



*Strength, Dignity, Quality of Life*

**MISSOURI HOUSING**

**DEVELOPMENT COMMISSION**

# Calculating Income

Thursday, April 7, 2016

Webinar

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# Introductions



# Agenda

- I. Community Initiatives Programs
- II. Income and Assets
- III. Calculating Income
- IV. Calculating Assets
- V. Resources
- VI. Questions
- VII. Contact Information

# Community Initiatives Department

- Mission
  - To connect Missourians to stable housing through collaborative partnerships, meaningful strategies and lasting solutions
- Income Based Programs
  - Disaster Relief Funding
  - Emergency Solutions Grant
    - Homelessness Prevention
    - Rapid Re-Housing
  - Housing First Program
  - Missouri Housing Trust Fund

# CI Programs

- Missouri Housing Trust Fund Assistance is intended for low-income households
  - Income must be **at or below** 50% AMI
  - AMI defined by HUD, limits posted at: [http://www.mhdc.com/housing\\_trust\\_fund/funded\\_agencies\\_documents/FY2016/default.htm](http://www.mhdc.com/housing_trust_fund/funded_agencies_documents/FY2016/default.htm)
  - Income Verification Worksheet (MHTF-204)
  - MHTF Desk Guide, Page 25-26
  - Third-party Verification for all members 18 and older
    - Dated within 30 days of first instance of assistance, every 90 days thereafter

# CI Programs

- Housing First Program assistance is intended to serve those with the greatest housing and housing service needs with attention to the lowest-income residents
  - Income must be **at or below** 50% AMI
  - AMI defined by HUD, limits posted at: <http://www.mhdc.com/ci/hfp/index.htm>
  - Income Verification Worksheet (HFP-105)
  - HFP Desk Guide, Page 12-13
  - Third-party Verification for all members 18 and older
    - Dated within 30 days of first instance of assistance
    - Recertification every six months

# CI Programs

- Disaster Assistance Program is intended to serve low-income households affected by declared disaster
  - Income must be **at or below** 50% AMI
  - AMI defined by HUD, limits posted at: <http://www.mhdc.com/ci/drf/index.htm>
  - Income Verification Worksheet (DRF-212)
  - Third-party Verification for all members 18 and older
    - Dated within 30 days of first instance of assistance



# CI Programs

- Emergency Solutions Grant Program intended to serve very-low income individuals and families
  - Assistance based on each components eligibility for homeless and at-risk of homelessness individuals and families
  - ESG Funding Guidance, Page 16, 31-32
  - Homelessness Prevention participants must have household income **below** 30% AMI
    - Must determine that the applicant's total household income is **below** 30 percent of the AMI at the initial evaluation and any subsequent 3 month re-evaluation for Homelessness Prevention component
  - Rapid Re-Housing
    - No income requirement at in-take, must have income **below** 30% AMI at annual re-evaluation

# Income and Assets

- All programs utilize the HUD Handbook 4350.3, Rev. 1, Chapter 5: Determining Income and Calculating Rent
- Must calculate income for an individual or family for all programs with income eligibility requirements
- HUD specifies the types and amounts of income and deductions to be included in the calculation
- Similarities with IRS, but tax rules are different from the HUD program rules



# Income and Assets

- **Common Errors**

- Participants failing to disclose income information
- Errors in identifying required income exclusions
- Incorrect calculations of deductions resulting from failure to obtain third-party verification
- Utilizing net vs. gross income amounts
- Utilizing correct frequency of pay
- Asset calculations

# Calculating Income

- Determine all Sources of Income
  - Inclusions
  - Exclusions
- Methods of Calculating Income
  - 1. Annualize income by calculating the annual income based on current circumstances and income
    - Income that may not last for 12 months should be calculated assuming that circumstances will last 12 months
  - 2. Calculate the annual income based on anticipated changes through the year
    - Information that is available on changes throughout the year should be used to calculate anticipated income from all known sources
  - 3. Changes will be reflected at recertification period as required for each program

# Calculating Income

- Frequency of Pay
  - 1. Hourly wages by the number of hours worked per year (2,080 hours for full-time employment with a 40-hour work week and no overtime)
  - 2. Weekly wages by 52
  - 3. Bi-weekly wages (paid every other week) by 26
  - 4. Semi-monthly wages (paid twice each month) by 24
  - 5. Monthly wages by 12
  - To annualize other than full-time income, multiply the wages by the actual number of hours or weeks the person is expected to work

# Calculating Income: Example

- John Doe works an average of 32 hours per week and is paid every two weeks. He has presented two check stubs to verify his income which are within 30 days of the assistance date (4/1/16)
  - Check Stub 1: payment date 3/3/16 for \$329.50 (gross wages)
  - Check Stub 2: payment date 3/17/16 for \$445.00 (gross wages)
- Calculate by dividing the total of the gross pay ( $\$329.50 + \$445.00 = \$774.50$ ) by the number of check stubs (2) and multiply by the frequency of pay (26) to annualize the income.
- Total:  $\$774.50/2 = \$387.25 \times 26 = \$10,068.50$

# Calculating Assets

- What is an asset?
  - Items of value that may be turned into cash
  - Some tenants have assets that are not earning interest
  - Necessary personal property is not an asset
- Asset Inclusions and Exclusions
- Considerations
  - Must determine whether the total “cash value” of family assets exceeds \$5,000
  - Market value less reasonable expenses incurred selling or converting the asset to cash
  - Note: a family is NOT required to convert the asset to cash. Determining the cash value is done as a calculation in the process of determining the value of all assets
  - If assets are owned by more than one person, prorate based on percentage of ownership, if there is no percentage specified or provided by law, prorate evenly

# Calculating Assets: Example

- John and Mary Doe have a checking account with a *six month average balance* of \$500.00 which earns no interest. They have a savings account with a *current balance* of \$500.00 which currently earns 1.5 percent interest.
  - Savings account interest ( $\$500 \times .015 = \$7.50$ )
- John and Mary Doe own their house valued at \$50,000. They currently have an outstanding mortgage balance of \$34,000. The *reasonable selling costs* of a realtor, taxes, insurance, etc. would be \$3,400.
  - The cash value of their home would be \$12,600  
( $\$50,000 - \$34,000 = \$16,000 - \$3,400 = \$12,600$ )



## Calculating Assets: Example Cont.

- The *total assets* owned by John and Mary Doe would be \$12,600 (home) + \$500 (checking) + \$500 (savings) = \$13,600
- The *total actual asset income* would be **\$7.50** (savings interest)
- The *imputed asset income* based on HUD's current imputed interest percentage (.06 percent) would be  $\$13,600 / .0006 = \mathbf{\$8.16}$
- The imputed asset income exceeds the actual asset income, therefore, you would include the **\$8.16** to the total income for John and Mary Doe

# Resources

- HUD Chapter 5:  
[http://portal.hud.gov/hudportal/documents/huddoc?id=DOC\\_35649.pdf](http://portal.hud.gov/hudportal/documents/huddoc?id=DOC_35649.pdf)
- ESG Funding Guidance:  
[http://www.mhdc.com/ci/esg/documents/2016/Funding\\_Guidance\\_2016.pdf](http://www.mhdc.com/ci/esg/documents/2016/Funding_Guidance_2016.pdf)
- MHTF Desk Guide:  
[http://www.mhdc.com/housing\\_trust\\_fund/funded\\_agencies\\_documents/FY2016/MHTF-200\\_Desk%20Guide\\_2016-03-09.pdf](http://www.mhdc.com/housing_trust_fund/funded_agencies_documents/FY2016/MHTF-200_Desk%20Guide_2016-03-09.pdf)
- HFP Desk Guide:  
<http://www.mhdc.com/ci/hfp/index.htm>
- Disaster Funds:  
<http://www.mhdc.com/ci/drif/index.htm>



# Questions

# Contact Information

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