

INCOME DETERMINATION

The CDBG-Housing Loan Program determines income according to 24 CFR Part 5.

To receive CDBG assistance households must have incomes at or below 80 percent of the area median household income, adjusted for household size, and determined annually by HUD. The annual income definition found at 24 CFR Part 5 is used by a variety of Federal programs. Annual (Gross) Income is used to determine program eligibility.

The Part 5 definition of annual income is the gross amount of income of all adult household members **that is anticipated to be received during the coming 12-month period**. A Grantee must determine level of income to address eligibility and to determine household's ability to pay, rather than past earnings, when estimating housing assistance needs. 100% of all households receiving CDBG-Housing Loan must be income verified and determined at or below 80% of County Median Income (per HUD Income Limits published annually).

Gross amounts are before ANY deductions have been taken. The Part 5 definition of **GROSS AMOUNT** annual income contains income "inclusions" – types of income to be counted – and "exclusions" – types of income that are not considered (for example, income of minors).

Anticipating Income

For the purpose of determining eligibility, grantee must project a household's income in the future by evaluating current circumstances. The assumption is that today's circumstances will continue for the next 12 months, unless there is verifiable evidence to the contrary. This method should be used even when it's not clear that the type of income received currently will continue in the coming year. For example, unemployment benefit must be included in income projections if currently receiving unemployment and even if there is a chance a person may be employed in the future.

The exception to this rule is when documentation is provided that current circumstances are about to change.

Verifying Income

The source documents, such as wage statement or interest statements, must be verified and evidenced. The source documentation must be obtained. Written requests and responses are preferred. Conversations with third-party, such as employer may be acceptable if documented through notes to file, including contact name, address, phone number, information conveyed, and date of a call. To conduct third-party verification, a grantee must obtain a written release from the household that authorizes the third part to release required information.

All documents provided by the applicant must be reviewed and documented, however, they may not provide sufficient information.

3 consecutive month's worth of income documentation is an appropriate amount upon which to base a projection of income over the following 12-month period.

For those whose annual employment is less stable or does not conform to a 12-month schedule, a grantee should examine income documentation that covers the entire previous 12 months.

The annual salary must also include COLA's, bonuses, raises, and overtime pay. If it's determined that an applicant has earned and will continue to earn overtime pay on a regular bases, grantees should calculate the average amount of overtime pay earned by the applicant over the period 3 or 12 months (whichever is used to calculate eligibility).

Note

The income verification is valid only for 6 months. If the project has not started within 6 month period, household's income must be re-verified.

Whose Income to Count

The CDBG requires that income of all family members be included in the determination of income. The Part 5 definition of annual income provides specific guidance pertaining to who income in a household must be included in that calculation.

MINORS. Unearned income attributable to a minor, such as child support, TANF payments and other benefits paid on behalf of a minor is included in the gross household income. Earned income of minors, including foster children age 18 and under is not included.

PERSONS WITH DISABILITIES. Certain increases in the income of a disabled member of qualified families living in HOME-assisted housing or receiving HOME tenant-based rental assistance may be excluded per 24 CFR 5.617(a).

TEMPORARILY ABSENT FAMILY MEMBERS. The income of temporarily absent family members is counted in the Part 5 definition of annual income- regardless of the amount the absent member contributes to the household. For example, a construction worker employed at a temporary job on the other side of the state earns \$600/week. He contributed only \$400 to the family. The entire \$600 is counted in the family's income.

ADULT STUDENTS LIVING AWAY FROM HOME. If the adult student is counted as a member of the household in determining the household size, the first \$480 of the student's income must be counted in the family's income. However, this does not apply to a student who is the head of household or spouse.

PERMANENTLY ABSENT FAMILY MEMBERS. If a family member is permanently absent from the household (nursing home), the head of household has the choice of either counting that person as a members of the household, and including income, or specifying that the person is no longer a member of the household.

Types of Income to Count – 24 CFR Part 5

1. **PAYROLL.** The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.
2. **BUSINESS.** The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets may be deducted, based on straight-line depreciation, as provided in IRS regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in the income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family.
3. **INTEREST/DIVIDENDS.** Any net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness. Any withdrawal of cash or assets from an investment will be included in the income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of \$5,000, annual income shall include the greater of the actual income derived

from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined per HUD.

4. **SOCIAL SECURITY.** The full amount of periodic amounts received from SS, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount.
5. **UNEMPLOYMENT.** Payments in lieu of earnings, such as disability or unemployment, worker's compensation, and severance pay.
6. **WELFARE ASSISTANCE.** Temporary Assistance for Needy Families (TANF). TANF regulations are complex, so please call the DOH to assist in income determination when TANF payment applies.
7. **ALLOWANCES.** If payments are determinable, such as alimony and/or child support, and regular contributions or gifts received from organizations or from persons not residing in the dwelling.
8. **REGULAR PAY.** All regular, special pay, and allowances of a member of the Armed Forces. Exception: The special pay to a family member serving in the Armed Forces who is exposed to hostile fire.

Types of Income to Exclude – 24 CFR Part 5

1. **MINORS.** Income from employment of children under the age of 18 years.
2. **FOSTER CARE.** Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone).
3. **ONE-TIME PAYMENTS.** Lump-sum additions to family assets, inheritances, insurance payments, capital gains, and settlement for personal or property losses.
4. **REIMBURSEMENTS.** Payments related to reimbursement of medical expenses for any family member.
5. **LIVE-IN AIDS.** If a person qualifies as live-in aide and is paid by the family or a social service program, their income is not counted.

6. **DISABILITY INCREASE.** Certain increases in income of a disabled member of qualified families residing in HOME-assisted housing or receiving HOME tenant-based rental assistance.
7. **STUDENT FINANCIAL ASSISTANCE.** Pay directly to the student or to the educational institution.
8. **HUD TRAINING.** Amounts received under training programs funded by HUD.
 - a. Supplemental Security Income under PASS.
 - b. Reimbursement of out-of-pocket expenses to participate in a specific program (special equipment, transportation, childcare, clothing)
 - c. Resident service stipend not to exceed \$200/month received by a resident of PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to fire patrol, hall monitoring, lawn maintenance.
 - d. Incremental earning and benefits resulting from participation in qualifying state or local employment training programs (training not affiliated with local government).
9. **TEMPORARY PAYMENTS.** Sporadic income including gifts.
10. **REPARATION.** Payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era.
11. **STUDENT.** Income in excess of \$480/month for each full-time student 18 years or older with exception of student – head of household.
12. **ADOPTION.** Payments in excess of \$480 per child.
13. **SUPPLEMENTAL SS.** Periodic deferred amounts that are received in a lump-sum amount.
14. **REFUND.** Any rebates under the state or local law for property taxes paid on the dwelling unit.
15. **DEVELOPMENTAL DISABILITY/EQUIPMENT.** Any payments from state agency to a family with a member who has developmental disability and is living at home to offset the cost of services and equipment needed to keep the member at home.

16. OTHER STATUTORY EXCLUSIONS. A notice will be published in the Federal Register and distributed to determine benefits that qualify for this exclusion.

A copy of full listing of exclusions is included in attachments.

Assets

An asset is a cash or non-cash item that can be converted to cash. The value of an asset is not included in annual income. Cash Value Assets have both a market value and a cash value. The market value of an asset is simply its dollar value on the open market. A property's market value is the amount it would sell for on the open market. This may be determined by comparing the property with similar, recently sold properties.

In order to calculate income from assets a Grantee must recognize what to include in assets, how to compute the market and cash value of those assets, and how to determine the income from the asset to be included in annual income.

Assets - inclusions

1. Cash held in savings accounts, checking accounts, safe deposit boxes, homes, etc. For savings accounts, used the current balance. For checking accounts, used the average 6-month balance. Assets held in foreign countries are considered assets.
2. Cash value of revocable trusts available to the applicant.
3. Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs that would be incurred in selling the asset. The equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.
4. Cash value of stocks, bonds, Treasury bills, certificates of deposit, mutual funds, and money market accounts.
5. Individual retirement, 401 (K), and Keogh accounts.
6. Retirement and pension funds.
7. Cash value of life insurance policies available to the individual before death.
8. Personal property held as an investment such as gems, jewelry, coin collections, antique cars, etc.

9. Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim’s restitution, insurance settlements and other amounts not intended as periodic payments.
10. Mortgages or deeds of trust held by an applicant.

Assets - exclusions

1. Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars, and vehicle specially equipped for person with disabilities.
2. Interest in Indian trust lands.
3. Assets not effectively owned by the applicant. That is, when assets are held in an individual’s name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
4. Equity in cooperatives in which the family lives.
5. Assets not accessible to and that provide no income for the applicant.
6. Terms life insurance policies where there is no cash value.
7. Assets that are part of an active business. “Business” does not include rental of properties that are held as an investment and not a main occupation.

Example of calculating asset income

Family Members	Assets	Asset Value
Joanna Schumann	Checking Account	\$870 average 6 month balance with an interest rate of 2.7%
	Inheritance	Received an inheritance of \$30,000 that she used to buy an new car for \$12,000; pay off her \$3,000 credit card bill; and open a mutual fund account (no cost) to invest the remaining \$15,000 at an annual interest rate of 5.3%
The HUD Passbook Rate is 2%		

Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets
Joanna Schumann	Checking Account	\$870	\$23
Same	Mutual Fund	\$15,000	\$795
3. Net Cash Value of Assets		\$15,870	
4. Total Actual Income from Assets			\$818
5. If line 3 is greater than \$5,000 multiply line by 2% and enter results here, otherwise leave it blank			\$317

The asset income to be used in the annual income calculation is \$818 since the actual income generated by the assets is greater than the imputed income.

Checking Account – the income from the checking account is calculated based on the 6-month balance and the interest rate: $\$870 \times 0.27 = \23

Inheritance – a car owned for personal use is not considered an asset. However, the mutual fund is an asset: $\$15,000 \times 0.53 = \795

Because the total cash value of the assets exceeds \$5,000, the HUD Passbook Rate must be used to calculate the imputed income from all assets combined. In this case, $\$15,870 \times 0.2 = \317 . The actual income earned \$818 is greater, however, so that amount must be used in the calculation of annual income for this household.

Note

If value of assets is below \$5,000 use the actual amount of income from the assets rather than using the passbook rate.

CPD Income Verification Online

Grantee may use online CPD Income Eligibility Calculator to determine income. The calculator requests that you input Beneficiary ID and Member IDs instead of last and first name of your client.

<https://www.onecpd.info/incomecalculator/>

Certification

Income verification must be completed with certification that is signed and dated by the person evaluating and making household income determination.