the amount obtained by document review.

**Q:** How does HUD define unavailability of third party verification?

**A:** The unavailability of third party verification is defined as the existence of one or more of the following situations: (1) it is not cost effective or reasonable to obtain; (2) the PHA has made at least two (2) documented attempts to obtain and the independent source fails to respond to the PHA's verification request; or (3) an independent source does not have the capability of providing written third party verification directly to the PHA or does not facilitate oral third party verification.

**Q:** How does the PHA properly document the unavailability of third party verification?

**A:** When documenting the unavailability of third party verification in the family file, the PHA should include the dates, times, company name and person request sent to, how verification request was sent and non-receipt of response. See example below.

**Example:** Mary Tenant reports that she is employed by K-mart as of June 1, 2003, and earns \$300 a month. Ms. Tenant also reports she no longer receives Transitional Emergency Medical and Housing Assistance (TEMHA) benefits. The PHA mails a verification form to Ms. Jones, Human Resource Specialist at K-mart located at 123 Main Street in Woodlawn, Maryland on June 23, 2003. After ten business days, the PHA has not received a response from K-mart, and on July 7, 2003, the PHA faxes a verification form to K-mart, to the attention of Ms. Jones at (410) 555-1212. After ten business days, the PHA still has not received a response from K-mart and resorts to reviewing tenant provided documents (original pay stubs and notice of employment from K-mart that was sent directly to Ms. Tenant. The family file should be documented as follows:

**06/23/03** Ms. Tenant in office to complete annual re-examination for October 2003. Ms. Tenant reports no change in family composition (household size continues to be 1), her sole source of income is wages from K-mart. Ms. Tenant reports she no longer receives TEMHA benefits as of 05/31/03.

Writer contacted Ms. Miller at the Department of Social Services by phone (410) 555-6789 to confirm termination of benefits at 9:47AM. Ms. Miller, DSS caseworker indicates that benefit amount of \$132 terminated 05/31/03. Participant submitted the following original documents: DSS Notice of Benefit Termination, Notice of Employment and two current pay stubs dated 06/13/03 and 06/20/03. Documents indicate TEMHA benefits terminated 05/31/03; employment with K-mart began 06/01/03 and Ms. Tenant earns \$10.00 an hour, average weekly pay is \$400. Ms. Tenant signed consent form for income verification. Work Number via fax at 10:00AM. Mailed a verification form to Ms. Jones, Human Resource Specialist at K-mart located at 123 Main Street in Woodlawn, Maryland 21244. Contact person and mailing address taken from Notice of Employment letter (copy in file). Informed Ms. Tenant that based on tenant provided documents, her estimated TTP is \$520 a month. However, upon receipt of third party verification the TTP may be higher or lower than the estimated TTP at the time of interview and the PHA will mail a notice of change in TTP effective October 2003 by August 15, 2003. Offered option of flat rent of \$550 or income based rent of \$520. Ms. Tenant opted for the income based rent of \$520, however indicated that upon calculation of TTP after receipt of third party verification and if income based rent exceeded \$550, she would prefer to select a flat rent. Rent choice form signed by tenant and writer. *O. Specialist*

**07/07/03**

No response received from mailed request to K-mart for employment verification. Faxed copy of mailed verification form to K-mart, to the attention of Ms. Jones at (410) 555-2345. Fax number obtained from Notice of Employment letter previously included in tenant file.

*O. Specialist*

**07/18/03**

No response to writer's mailed and faxed request for employment verification from K-mart. Completed **Annual Re-examination for 10/2003** - No change in family composition and no assets reported during 06/23/03 interview with Ms. Tenant. Previously reported TEMHA benefits of \$132 a month, terminated 05/31/03 based on oral third party verification with Ms. Miller, Caseworker at the Department of Social Services by phone (410) 555-4567 on 06/23/03 at 9:47AM. and review of tenant provided original DSS Notice of Terminated Benefits. Ms. Tenant reports sole source of income from wages earned at K-mart effective June 1, 2003. Writer made three documented attempts to obtain third party verification of Ms. Tenant's employment with K-mart. No response received from K-mart. Based on original pay stubs and Notice of Employment letter submitted by tenant, employment began 06/01/03 and average weekly pay is \$400. New TTP effective 10/01/03 is \$520.

*O. Specialist*

07/30/03

Mailed Supplement to Dwelling Lease to tenant by regular mail. TTP increased to \$520 from \$32, effective 10/01/03.

*O. Specialist*

When documenting the family file, be sure to include all relevant facts about an office visit or action that you took. Always include documentation in the file. Indicate receipt date on the document. Do not include opinions. Anyone that reviews the file after you should be able to follow along and understand what has transpired. The writer should end each entry with his/her name (full name or first initial of first name and full last name.)

**Note:** The PHA should also include a copy of rent calculations with documentation used to determine TTP. A copy of the calculator tape and/or worksheets used to determine TTP are quite useful during Rental Integrity Monitoring (RIM) reviews or audits.

## **X. VERIFICATION OF MANDATORY DEDUCTIONS**

In determining adjusted income, in accordance with 24 CFR §5.611(a), PHAs are required to deduct the following amounts from annual income:

- \$480 for each dependent;
- \$400 for any elderly or disabled family;
- The sum of the following, to the extent that the sum exceeds 3% of annual income:
  - Unreimbursed medical expenses of any elderly family or disabled family; and
  - Unreimbursed reasonable attendant care and auxiliary apparatus expenses for each member of the family who is a person with disabilities, to the extent necessary to enable any member of the family (including the member who is a person with disabilities) to be employed. **Note:** This deduction may not exceed the earned income received by family members who are 18 years of age or older and who are able to work because of such attendant care or auxiliary apparatus;
- Any reasonable childcare expenses necessary to enable a member of the family to be employed or to further his or her education.

### **A. DEPENDENT DEDUCTION**

#### **Dependent Deduction** 24 CFR §5.611(a)(1)

A dependent is defined as a member of the family (except foster children and foster adults) other than the family head or spouse, who is under 18 years of age, or is a person with a disability, or is a full-time student. See 24 CFR §5.603.

**Q:** How do you verify a family members' eligibility for the \$480 dependent deduction?

**A:** Initially, PHAs obtain a copy of each family member's birth certificate, social security card, and/or other appropriate documentation to verify the name, sex, SSN, date of birth disability, and relationship to the head. If the family member is under 18, or has a disability, or is over the age of 18 **and** a full-time student, each family member meeting these requirements is entitled to the \$480 dependent deduction.

**Verifying full-time student status.** Upon consent by the family member, the PHA should pursue third party verification of full-time student status. Documentation may include current enrollment status letter, which includes school name and address, dates of enrollment and total number of classes or credits attempted in a given quarter/semester, current school transcript, most recent grade report, etc. The PHA should mail verification requests directly to the school and receive the completed verification directly from the school.

**Note:** The school or vocational training center defines full-time status. Typically, full-time status consists of 12 or more attempted credit hours per semester/quarter.

**Q:** What is the definition of a full-time student?

**A:** HUD defines a full-time student as a person who is attending school or vocational training on a full-time basis. See 24 CFR §5.603(b).

**Example:**

### Family Composition

Effective Date of Action: October 1, 2003

Family Member Name	Relation to Head	School Grade	Sex	Disabled	Date of Birth	Age *
Jones, Tina	Head	N/A	F	Y	01/01/71	32
Jones, Sam	Son	12 <sup>th</sup>	M	Y	05/14/84	19
Holly, Amy	Daughter	10 <sup>th</sup>	F	N	10/15/87	15
Miller, Tim	Foster Son	9 <sup>th</sup>	M	Y	12/12/88	14

\* As of effective date of action.

**Q:** Upon effective verification, which family members in the above chart are entitled to the \$480 dependent deduction and why?

**A:** Although Sam Jones is over the age of 18, Sam is a full-time student. He is also disabled. Thus, he is eligible for the \$480 dependent deduction.

Amy Holly is under the age of 18 and is not a foster child. Thus, she is eligible for the \$480 dependent deduction.

Although Tim Miller is under the age of 14, he is **not** entitled to the \$480 dependent deduction because he is a foster child, and by definition, is excluded from receiving the \$480 dependent deduction.

## **B. DISABLED FAMILY DEDUCTION**

### **Disabled Family Deduction** 24 CFR §5.611(a)(2)

A disabled family is defined as a family whose, head, spouse, or sole member is a person with disabilities. It may include two or more persons with disabilities living together, or one or more persons with disabilities living with one or more live-in aides. See 24 CFR §5.403.

A person with disabilities is defined as a person who has a disability, as defined in 42 USC 423; is determined, pursuant to HUD regulations, to have a physical, mental, or emotional impairment that (A) is expected to be of long-continued and indefinite duration; (B) substantially impedes his or her ability to live independently; and (C) is of such a nature that the ability to live independently could be improved by more suitable housing conditions; or has a developmental disability as defined in 42 USC 6001.

**Note:** If the household is classified as a disabled family and an elderly family, the household is entitled to **only one** \$400 deduction.

**Q:** How do you verify a family's eligibility for the \$400 disabled family deduction?

**A:** There are a couple of ways to verify a family's eligibility for the disabled family deduction. If the head, spouse or sole member is receiving disability benefits from the Social Security Administration (SSA), the family member is disabled. The PHA may verify payment of SSA disability benefits to the family member through TASS, or if TASS is not available, the PHA may contact SSA by phone with the family member on the line to confirm disability payments, or if third party verification is not available, the PHA may view an original SSA notice provided by the tenant to confirm current disability payments.

Secondly, for those individuals with disabilities that do not receive disability payments from SSA, the PHA may use a disability verification form to document that the tenant meets the HUD eligibility definition of a person with a disabilities. The PHA should send the form directly to a qualified professional having knowledge of the person's disability, who can verify the tenant's status. PHAs may also accept doctor statements, but such statement should meet the disability definition requirements as outlined in USC Title 42, Chapter 7, Subchapter II, Section 423. See the Appendix of the Occupancy Guidebook for sample verification forms.

**Note:** It is unlawful for PHA staff to make an inquiry to determine whether an applicant for a dwelling, a person intending to reside in that dwelling after it is sold, rented, or made available, or any person associated with that person, has a handicap or to make inquiry as to the nature or severity of a handicap of such a person. See 24 CFR §100.202(c).

The above cited regulation does not prohibit the following inquiries, provided these inquiries are made of all applicants, whether or not they have handicaps:

- Inquiry into an applicant's ability to meet the requirements of ownership or tenancy;
- Inquiry to determine whether an applicant is qualified for a dwelling available only to persons with handicaps or to persons with a particular type of handicap;
- Inquiry to determine whether an applicant for a dwelling is qualified for a priority available to persons with handicaps or to persons with a particular type of handicap;
- Inquiring whether an applicant for a dwelling is a current illegal abuser or addict of a controlled substance;
- Inquiring whether an applicant has been convicted of the illegal manufacture or distribution of a controlled substance.

**Example:** Cindy Kraus reports for an intake interview at the PHA. Ms. Kraus has applied for low-income housing. The interviewer reviews the application and sees that Ms. Kraus has checked the "yes" to the question "Is the head of household or spouse age 62 or older or a person with a disability?" listed under the Qualifying For Deductions in Calculating Rent section of the application.

**Q:** May the PHA ask Ms. Kraus what is the nature of her disability?

**A:** The PHA may not ask Ms. Kraus the nature of her disability. However, the PHA may ask Ms. Kraus if she needs a unit with accessible features, provided that the PHA asks all participants this question, regardless of whether the participant appears to have a disability or says he/she has a disability. The PHA will verify the disability status if the deduction depends on the status.

## **C. ELDERLY FAMILY DEDUCTION**

### **Elderly Family Deduction** 24 CFR §5.611(a)(2)

An elderly family is defined as a family whose head, spouse, or sole member is a person who is at least 62 years of age. See 24 CFR §5.403.

**Note:** If the household is classified as an elderly family and a disabled family, the household is entitled to **only one** \$400 deduction.

**Q:** How do you verify a family’s eligibility for the \$400 elderly deduction?

**A:** Initially, PHAs maintain a copy of each family member’s birth certificate and social security card to verify the name, sex, SSN, date of birth and relationship to the head. If the head, spouse, or sole family member is at least 62 years of age, then the family is eligible for the elderly family deduction.

**Example:**

**Family Composition**

Effective Date of Action: October 1, 2003

<b>Family Member Name</b>	<b>Relation to Head</b>	<b>School Grade</b>	<b>Sex</b>	<b>Disabled</b>	<b>Date of Birth</b>	<b>Age *</b>
Handy, Tim	Head	N/A	M	Y	01/01/71	32
Singer, Tina	Mother	N/A	F	N	05/14/34	68
Hall, Shari	Daughter	10 <sup>th</sup>	F	N	05/15/87	15
Hill, Kim	Daughter	9 <sup>th</sup>	F	Y	11/12/88	14

\* As of effective date of action.

**Q:** Upon effective verification, is this family entitled to the \$400 elderly family deduction?

**A:** Although the family household contains a family member that is at least 62 years of age, this family is not entitled to the \$400 elderly family deduction because the elderly family member is not the head of household or spouse and the family member is not the sole member of the household. However, the family is eligible for the \$400 disabled family deduction since the head of household is disabled.

**D. CHILD CARE EXPENSE DEDUCTION**

**Child Care Expense Deduction** 24 CFR §5.611(a)(4)

Child care expenses are defined as amounts anticipated to be paid by the family for the care of children under 13 years of age during the period for which annual income is computed, but only where such care is necessary to enable a family member to actively seek employment, be gainfully employed, or to further his or her education and only to the extent such amounts are not reimbursed. The amount deducted shall reflect reasonable charges for childcare. In the case of childcare necessary to permit employment, the amount deducted shall not exceed the amount of employment income that is included in annual income. See 24 CFR §5.603.

**Q:** When may a family be eligible for the childcare expense deduction?

**A:** A family may be eligible for the childcare expense deduction when such expenses are incurred for children under the age of 13, to enable a family member to work, seek work, or further his or her education.

**Q:** How do you verify a family's eligibility for the childcare expense deduction?

**A:** Determining a family's eligibility for the childcare expense deduction is a two-step process. First, you must verify that the incurred childcare expense enables a family member to actively seek employment, to be gainfully employed, or to further his/her education. Secondly, you must verify that the incurred childcare expense is for a child (or children) under the age of thirteen. The PHA should be sure to inquire about childcare expenses that may be incurred for before and after school care and during the summer months.

It may be a challenge to verify that a family member is actively seeking work, if he/she is not doing so as a requirement for Welfare to Work, continued collection of unemployment compensation, or other state program. Typically, adequate verification of a family member actively seeking work may consist of written or oral third party verification from a local or state government agency that governs work-related activities. In the event that third party verification is not available, the PHA may rely on tenant provided documents along with a notarized statement that indicates their efforts to seek employment.

For family members that are gainfully employed, simply use the employment verification to confirm the family's eligibility for the childcare expense deduction.

**Note:** Child support payments made to another on behalf of a minor who is not living in the household are not a deductible childcare expense.

Childcare expenses for a disabled family member, who is 13 years of age or older, are not a deductible childcare expense. However, the childcare expenses may be an allowable disability expense deduction.

The PHA may not choose the type of childcare to be provided for the head of household's child(ren). The PHA may not refuse to give a family the childcare expense deduction because there is an adult family member in the household that may be available to provide childcare. See 24 CFR §5.611(a)(4).

**Example:** Cassandra Williams works a full-time job during the day and has two minor children ages 2 and 5. Ms. Williams also has an adult child that is unemployed and is not attending school or vocational training or actively seeking employment. Ms. Williams reports that she pays \$150 a week for childcare. The PHA verifies the childcare expense using third party verification. However, the PHA has a

policy that states “The PHA will not normally allow a deduction for child care expenses when the household contains an unemployed adult family member, who is capable of caring for the child(ren). However, the PHA may make an exception to this policy if the unemployed adult family member is not capable of caring for the child(ren) due to a disability. The head of household must document the disability that prevents the adult from providing childcare.” The PHA does not give Ms. Williams the childcare expense deduction.

**Q:** May a PHA disallow a deduction for childcare expense because there is an unemployed adult family member available to provide childcare?

**A:** The PHA has erred by disallowing the childcare expense deduction. A PHA may **not** disallow a deduction for childcare expense because there is an unemployed adult family member that may be available to provide childcare. A PHA may not decide who will provide childcare for a participant’s child(ren), nor may the PHA decide the type of childcare available for a participant’s child(ren). PHAs may not adopt and enforce policies that deny participants mandatory deduction specified in the regulations.

**Example:** Tim Williams (Head of Household) is employed by ABC Box Company. Mr. Williams has two minor children ages 2 and 4. The tenant reports that he pays Kinder Care Center \$250 a month for childcare for both children.

To determine if the Williams’ family is eligible for the childcare deduction:

- Does the childcare expense enable Mr. Williams to actively seek employment, be gainfully employed or further his education? If No, the family is not eligible for the deduction. If yes, continue to next question.
- Are Mr. Williams’ children under the age of 13? If No, the family is not eligible for the deduction. If yes, the family is eligible for the deduction and the PHA should obtain third party verification of the childcare expense.

## **E. MEDICAL EXPENSE DEDUCTION**

### **Medical Expense Deduction** 24 CFR §5.611(a)(3)(i)

Disabled or elderly families are entitled to a deduction for unreimbursed medical expenses. The allowable medical expense is that portion that exceeds three percent of annual income.

A disabled family is defined as a family whose head, spouse or sole member is a person with disabilities. It may include two or more persons with disabilities living together, or one or more persons with disabilities living with one or more live-in-aides. See 24 CFR §5.403.

An elderly family is defined as a family whose head, spouse, or sole member is a person who is at least 62 years of age. See 24 CFR §5.403.

The medical expense deduction is permitted only for households in which the head or spouse is at least 62 years of age or disabled.

If the household is eligible for the medical expense deduction, the medical expenses of all family members may be counted.

**Note:** The PHA should review all medical expense documents provided by the family very closely to ensure that the PHA is accurately anticipating regular, ongoing and anticipated expenses during the coming year. The PHA should be careful not to include medical bills from previous years that were recently paid in full during the current year

The PHA must define eligible medical expenses in its written policies. PHAs may refer to the Internal Revenue Service Publication 502 for definitions and examples of allowable medical expenses (some listed below):

- Acupuncture
- Artificial Limbs
- Braille Books and Magazines
- Chiropractor
- Crutches
- Dental Treatment
- Hearing Aids
- Health Insurance Premiums
- Home Care
- Hospital Services
- Laboratory Fees
- Long Term Care
- Monthly Payment on Medical Bills
- Prescription Medicines
- Nursing Home
- Optometrist
- Oxygen
- Surgery
- Therapy
- Transportation

### **Verifying Unreimbursed Medical Expenses**

With increasing privacy laws requirements, PHAs may have difficulty in verifying unreimbursed medical expenses. The Occupancy Guidebook provides sample verification forms in Appendix VIII, that PHAs may use to obtain third party verification of unreimbursed medical expenses.

In the event the health care provider does not respond to the PHAs verification request, the PHA may review tenant-provided documents. However, the PHA should review tenant-provided documents with scrutiny to ensure that expenses are not counted twice and ineligible expenses are not counted.

**Example:** During Wilmetta Harris' 10/01/02 annual reexamination conducted on June 10, 2002, Ms. Harris reported that she was paying \$50 a month on a past due medical bill to Dr. Adajay totaling \$800.00. The bill will be paid in full by October 2003. During Ms. Harris' current reexamination on June 23, 2003 (for 10/01/03), Ms. Harris submits cancelled checks to verify medical expenses for the same bill to Dr. Adajay (from the prior year) and requested a medical expense deduction.

The above referenced medical expense is not allowable since the expense will not continue as of the effective date of the current reexamination date (October 2003).

### Calculating Medical Expenses

If a family has medical expenses and no disability assistance expenses, the allowable medical expense is that portion of total medical expenses that exceeds three (3%) percent of annual income.

The PHA should be sure not to include expenses that are reimbursed by insurance or another third party.

**Example:** Wilbert Manning is at least 62 years of age. Mr. Manning is the sole member of the household. He receives a monthly social security benefit check of \$600. A Medicare insurance deduction of \$54.80 is withheld from his benefit check, resulting in a net monthly benefit payment of \$545.20. Mr. Manning also reports that his average monthly out of pocket costs for prescriptions is \$75.00 (verified by the PHA).

**Q:** How is the allowable medical expense deduction calculated?

**A:** The calculation of the allowable medical expense deduction is a multi-step process. The PHA must first calculate the household's total annual income.

1. Annual gross income: \$600 months X 12 months \$7,200

The PHA must then calculate total allowable medical expenses.

2. Medicare insurance premium \$54.80 month X 12	\$ 658
Prescriptions \$75 month X 12	<u>\$ 900</u>
Total allowable medical expenses	<b>\$1,558</b>

Next, The PHA must determine the threshold.

3. Multiply annual income by 3%: \$7,200 X 3% \$ 216

Then the PHA will determine the allowable medical expenses to be deducted from annual income.

4. Subtract \$216 from \$1,558. This is the total allowable medical expenses deduction. **\$1,342**

**Note:** When a participant's social security benefit is reduced for Medicare Insurance premiums, the PHA should always use the full gross benefit amount in determining annual income.

## F. DISABILITY ASSISTANCE EXPENSE DEDUCTION

### **Disability Assistance Expense Deduction** 24 CFR §5.611(a)(3)(ii)

Families are entitled to a deduction for unreimbursed medical expenses to cover care attendants and auxiliary apparatus expenses for each member of the family who is a person with disabilities, to the extent necessary to enable any member of the family (including the member who is a person with disabilities) to be employed. This deduction may not exceed the earned income received by family members who are 18 years of age or older, and who are able to work because of such attendant care or auxiliary apparatus. The allowable disability assistance expense is that portion that exceeds three percent of annual income.

Examples of Auxiliary Apparatus Items:

- Wheelchairs
- Ramps
- Adaptations to vehicles
- Special equipment to enable a blind person to read or type

**Note:** These items must be directly related to permitting the disabled person or other family member to work.

PHAs should define and provide examples of auxiliary apparatus items that will qualify the family for the disability assistance expense deduction.

**Example:** Gary Dillard pays an attendant \$100 a week to stay with his disabled 18-year-old daughter so that he may go to work every day. These payments are an eligible disability expense. Mr. Dillard works at Mr. Tire and earns \$300 a week.

**Q:** How is the disability assistance expense deduction calculated?

**A:** The calculation of the allowable disability assistance expense deduction is a multi-step process. The PHA must first calculate the household's total annual income.

1. Annual income: \$300/week X 52 weeks \$15,600

The PHA must then calculate total allowable disability assistance expense deduction.

2. Attendant care \$100/week X 52 \$5,200

Next, The PHA must determine the threshold (3% of annual income).

3. Multiply annual income by 3%: \$15,600 X 3% \$ 468

Then the PHA will determine the allowable disability assistance expense to be deducted from annual income.

4. Subtract \$468 from \$5,200. This is the total allowable disability assistance expenses deduction. **\$4,732**

## **G. WHEN A FAMILY IS ELIGIBLE FOR MEDICAL & DISABILITY ASSISTANCE EXPENSES**

### **When a Family is Eligible for Medical and Disability Assistance Expenses**

If an elderly family or disabled family has both medical expenses and disability assistance expenses, the PHA must use a special calculation to insure that the family's portion that exceeds three percent of annual income is only applied one time. Since the allowable disability assistance expense is limited by the amount earned by the person that is enabled to work, the allowable disability assistance expense must be calculated before the allowable medical expenses are calculated.

**Example:** Jill Smith (Head of Household) is employed at Margo's Florist and earns \$10,000 a year and receives disability benefits totaling \$5,000 a year. Ms. Smith is disabled and has a disabled adult son (John Moore). Jill Smith also receives disability benefits totaling \$5,000 annually for her son John. The family has \$3,000 in medical expenses and \$4,000 in expenses for disability assistance that allows Ms. Smith to work.

Three percent (3%) of annual income is \$600, as calculated below:

#### **Annual Income:**

Wage Income	\$10,000
Disability Payments	<u>\$10,000</u>

Total Annual Income	\$20,000
	<u>X 3%</u>

3% of Annual Income \$ 600

#### **Allowable Disability Assistance Expense**

Total Disability Assistance Expense	\$4,000
Less: 3% of Annual Income	<u>- 600</u>
Allowable Disability Assistance Expense	<b>\$3,400</b>

Allowable Medical Expense	<b>\$3,000</b>
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(Entire 3% of annual income was deducted to compute the allowable disability assistance expenses.)

**Example:** When disability assistance expenses exceed the amount earned by the family member (enabled to work).

Harry Gordon (Head of Household) is employed at Bob's Carpets and earns \$3,000 a year and receives disability benefits totaling \$10,000 a year. Mr. Gordon is disabled and has a disabled adult child (Gary Gordon). Gary Gordon also receives disability benefits totaling \$5,000 a year. The family has \$1,000 in medical expenses and \$4,000 in expenses for disability assistance that allows Harry Gordon to work.

Three percent (3%) of annual income is \$540, as calculated below:

**Annual Income:**

Wage Income	\$ 3,000
Disability Payments	<u>\$15,000</u>

Total Annual Income	\$18,000
	<u>X 3%</u>

3% of Annual Income \$ 540

**Allowable Disability Assistance Expense**

Total Disability Assistance Expense	\$4,000
Less: 3% of Annual Income	<u>- 540</u>
See note below	\$3,460

Allowable Disability Assistance Expense **\$3,000**

**Note: Disability Assistance Expense cannot exceed \$3,000 (wages earned)**

Allowable Medical Expense **\$1,000**

(Entire 3% of annual income was deducted to compute the allowable disability assistance expenses.)

When disability assistance expenses exceeds the amount earned by the person who was enabled to work, the allowance for the disability assistance expense is capped at the amount earned by that family member. When the family is also eligible for the medical expense deduction, the 3% is typically exhausted in the first calculation and the 3% will not be applied when calculating the allowable medical expense deduction.

**Example:** When disability assistance expenses are less than the three percent of annual income.

Sophia Bailey (Head of Household) is an elderly participant with an adult, disabled and employed family member (Karen Bailey). Karen Bailey earns \$4,000 a year and receives \$6,000 in disability payments a year. Sophia Bailey receives \$10,000 in old age survivor's benefits a year. The family has \$1,000 in medical expenses and \$500 in expenses for disability assistance that allows Karen Bailey to work.

Three percent (3%) of annual income is \$600, as calculated below:

<b><u>Annual Income:</u></b>	
Wage Income	\$ 4,000
Old Age Survivor's Benefit	\$10,000
Disability Payments	<u>\$ 6,000</u>
Total Annual Income	\$20,000
	<u>X 3%</u>
3% of Annual Income	\$ 600
<b><u>Allowable Disability Assistance Expense</u></b>	
Total Disability Assistance Expense	\$ 500
Less: 3% of Annual Income	<u>- 600</u>
	\$ (100)
Allowable Disability Assistance Expense	\$ 0
Total Medical Expense	\$1,000
Less: Balance of 3% of Annual Income	<u>\$ (100)</u>
Allowable Medical Expense	<b>\$ 900</b>

When a family's disability assistance expenses are less than the three percent of annual income, the family will receive no deduction for the disability assistance expense. However, the medical expense deduction will be equal to the amount by which the sum of both disability and medical expenses exceed three percent of annual income.

## **H. COMMENTS ON VERIFICATION OF MEDICAL/DISABILITY ASSISTANCE EXPENSES**

The Department of Health and Human Services has developed Federal privacy standards to protect patients' medical records and other health information provided to health plans, doctors, hospitals and other health care providers as of April 14, 2003. The new standards provide patients with access to their medical records and more control over how their personal health information is used and disclosed. These patient privacy protections are a part of the Health Insurance Portability and Accountability Act of 1996 (HIPAA). HIPAA included provisions designed to encourage electronic transactions and also required new safeguards to protect the security and confidentiality of health information. The final regulation covers health plans, health care clearinghouses, and those health care providers who conduct certain financial and administrative transactions (i.e. enrollment, billing and eligibility verification) electronically. Most health insurers, pharmacies, doctors and other health care providers were required to comply with these federal standards beginning April 14, 2003.

The privacy requirements under HIPAA have a significant impact on how PHAs verify disability status, medical expenses, and disability assistance expenses. HIPAA requires that patients sign a specific authorization before a covered entity could release their medical information to a third party for purposes not related to the patients health care. PHAs may find that many verification requests will not be completed and returned directly to the PHA. PHAs will then have to rely on tenant provided documentation and document in the tenant file why third party verification was not available.

PHAs must remember that they are not permitted to inquire about the nature or extent of a person's disability. The PHA may not inquire about a person's diagnosis or details of treatment for a disability or medical condition. If the PHA receives a verification document that provides such information, the PHA should not place this information in the tenant file. The PHA should destroy the document. Under no circumstances should a PHA request a participant's medical record(s). For more information on health care privacy laws, see the Department of Health and Human Services' website at [www.os.dhhs.gov](http://www.os.dhhs.gov).

## **XI. VERIFICATION REFERENCES**

24 CFR Part 5

24 CFR Part 903

24 CFR Part 960

24 CFR Part 982

Public Housing Occupancy Guidebook (June 2003)

Public and Indian Housing Notice 2001-15 (May 2001)

Housing Choice Voucher Program Guidebook (April 2001)

The Tenant Integrity Program Training Guide (October 1989)

Paperwork Reduction.

The information collection requirements contained in this guidance have been approved by the Office of Management and Budget (OMB under the Paperwork Reduction Act of 1995 (44 U.S.C. 3520) and assigned OMB control number(s) 2577-0220.

In accordance with the Paperwork Reduction Act, HUD may not conduct or sponsor, and a person is not required to respond to, a collection of information unless the collection displays a currently valid OMB control number.