

Multifamily Rent Calculation

Income

Section 2: Sources of Annual Income

**Learning Activity 2-1: Calculating Annual Income**

**Family Name: Scott**

Head: Wages \$7.25/hour (40 hrs/week)

Spouse: Social security \$350/month

Annual Income: \_\_\_\_\_

**Family Name: Tilden**

Head: Alimony \$150 semi-monthly

Head: Unemployment \$125/week

Annual Income: \_\_\_\_\_

**Family Name: Wahl**

Head: Disability benefits \$175/month

F-T Student, 19 (not head/spouse/cohead): Wages \$7.25/hour (20 hours/week)

Annual Income: \_\_\_\_\_

Section 3: Income Exclusions

**SPORADIC INCOME**

*4350.3 Exhibit 5-1, Income Exclusions (9)*

- Exclude temporary, nonrecurring or sporadic income, including gifts
- In order to exclude sporadic income, O/As need a clear understanding of what sporadic income is. Sporadic income is defined as income that is neither reliable nor periodic.

*PIH 2017-05*

- Also exclude temporary income payments from the U.S. Census Bureau
  - Temporary is defined as employment lasting no longer than 180 days and not culminating in permanent employment
  - Employer verification of employment dates and income must be maintained in the tenant file.

**Example:**

Joseph Frey receives Social Security disability benefits. At the interview for his annual recertification, the O/A finds that Mr. Frey occasionally works as a handyman. Mr. Frey is not working as a handyman now, and has only worked as a handyman twice during the past year.

Does this fit the description of sporadic income?	
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How do you handle Mr. Frey's earnings?	
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What documentation should the O/A have in Mr. Frey's file?	
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## RETIREMENT ACCOUNTS

Balances in retirement accounts are counted if a family member can withdraw it, even if early withdrawal would result in a penalty.

- Amounts that are only accessible after the person retires are not counted.
- IRA, Keogh, and similar retirement accounts are counted as assets, even though withdrawal would result in a penalty, unless benefits are being received by periodic payments from the account. The amount to include as an asset is the average 6-month balance.
- Required minimum distributions are counted as income, but sporadic withdrawals are not.

In short, for retirement accounts, the amount in the account is counted as an asset if the family has access to it. If periodic payments are already being received from the account, count the amount of the payments as annual income, and do not count any balances remaining in the account.

### Example 1:

Ted Keating's 401K account balance is \$54,000. He is able to terminate his participation in the retirement plan without quitting his job, but if he did so he would lose \$15,000 of his employer's contribution and would pay a penalty fee of \$18,000.

The total cash he could withdraw is the amount that is counted as an asset.

What is the value of this asset? \_\_\_\_\_.

### Example 2:

Alfred Shank is retired, and his 401K account balance is \$120,000. He is already receiving periodic payments of \$800 a month from the account. He no longer has access to the balance of \$120,000.

The periodic payments of \$800 a month are counted as \_\_\_\_\_.

The balance is \_\_\_\_\_.

### JOINTLY OWNED ASSETS

If an asset is owned by more than one person, prorate the asset according to the percentage of ownership.

If no percentage is specified or provided by state or local law, prorate the asset evenly among all owner/agents.

If the asset is not effectively owned by an individual, do not count it as an asset.

#### Example 1:

Karen Wade is an assisted housing tenant. She and her daughter, Molly Tune, have a joint savings account. Mother and daughter both contribute to the account. They have used the account for trips together and to cover emergency needs for either of them. Assume in this example that state law does not specify ownership. Even though either Karen or Molly could withdraw the entire asset for her own use, count Karen's ownership as \_\_\_\_\_ of the account.

#### Example 2:

Kate Dubois is an assisted housing tenant. Her name is listed on her mother's savings account to ensure that she can access funds for her mother's care. Her mother does not live with her. Her mother collects the interest on the account. The account \_\_\_\_\_ be counted as Kate's asset.

### ASSETS INCLUDED

The following are included as assets and any income from these assets is counted as income:

- Personal property held as investment
  - Gems
  - Jewelry
  - Coin collections
  - Collector cars
  - Card collections
- Surrender value of life insurance policies

### Learning Activity 3-1: Cash Value of Assets

Jenny Day has a house which has a market value of \$250,000. She has an outstanding mortgage balance of \$120,000. If she were to sell, she would pay a realtor \$6,500 commission and closing (settlement) costs of \$500. Using the Assets calculation sheet below, determine the cash value of the asset.

#### TASK

1. Obtain the cash value of the asset and identify the amount on the calculation sheet below.
2. Subtract the allowable HUD asset expenses, which could include:
  - Broker fee
  - Legal fees
  - Settlement costs
  - Penalty for early withdrawal of the invested asset
  - Mortgage balance the family owes (if any) on the asset

#### Assets

Mem. #	Type of Asset	Market Value	Calculate Cash Value	Calculate Income	Asset Income
			Total Cash Value	Total Asset Income	\$
Imputed Income if Cash Value is over \$5,000: Cash Value x .06% (passbook rate)			Calculate Imputed Income \$ x .06%	Imputed Asset Income	\$
			Greater of Total or Imputed Income \$		

## ANTICIPATED ASSET INCOME

Anticipated income is the actual amount of income the asset will generate to the household over the coming 12 months. Some assets generate no income, such as a noninterest-bearing checking account or a coin collection. However, many assets do generate income, such as:

- Interest from investments
- Rents from rental property
- Dividends

The market value of an asset is used when anticipating income from interest-bearing accounts.

$$\text{Market value} \times \text{interest rate} = \text{anticipated income}$$

### Example:

Diane's CD pays 2 percent interest annually. Diane does not rent out the home.

#### Anticipated income:

CD:  $\$4,000 \times 2\% = \$80$

Home: None

### QUIZ

The value of Dave's CD is \$7,000, earning 4% interest. There is a \$400 penalty for early withdrawal. What is the actual anticipated income from this asset?

Market value

X interest rate

Anticipated Income

**Learning Activity 3-2: Asset Disposed of for Less than Fair Market Value**

Daria Mitchell is disabled and could no longer maintain her home. Several months ago, Daria “sold” the house to her son for \$10,000, which she used to buy a car. Daria had to pay off the mortgage on the house, which had a balance of \$50,000. The house was appraised at \$85,000. What is the imputed value of the asset?

Daria has no other assets.

The HUD passbook rate is .06%.

Market Value \_\_\_\_\_

Less HUD Asset Expenses:

Realtor’s Commission \_\_\_\_\_

Legal Fee \_\_\_\_\_

Settlement Costs \_\_\_\_\_

Penalty for Early Withdrawal \_\_\_\_\_

Less Mortgage Balance \_\_\_\_\_

Less Amount Received \_\_\_\_\_

Asset Cash Value \_\_\_\_\_

**INSTRUCTIONS**

1. Obtain the imputed value of the asset using the calculation sheet below.
2. Subtract the allowable HUD asset expenses, which could include:
  - Broker fee
  - Legal fees
  - Settlement costs
  - Penalty for early withdrawal of the invested asset
  - Mortgage balance (if any)
3. Subtract any mortgage balance the family owes on the asset.
4. Subtract any amount the family received in payment for the asset.
5. Complete the asset section of the calculation sheet to determine the final asset income to be included on the form HUD-50059.

**Multifamily Rent Calculation**

**Assets and Asset Income**

**Section 2: Asset Inclusion**

**Assets**

Mem. #	Type of Asset	Market Value	Calculate Cash Value	Calculate Income	Asset Income
Total Cash Value			Total Asset Income \$		
Imputed Income if Cash Value is over \$5,000: Cash Value x .06% (passbook rate)			Calculate Imputed Income \$                      x .06%	Imputed Asset Income \$	
			Greater of Total or Imputed Income \$		



**Learning Activity 3-3: Asset Income**

Zane West is 71 and is the head of household. His spouse, Eve West, is 72.

**ASSETS & INCOME FROM ASSETS**

- Checking account: 6-month average balance \$650; no interest earned.
- CD: Market value \$7,500; penalty for early withdrawal \$750; interest rate 3 percent.
- Savings account: Current balance \$2,250; interest rate 1 percent.
- Stocks: Market value \$4,270; broker fees \$230; anticipated annual dividend \$105.

The HUD passbook rate is .06 percent.

**TASK**

1. List the West's assets on the calculation sheet below; compute the cash value of, and the anticipated income from the assets.
2. Compute the West's final asset income.

**Assets**

Mem. #	Type of Asset	Market Value	Calculate Cash Value	Calculate Income	Asset Income
			Total Cash Value \$	Total Asset Income	\$
Imputed Income if Cash Value is over \$5,000: Cash Value x .06% (passbook rate)			Calculate Imputed Income \$ x .06%	Imputed Asset Income	\$
			Greater of Total or Imputed Income \$		

## Multifamily Rent Calculation

### Adjusted Income

#### Section 1: Deductions

### Learning Activity 4-1: Dependent and Child Care Allowance

Susan Levitt's annual income is \$14,621, all from employment.

Susan, age 35, has three children all under 13 years of age. She is paying a total of \$180 per week for child care while she works.

#### TASK

Complete the deductions section of the calculation sheet below to get adjusted annual income.

#### DEDUCTIONS

##### Dependent Deduction

Number of Dependents	x \$480	=	Dependent Deduction \$
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##### Childcare Deduction

Mem.#	Calculation	Amount
		\$
Total		\$
Childcare Deduction		\$
<b>Total Deductions =</b>		<b>\$</b>

	Gross Annual Income	\$
	Minus Total Deductions	\$
	Equals Adjusted Annual Income	\$
	Divided by 12 Equals Adjusted Monthly Income	\$
	Adjusted Monthly Income x 30%	\$
	Gross Monthly Income x 10%	\$
	Greater of Equals TTP	\$
	Minus Utility Allowance	\$

**DEDUCTION FOR DISABILITY ASSISTANCE EXPENSE**

Families may deduct reasonable anticipated expenses for attendant care and auxiliary apparatus for family members with disabilities if they allow an adult family member to be employed. In order to be counted as a disability assistance expense:

- This deduction may not exceed the earned income received by family members who are able to work because of such qualified expenses.
- If the disability assistance expense enables more than one person to be employed, the owner/agent must combine the income of those persons to determine the cap. The allowance cannot exceed the combined incomes of those two people.
- This allowance is equal to the amount by which the cost of the care attendant or auxiliary apparatus exceeds three percent of total annual income.

**Example:**

Head's earned income		\$20,000
Spouse's earned income	+	\$17,300
Total income		<u>\$37,300</u>
Care expenses for disabled 15-year-old		\$15,250
Calculation:		\$
		<u>-\$</u> (3% of annual income)
Allowable disability assistance expenses		\$

*Auxiliary apparatus* are items such as wheelchairs, ramps, adaptations to vehicles, cost of maintenance and upkeep of an apparatus, or special equipment to enable a blind person to read and write, but only if these items are directly related to permitting the disabled person or other family member to work.

- If an auxiliary apparatus is not used exclusively by the disabled family member, its cost must be prorated.

## Section 1: Deductions

- One-time, non-recurring expenses for a current resident for auxiliary apparatus can be included in the total disability assistance expense after the expense is incurred. These expenses can be added either with an interim, when the expense has occurred, or at the next annual recertification.

*Attendant care* includes, but is not limited to, reasonable expenses for medical or nursing care, housekeeping, running errands, interpreting for the hearing impaired, or reading for persons with visual disabilities.

**Example: Disability Assistance Expense**

Natoya Fallon, an individual with disabilities, lives with her mother Sasha Fallon. Her mother works full-time. Natoya works part-time at a library. She requires a motorized wheelchair and special transportation to get to her job.

Sasha's income	\$17,000
Natoya's income	+ \$
Total income	\$23,000
Disability assistance expense	\$ 7,000
(3% of annual income)	- \$
Allowable Disability Assistance Expense	\$ 6,310

If the same caregiver takes care of children and a person over 12 with a disability, the owner/agent must determine what portion of the expense is allocated to childcare, and what portion to count as attendant care. The total of both childcare and disability assistance cannot exceed the employment income earned by the person enabled to work.

**Multifamily Rent Calculation**

**Adjusted Income**

**Section 1: Deductions**

**Learning Activity 4-2: Disability Assistance Allowance**

- Family Name:     Wates
- Head:     38                     Earned Income:     \$31,000
- Spouse:   32                     Earned Income:     \$19,000
- Son:       14                     (with a disability)
- Disability assistance expense/year                     \$ 8,900  
     (attendant care, enables spouse to work)

**TASK**

Complete the deductions section of the calculation sheet below to determine adjusted annual income.

**DEDUCTIONS**

**Disability Assistance Expense Deduction**

Mem. #	Type of Expense	Amount
% of GAI \$           x 3% = \$		Amount of Expense - 3% \$           - \$           = \$
		Allowable Expense \$

**Elderly Family Deduction**

If Head, Spouse, or Cohead is 62 or older or disabled deduct \$400 once	Elderly Family Deduction \$
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**Medical Expense Deduction**

Mem. #	Type of Expense	Calculation (if any)	Amount
		Total	\$

## Multifamily Rent Calculation

### Adjusted Income

#### Section 1: Deductions

If 3% GAI was taken from Disability Expense do not subtract here, allowable expense will be total medical expenses.

3% of GAI	Amount of Expense - 3%	Allowable Expense
\$            x 3% = \$	\$            - \$            = \$	\$

#### Dependent Deduction

Number of Dependents      x \$480	=	Dependent Deduction
		\$

#### Childcare Deduction

Mem.#	Calculation	Amount
Total		\$
Childcare Deduction		\$
<b>Total Deductions =</b>		<b>\$</b>
Gross Annual Income		\$
Minus Total Deductions		\$
Equals Adjusted Annual Income		\$
Divided by 12 Equals Adjusted Monthly Income		\$

## Multifamily Rent Calculation

### Adjusted Income

#### Section 1: Deductions

### Learning Activity 4-3: Medical Deduction

- Family Name: Prescott
- Head: 67
- Spouse: 63
- Annual Income: \$15,000
- Medical Expenses \$ 2,050

### TASK

Complete the deductions section of the calculation sheet below to determine adjusted annual income.

### DEDUCTIONS

#### Disability Assistance Expense Deduction

Mem. #	Type of Expense	Amount
3% of GAI \$            x 3% = \$		Amount of Expense - 3% \$            - \$            = \$
		Allowable Expense \$

#### Elderly Family Deduction

If Head, Spouse, or Cohead is 62 or older or disabled deduct \$400 once	Elderly Family Deduction \$
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#### Medical Expense Deduction

Mem. #	Type of Expense	Calculation (if any)	Amount
			\$
		Total	\$

## Multifamily Rent Calculation

### Adjusted Income

#### Section 1: Deductions

If 3% GAI was taken from Disability Expense do not subtract here, allowable expense will be total medical expenses.

3% of GAI	Amount of Expense - 3%	Allowable Expense
\$            x 3% = \$	\$            - \$            =	\$

#### Dependent Deduction

Number of Dependents      x \$480	=	Dependent Deduction
		\$

#### Childcare Deduction

Mem.#	Calculation	Amount
Total		\$
Childcare Deduction		\$
<b>Total Deductions =</b>		<b>\$</b>
Gross Annual Income		\$
Minus Total Deductions		\$
Equals Adjusted Annual Income		\$
Divided by 12 Equals Adjusted Monthly Income		\$



**Learning Activity 4-4: Calculating Adjusted Income**

The Willis family is an assisted household who live at Happy Valley Apartments. It is time for the household's annual recertification. The property manager has verified the household's income, assets, and deductions for the current recertification period.

Relationship	Name	Age	Disability
Head	Dan	41	N
Spouse	Helen	37	Y
Child	Warren	16	N
Child	Chrissie	12	N

- Dan is a manager at a bakery and earns \$10.25 an hour. He works an average 38 hours per week. He is paid weekly. He has no other income. Helen is a full-time student who also works at the bakery 20 hours per week making \$8.75 per hour. Their son Warren also has a part-time job at a comic book store where he makes \$200 per week.
- Mr. and Mrs. Willis share a joint checking account and a savings account. The six-month average balance of the checking account is \$1,245. The current balance is \$3,125. The account is non-interest bearing. The savings account has an average six-month average balance of \$5,789 and a current balance of \$8,789. It pays 0.025 percent interest annually. Chrissie has an irrevocable trust with a value of \$10,150 which she may not access until she turns 18.
- The family has anticipated annual medical expenses of \$1,500 per year for Helen, \$1,200 for Dan, and \$800 for Chrissie. While Dan works, Chrissie is enrolled in an after-school program for eight hours per week, which costs the family \$8,000 per year.

1. What is the family's annual income before asset income is included?

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2. What is the family's final asset income?

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3. What is the family's total annual income?

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4. Does the family qualify for the child care deduction? If so, how much?

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5. Does the family qualify for the dependent deduction? If so, how much?

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**Multifamily Rent Calculation**

**Adjusted Income**

**Section 1: Deductions**

6. Does the family qualify for the medical expense deduction? If so, how much?

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7. What is the family's adjusted income?

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**ASSETS**

Mem. #	Type of Asset	Market Value	Calculate Cash Value	Calculate Income	Asset Income
				<b>\$0</b>	
			<b>Total Cash Value</b>	<b>Total Asset Income</b>	
Imputed Income if Cash Value is over \$5,000: Cash Value x .06% (passbook rate)			Calculate Imputed Income \$            x .06%	Imputed Asset Income	<b>\$</b>
Greater of Total or Imputed Income					<b>\$</b>

**INCOME**

Mem. #	Income Source	Calculate to Annualize	Amount
			<b>\$</b>
		Annual Income	
		+ Asset Income	
		Gross Annual Income (GAI)	

**Multifamily Rent Calculation**

**Adjusted Income**

**Section 1: Deductions**

**DEDUCTIONS**

**Disability Assistance Expense Deduction**

Mem. #	Type of Expense	Amount
3% of GAI \$            x 3% = \$	Amount of Expense - 3% of GAI \$            - \$            =	Allowable Expense \$

**Elderly Family Deduction**

If Head, Spouse, or Cohead is 62 or older or disabled deduct \$400 once	Elderly Family Deduction \$
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**Medical Expense Deduction**

Mem. #	Type of Expense	Calculation (if any)	Amount
			\$
			\$
			\$
		Total	\$

If 3% GAI was taken from Disability Expense do not subtract here, allowable expense will be total medical expenses.

3% of GAI \$            x 3% = \$	Amount of Expense - 3% \$            - \$            =	Allowable Expense \$
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**Dependent Deduction**

Number of Dependents    x \$480	=	Dependent Deduction \$
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**Multifamily Rent Calculation**

**Adjusted Income**

**Section 1: Deductions**

**Childcare Deduction**

Mem.#	Calculation	Amount
		\$
Total		\$
Childcare Deduction		\$
<b>Total Deductions =</b>		<b>\$</b>
	Gross Annual Income	\$
	Minus Total Deductions	\$
	Equals Adjusted Annual Income	\$
	Divided by 12 Equals Adjusted Monthly Income	\$
	Adjusted Monthly Income x 30%	\$
	Gross Monthly Income x 10%	\$
	Greater of Equals TTP	\$
	Minus Utility Allowance	\$
	Equals Tenant Rent	\$
	Gross Rent	\$
	Minus TTP	\$
	Equals HAP	\$

Section 2: Total Tenant Payment in PBRA

**Learning Activity 6-1: Calculation of TTP**

Using the information below, calculate the family's TTP for the PBRA program.

- Total annual income       \$15,780
- Adjusted annual income   \$11,392
- Minimum Rent               \$25

Gross Annual Income	\$
Adjusted Annual Income	\$
Adjusted Monthly Income	\$
Adjusted Monthly Income x 30%	\$
Gross Monthly Income x 10%	\$
Greater of 30% AMI, 10% GMI or \$25 = TTP	\$

## Learning Activity 6-2: Temporary Hardship

Using the information below, fill in the blanks

Due to an illness resulting in surgery, Brooks Davis took a six week leave of absence from his part-time job. He has no income during this time. He requests a financial hardship exemption. The owner/agent reviews his request and determines that the hardship is not long-term. The following schedule is implemented:

Current TTP	\$25
Hardship request received	May 10
Owner/agent approves request	June 1
June TTP:	\$ _____
July TTP:	\$ _____
August TTP:	\$ _____
90-day period ends	August 10
Total balance due from tenant	\$ _____

Tenant agrees to repay \$20 per month for three months and \$15 on the fourth month.

Monthly payments:

September-November:	_____
December:	_____
January:	_____

## Multifamily Rent Calculation

### Multifamily Project-Based Rental Assistance (PBRA) Rent Calculation

#### Section 5: Housing Assistance Payment (HAP)

### Learning Activity 6-3: Calculating HAP

Using the information below, calculate the household's HAP:

Annual Income	\$20,100
Adjusted Income	\$19,140
Contract Rent	\$850
Utility Allowance	\$50

Adjusted Monthly Income x 30%	\$
Monthly Income x 10%	\$
Greater of 30% AMI, 10% GMI or \$25 Equals TTP	\$
Minus Utility Allowance	\$
Equals Tenant Rent	\$
Gross Rent	\$
Minus TTP	\$
Equals HAP	\$

## CHAPTER 7 Rent Calculation Quizzes

### Quiz 1 Section 8 Rent Calculation

#### PART I: TRUE/FALSE

T/F

1. Earned income in excess of \$480 of full-time students 18 and older (who are not the head or spouse) is excluded from annual income. . . . . \_\_\_\_\_
2. The allowable income of a temporarily absent spouse must be included in the annual income. . . . . \_\_\_\_\_
3. The O/A must not count the reduced amount of income from Social Security if the reduction is due to a prior overpayment. . . . . \_\_\_\_\_
4. Student financial aid exceeding amounts received for tuition and required fees must be included in annual income, with two exceptions. . . . . \_\_\_\_\_
5. Lump-sum payments are always counted as assets. . . . . \_\_\_\_\_
6. Disability assistance expenses may be deducted if they enable a household member to work or attend school. . . . . \_\_\_\_\_
7. Earned income of a 17-year-old mother who has quit school to work but is still living with her parents is included in annual income. . . . . \_\_\_\_\_
8. The interest on the savings account of a 7-year-old boy is included in annual income. . . . . \_\_\_\_\_
9. Only disabled families may qualify for the disability assistance allowance. \_\_\_\_\_
10. Only disabled or elderly families are eligible for medical expenses. . . . . \_\_\_\_\_
11. Food stamp benefits are included in annual income. . . . . \_\_\_\_\_
12. When income from employment is annualized, the gross income is used. \_\_\_\_\_
13. A household can qualify for more than one allowance. . . . . \_\_\_\_\_



**PART I: TRUE/FALSE**

**T/F**

14. An O/A must count all awarded amounts for child support unless the applicant/resident has made all reasonable attempts to collect.. . . . . \_\_\_\_\_
15. When calculating income from pensions/annuities, the O/A must exclude any income that was paid in by the resident/applicant. . . . . \_\_\_\_\_

**PART II: MULTIPLE CHOICE**

16. When net household assets are greater than \$5,000, income from assets is based upon:
- a. Actual income from assets
  - b. Imputed income from assets
  - c. The greater of imputed or actual income from assets
17. The formula for converting equity in property to cash value of assets for calculation of rent is:
- a. Market value less current loan balance, if any, less anticipated expenses to sell
  - b. Cash value less 6% Realtor fee
  - c. Market value less annual taxes
18. Assets do not include:
- a. Checking accounts
  - b. The family car
  - c. Personal property held as an investment such as coin collections
  - d. The cash surrender value of a life insurance policy
19. Which of the following determines the cash value of a checking account?
- a. Current balance
  - b. Average monthly balance for prior six months
  - c. O/A policy
20. Who gets medical allowances?
- a. Every person who is disabled according to the HUD definition or who is 62 years of age or older
  - b. Only the head of a household and the spouse
  - c. Every household member in an elderly or disabled household
  - d. Everyone in a household that meets the definition of elderly person or person with disabilities

Quiz 1: Section 8 Rent Calculation

21. Income of minors to be included in annual income is:
  - a. \$100 birthday gift from grandpa
  - b. Interest on savings account
  - c. Social Security
  - d. Wages from job at Lowe's
  - e. b and c
22. If income will last for less than one year:
  - a. Treat as sporadic income.
  - b. Annualize and conduct interim if change
  - c. Use \$100 per household member for time no income is expected.
  - d. Calculate based on the months income is received
23. To convert bi-weekly income to annual income, multiply by:
  - a. 52
  - b. 24
  - c. 26
  - d. 12
24. The Davis family had been receiving \$400 monthly in TANF and recently reported that their TANF benefits have stopped. The O/A has verified with the local welfare department that the family lost their welfare entitlement due to fraud and was consequently sanctioned. The O/A must:
  - a. Reduce their rent because their welfare was reduced
  - b. Still include the \$400 in the household's annual income even though it's no longer being received
  - c. Follow internal policy
  - d. Contact the welfare agency to see if the sanction can be removed

Quiz 1: Section 8 Rent Calculation

25. Jennifer Smith (age 63) owns a home appraised at \$100,000 and there is no mortgage balance. She recently sold the house to her son for \$10,000. Her son paid all the realtor fees and transfer costs. The O/A should:
- a. Multiply \$100,000 times the O/A passbook rate to calculate the cash value of this imputed asset
  - b. Count \$90,000 in the total cash value of her assets for two years subsequent to the sale of the home
  - c. Not apply the imputed asset rule because she is elderly
  - d. Include the \$10,000 in her annual income
26. Nicole West recently won the lottery in the amount of \$4,000. She spent \$3,900 towards the purchase of a vehicle and she spent the remaining \$100 on clothes. At her next annual recertification, what is the total cash value of her lottery winnings that is to be treated as an asset?
- a. \$3,000
  - b. \$0
  - c. \$2,900
  - d. \$100

**PART III: ALLOWANCES**

Review the household below and answer the questions following.

- a. Head, age 45
- b. Spouse, age 45
- c. Son age 19, who is a full-time student
- d. Daughter age 16, who has quit school
- e. Foster child (male), age 12
- f. Granddaughter, age 1
- g. Grandmother, age 70
- h. Disabled brother of head, age 39
- i. All of the above
- j. No one

27. Who qualifies this household for a \$400 allowance? Write letter of household member(s):

\_\_\_\_\_

28. Who gets a \$480 allowance? Write letter of household member(s):

\_\_\_\_\_

Multifamily Rent Calculation

Rent Calculation Quizzes

Quiz 1: Section 8 Rent Calculation

29. Who gets a medical allowance? Write letter of household member(s):

\_\_\_\_\_

30. If the spouse was disabled, who gets a medical allowance?

\_\_\_\_\_

**PART IV: FILL IN THE BLANKS**

31. Annual Income – HUD allowances = \_\_\_\_\_

32. There are \_\_\_\_\_ HUD allowances considered in calculating adjusted income. Please list all of them below.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

## Quiz 2                      Rent Calculation

### PART I: TRUE/FALSE

T/F

1. Contract rents are approved by HUD and the O/A by bedroom size. . . . . \_\_\_\_\_
2. The TTP is the amount the owner bills HUD monthly on behalf of each tenant. . . . . \_\_\_\_\_
3. O/A can allow PBRA residents to pay flat rent. . . . . \_\_\_\_\_
4. The household will receive a utility reimbursement payment when the TTP is less than the utility allowance. . . . . \_\_\_\_\_
5. Contract rents can be adjusted on an annual basis. . . . . \_\_\_\_\_
6. The O/A must provide a financial hardship exemption, which waives the \$25 minimum rent requirement to resident if they qualify. . . . . \_\_\_\_\_
7. The financial hardship exemption is only for short term hardships. . . . . \_\_\_\_\_
8. Welfare rent only applies in a very limited amount of states. . . . . \_\_\_\_\_
9. Contract rent is the gross rent minus the utility allowance. . . . . \_\_\_\_\_
10. In order to qualify for a unit the household must only be under the income limit. . . . . \_\_\_\_\_
11. The PBRA program calculates rent using the form HUD-50059 or form HUD-50059A. . . . . \_\_\_\_\_
12. O/A's must submit tenant data using HUD's PIC system. \_\_\_\_\_

**PART II: MULTIPLE CHOICE**

13. Reagan Sievers has a contract rent of \$800 and a utility allowance of \$75. Her TTP is \$25. The O/A:
- a. Will collect \$800 a month in rent from the resident
  - b. Will issue the resident a Utility reimbursement payment of \$75 a month
  - c. Will issue the resident a utility reimbursement payment of \$50 a month
  - d. Will collect \$725 a month from the resident
14. Total tenant payment minus the utility allowance equals:
- a. Tenant rent
  - b. Ceiling rent
  - c. Flat rent
  - d. Minimum rent
15. Utility allowances are:
- a. Updated at least annually based on bedroom size
  - b. Approved by HUD or the CA
  - c. Based on an average of actual usage
  - d. All of the above
16. The TTP is the greater of:
- a. 30% of monthly adjusted income
  - b. 10% of monthly gross income
  - c. Welfare rent
  - d. \$25
  - e. All of the above

## Case Study 1 The Davenport Family

### SITUATION

The owner is processing an interim recertification for the Davenport family.

### FAMILY INFORMATION

Relation	Name	Age	Disabled	Citizen Status
Head	Dawn Davenport	27	N	Eligible Citizen
Daughter	Taffy Davenport	3	N	Eligible Citizen
Son	Earl Davenport	1	N	Eligible Citizen

- At Dawn's last annual recertification, she was receiving \$500 monthly in TANF. Dawn has recently contacted the owner requesting a reduction in rent because she is no longer receiving TANF benefits. The owner contacted the welfare agency and received the enclosed form. Dawn also indicated that her mother is paying her \$80 utility bill each month. Dawn receives \$500 monthly in scholarships, all of which is allocated for tuition and fees.
- The Contract Rent is \$900
- The Utility Allowance is \$75

Fill in the information below for the Davenport family *after* completing the calculation sheet

Rent Calculation Totals	
Final Asset Income	\$
Annual Income	\$
Total Allowances	\$
Total Tenant Payment	\$
Tenant Rent	\$
Utility Reimbursement	\$

## INCOME

Mem. #	Income Source	Calculate to Annualize	Amount
		\$	\$
		Annual Income	\$
		+ Asset Income	\$
		Gross Annual Income (GAI)	\$

## DEDUCTIONS

## Disability Assistance Expense Deduction

Mem. #	Type of Expense			Amount
3% of GAI	Amount of Expense - 3% of GAI		Allowable Expense	
\$            x 3% = \$	\$        -\$        =			\$

## Elderly Family Deduction

If Head, Spouse, or Cohead is 62 or older or disabled deduct \$400 once	Elderly Family Deduction	\$
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## Medical Expense Deduction

Mem. #	Type of Expense	Calculation (if any)	Amount
		Total	\$



If 3% GAI was taken from Disability Expense do not subtract here, allowable expense will be total medical expenses.

3% of GAI	Amount of Expense - 3%	
\$            x 3% = \$	\$        - \$                    =	Allowable Expense \$

## Dependent Deduction

Number of Dependents	x \$480	=	Dependent Deduction \$
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## Childcare Deduction

Mem.#	Calculation	Amount
Total		\$
Childcare Deduction		\$
Total Deductions =		\$

Gross Annual Income	\$
Minus Total Deductions	\$
Equals Adjusted Annual Income	\$
Divided by 12 Equals Adjusted Monthly Income	\$
Adjusted Monthly Income x 30%	\$
Gross Monthly Income x 10%	\$
Greater of 30% AMI, 10% GMI or \$25 Equals TTP	\$
Minus Utility Allowance	\$
Equals Tenant Rent	\$
Gross Rent	\$
Minus TTP	\$
Equals HAP	\$

## Case Study 2 The Hazelton Family

### SITUATION

An annual recertification is being processed for the Hazelton family.

### FAMILY INFORMATION

Relation	Name	Age	Disabled	Citizen Status
Head	Joan Hazelton	33	N	Eligible Citizen
Brother	John Hazelton	24	N	Eligible Citizen
Son	Ryan Hazelton	8	N	Eligible Citizen
Son	Thomas Hazelton	6	N	Eligible Citizen

- Joan is receiving \$550 per month in TANF benefits for herself and her two children, Ryan and Thomas. She also receives food stamps in the amount of \$100 per month.
- John lives with his sister Joan. He is not the co-head. He is a full-time student. John works part-time at K-Mart, earning \$250 biweekly.
- Contract Rent: \$690
- Utility Allowance: \$50

Fill in the information below for the Hazelton family *after* completing the calculation sheet

Rent Calculation Totals	
Final Asset Income	\$
Annual Income	\$
Total Allowances	\$
Total Tenant Payment	\$
Tenant Rent	\$
Utility Reimbursement	\$

## INCOME

Mem. #	Income Source	Calculate to Annualize	Amount
		\$	\$
		\$	\$
		Annual Income	\$
		+ Asset Income	\$
		Gross Annual Income (GAI)	\$

## DEDUCTIONS

### Disability Assistance Expense Deduction

Mem. #	Type of Expense	Amount
3% of GAI \$ x 3% = \$	Amount of Expense - 3% of GAI \$ - \$ =	Allowable Expense \$

### Elderly Family Deduction

If Head, Spouse, or Cohead is 62 or older or disabled deduct \$400 once	Elderly Family Deduction	\$
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### Medical Expense Deduction

Mem. #	Type of Expense	Calculation (if any)	Amount
		Total	\$

If 3% GAI was taken from Disability Expense do not subtract here, allowable expense will be total medical expenses.

3% of GAI	Amount of Expense - 3%	
\$            x 3% = \$	\$        - \$                =	Allowable Expense \$

## Dependent Deduction

Number of Dependents	x \$480	=	Dependent Deduction \$
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## Childcare Deduction

Mem.#	Calculation	Amount
Total		\$
Childcare Deduction		\$
Total Deductions =		\$

Gross Annual Income	\$
Minus Total Deductions	\$
Equals Adjusted Annual Income	\$
Divided by 12 Equals Adjusted Monthly Income	\$
Adjusted Monthly Income x 30%	\$
Gross Monthly Income x 10%	\$
Greater of 30% AMI, 10% GMI or \$25 Equals TTP	\$
Minus Utility Allowance	\$
Equals Tenant Rent	\$
Gross Rent	\$
Minus TTP	\$
Equals HAP	\$

### Case Study 3 The Estrada Family

#### SITUATION

The annual recertification is being processed for the Estrada family

#### FAMILY INFORMATION

Relation	Name	Age	Disabled	Citizen Status
Head	Francisco Estrada	62	N	Eligible Citizen
Spouse	Juana Estrada	61	N	Eligible Citizen

- Francisco owned a home worth \$100,000. Several months ago, he sold the home to his son for \$1. His brother paid all of the transfer fees and there was no mortgage balance. Francisco has a certificate of deposit (CD) with a current balance of \$4,200. The CD's penalty for early withdrawal is \$400 and it earns 4% annually.
- Juana recently won the lottery in the amount of \$5,000. She spent \$4,500 on a car and put the remaining amount in a non-interest bearing checking account which has an average six-month balance of \$500, and a current balance of \$750.
- Francisco's gross Social Security benefit is \$680 per month, but \$80 is taken out to pay his Medicare premium. In addition, their anticipated annual medical expenses are \$1,000.
- Contract Rent: \$700
- Utility Allowance: \$65

Fill in the information below for the Estrada family *after* completing the calculation sheet

Rent Calculation Totals	
Final Asset Income	\$
Annual Income	\$
Total Allowances	\$
Total Tenant Payment	\$
Tenant Rent	\$
Utility Reimbursement	\$

## ASSETS

Mem. #	Type of Asset	Market Value	Calculate Cash Value	Calculate Income	Asset Income
			Total Cash Value	Total Asset Income	
Imputed Income if Cash Value is over \$5,000: Cash Value x .06% (passbook rate)			Calculate Imputed Income \$                    x .06%	Imputed Asset Income	\$
Greater of Total or Imputed Income					\$

## INCOME

Mem. #	Income Source	Calculate to Annualize	Amount
		Annual Income	
		+ Asset Income	
		Gross Annual Income (GAI)	

## DEDUCTIONS

## Disability Assistance Expense Deduction

Mem. #	Type of Expense			Amount
3% of GAI	Amount of Expense - 3% of GAI		Allowable Expense	\$
\$            x 3% = \$	\$        -\$        =			

### Elderly Family Deduction

If Head, Spouse, or Cohead is 62 or older or disabled deduct \$400 once	Elderly Family Deduction	\$
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### Medical Expense Deduction

Mem. #	Type of Expense	Calculation (if any)	Amount
		Total	

If 3% GAI was taken from Disability Expense do not subtract here, allowable expense will be total medical expenses.

3% of GAI	Amount of Expense - 3%	
\$            x 3% = \$	\$            - \$            =	Allowable Expense \$

### Dependent Deduction

Number of Dependents	x \$480	=	Dependent Deduction \$
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### Childcare Deduction

Mem.#	Calculation	Amount
	Total	\$
	Childcare Deduction	\$
	<b>Total Deductions =</b>	<b>\$</b>

	Gross Annual Income	\$
	Minus Total Deductions	\$
	Equals Adjusted Annual Income	\$
	Divided by 12 Equals Adjusted Monthly Income	\$
	Adjusted Monthly Income x 30%	\$
	Gross Monthly Income x 10%	\$
	Greater of 30% AMI, 10% GMI or \$25 Equals TTP	\$
	Minus Utility Allowance	\$
	Equals Tenant Rent	\$
	Gross Rent	\$
	Minus TTP	\$
	Equals HAP	\$

## Case Study 4 The Patrillo Family

### SITUATION

The owner is processing an interim recertification for the Patrillo family.

### FAMILY INFORMATION

Relation	Name	Age	Disabled	Citizen Status
Head	Sal Patrillo	62	N	Eligible Citizen
Spouse	Sophia Patrillo	61	N	Eligible Citizen
Daughter	Dorothy Patrillo	45	Y	Eligible Citizen

- Sal and Sophia have a joint savings account with a current balance of \$2,000 and an average 6-month balance of \$1,600 that pays 1.5 percent interest annually. They also have a CD with a balance of \$4,000 with a penalty for early withdrawal in the amount of \$400. The CD pays 3 percent interest annually.
- Sal's gross Social Security benefit is \$500 per month and \$65 is taken out to pay his Medicare premium.
- Dorothy is not the cohead. She has just reported to the owner that she recently has obtained employment after not working at all for the past four years. She will be working 25 hours per week as a parking attendant earning \$8 per hour. Dorothy has been receiving Social Security disability benefits in the amount of \$400 per month and will continue to receive them while she works. The entire family's anticipated prescription drug costs are \$100 per month.
- Contract Rent: \$550
- Utility Allowance: \$45

Fill in the information below for the Patrillo family *after* completing the calculation sheet

Rent Calculation Totals	
Final Asset Income	\$
Annual Income	\$
Total Allowances	\$
Total Tenant Payment	\$
Tenant Rent	\$
Utility Reimbursement	\$



## ASSETS

Mem. #	Type of Asset	Market Value	Calculate Cash Value	Calculate Income	Asset Income
			Total Cash Value	Total Asset Income	
Imputed Income if Cash Value is over \$5,000: Cash Value x .06% (passbook rate)			Calculate Imputed Income \$        x .06%	Imputed Asset Income	
Greater of Total or Imputed Income					

## INCOME

Mem. #	Income Source	Calculate to Annualize	Amount
		Annual Income	
		+ Asset Income	
		Gross Annual Income (GAI)	

## DEDUCTIONS

### Disability Assistance Expense Deduction

Mem. #	Type of Expense	Amount
3% of GAI \$        x 3% = \$	Amount of Expense - 3% of GAI \$        - \$        =	Allowable Expense \$

### Elderly Family Deduction

If Head, Spouse, or Cohead is 62 or older or disabled deduct \$400 once	Elderly Family Deduction	\$
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### Medical Expense Deduction

Mem. #	Type of Expense	Calculation (if any)	Amount
		Total	

If 3% GAI was taken from Disability Expense do not subtract here, allowable expense will be total medical expenses.

3% of GAI <b>\$21,350</b>	x 3% = \$	Amount of Expense - 3% \$ - \$ =	Allowable Expense \$
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### Dependent Deduction

Number of Dependents	x \$480	=	Dependent Deduction \$
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### Childcare Deduction

Mem.#	Calculation	Amount
	Total	\$
	Childcare Deduction	\$
	<b>Total Deductions =</b>	<b>\$</b>
	Gross Annual Income	\$
	Minus Total Deductions	\$
	Equals Adjusted Annual Income	\$
	Divided by 12 Equals Adjusted Monthly Income	\$
	Adjusted Monthly Income x 30%	\$
	Gross Monthly Income x 10%	\$
	Greater of 30% AMI, 10% GMI or \$25 Equals TTP	\$
	Minus Utility Allowance	\$
	Equals Tenant Rent	\$
	Gross Rent	\$
	Minus TTP	\$
	Equals HAP	\$

## Case Study 5 The Jones Family

### SITUATION

The owner is processing an annual recertification for the Jones family.

### FAMILY INFORMATION

Relation	Name	Age	Disabled	Citizen Status
Head	Samantha Jones	33	N	Eligible Citizen
Son	Richard Jones	8	N	Eligible Citizen
Daughter	Carrie Jones	6	N	Eligible Citizen

- Samantha has a checking account with an average six-month balance of \$655 that pays 0.5 percent interest annually. The owner has obtained data through Enterprise Income Verification (EIV) that Samantha works at Fashion Fabrics. Samantha does not disagree with the EIV data and submits pay stubs showing she makes \$300 per month. While Samantha works, she pays \$25 per week for child care costs
- Contract Rent: \$850
- Utility Allowance: \$75

Fill in the information below for the Jones family *after* completing the calculation sheet

Rent Calculation Totals	
Final Asset Income	\$
Annual Income	\$
Total Allowances	\$
Total Tenant Payment	\$
Tenant Rent	\$
Utility Reimbursement	\$

## ASSETS

Mem. #	Type of Asset	Market Value	Calculate Cash Value	Calculate Income	Asset Income
				<b>\$655 x .5% = \$3</b>	
			Total Cash Value	Total Asset Income	
Imputed Income if Cash Value is over \$5,000: Cash Value x .06% (passbook rate)			Calculate Imputed Income \$                    x .06%	Imputed Asset Income	\$
Greater of Total or Imputed Income					\$

## INCOME

Mem. #	Income Source	Calculate to Annualize	Amount
		Annual Income	
		+ Asset Income	
		Gross Annual Income (GAI)	

## DEDUCTIONS

## Disability Assistance Expense Deduction

Mem. #	Type of Expense			Amount
3% of GAI	Amount of Expense - 3% of GAI	Allowable Expense		
\$            x 3% = \$	\$            - \$            =	Allowable Expense	\$	

## Elderly Family Deduction

If Head, Spouse, or Cohead is 62 or older or disabled deduct \$400 once	Elderly Family Deduction	\$
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### Medical Expense Deduction

Mem. #	Type of Expense	Calculation (if any)	Amount
		Total	

If 3% GAI was taken from Disability Expense do not subtract here, allowable expense will be total medical expenses.

3% of GAI \$            x 3% =	Amount of Expense - 3% \$            -\$            =	Allowable Expense \$
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### Dependent Deduction

Number of Dependents    x \$480	=	Dependent Deduction \$
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### Childcare Deduction

Mem.#	Calculation	Amount
		\$
	Total	\$
	Childcare Deduction	\$
	<b>Total Deductions =</b>	<b>\$</b>
	Gross Annual Income	\$
	Minus Total Deductions	\$
	Equals Adjusted Annual Income	\$
	Divided by 12 Equals Adjusted Monthly Income	\$
	Adjusted Monthly Income x 30%	\$
	Gross Monthly Income x 10%	\$
	Greater of 30% AMI, 10% GMI or \$25 Equals TTP	\$
	Minus Utility Allowance	\$
	Equals Tenant Rent	\$
	Gross Rent	\$
	Minus TTP	\$
	Equals HAP	\$

## Case Study 6 The Marks Family

### SITUATION

The owner is processing an annual recertification for the Marks family.

### FAMILY INFORMATION

Relation	Name	Age	Disabled	Citizen Status
Head	Maureen Marks	35	N	Eligible Citizen
Daughter	Ellen Marks	18	N	Eligible Citizen
Son	Christopher Marks	13	N	Eligible Citizen
Son	Michael Marks	11	N	Eligible Citizen

- Use the following forms and the information below to complete the calculation sheet.
- Contract Rent: \$640
- Utility Allowance: \$55

Fill in the information below for the Marks family *after* completing the calculation sheet

Rent Calculation Totals	
Final Asset Income	\$
Annual Income	\$
Total Allowances	\$
Total Tenant Payment	\$
Tenant Rent	\$
Utility Reimbursement	\$

## ASSETS

Mem. #	Type of Asset	Market Value	Calculate Cash Value	Calculate Income	Asset Income
			Total Cash Value	Total Asset Income	
Imputed Income if Cash Value is over \$5,000: Cash Value x .06% (passbook rate)			Calculate Imputed Income \$                    x .06%	Imputed Asset Income	\$
Greater of Total or Imputed Income					\$

## INCOME

Mem. #	Income Source	Calculate to Annualize	Amount
		Annual Income	
		+ Asset Income	
		Gross Annual Income (GAI)	

## DEDUCTIONS

## Disability Assistance Expense Deduction

Mem. #	Type of Expense			Amount
3% of GAI	Amount of Expense - 3% of GAI		Allowable Expense	
\$            x 3% = \$	\$            - \$            =			\$

### Elderly Family Deduction

If Head, Spouse, or Cohead is 62 or older or disabled deduct \$400 once	Elderly Family Deduction	\$
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### Medical Expense Deduction

Mem. #	Type of Expense	Calculation (if any)	Amount
		Total	

If 3% GAI was taken from Disability Expense do not subtract here, allowable expense will be total medical expenses.

3% of GAI \$            x 3% =	Amount of Expense - 3% of GAI \$            -\$            =	Allowable Expense \$
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### Dependent Deduction

Number of Dependents	x \$480	=	Dependent Deduction \$
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### Childcare Deduction

Mem.#	Calculation	Amount
		\$
	Total	\$
	Childcare Deduction	\$
	<b>Total Deductions =</b>	<b>\$</b>
	Gross Annual Income	\$
	Minus Total Deductions	\$
	Equals Adjusted Annual Income	\$
	Divided by 12 Equals Adjusted Monthly Income	\$
	Adjusted Monthly Income x 30%	\$
	Gross Monthly Income x 10%	\$
	Greater of 30% AMI, 10% GMI or \$25 Equals TTP	\$
	Minus Utility Allowance	\$
	Equals Tenant Rent	\$
	Gross Rent	\$
	Minus TTP	\$
	Equals HAP	\$



## Case Study 7 The Fisher Family

### SITUATION

The owner is processing an annual recertification for the Fisher family.

### FAMILY INFORMATION

Relation	Name	Age	Disabled	Citizen Status
Head	Nate Fisher	38	N	Eligible Citizen
Spouse	Ruth Fisher	35	N	Eligible Citizen
Daughter	Claire Fisher	13	N	Eligible Citizen
Son	David Fisher	12	N	Eligible Citizen
Mother	Brenda Fisher	65	Y	Eligible Citizen

- Use the following forms and the information below to complete the calculation sheet.
- Contract Rent: \$750
- Utility Allowance: \$50

Fill in the information below for the Fisher family *after* completing the calculation sheet

Rent Calculation Totals	
Final Asset Income	\$
Annual Income	\$
Total Allowances	\$
Total Tenant Payment	\$
Tenant Rent	\$
Utility Reimbursement	\$