

MORs & HOTMA

HANDOUT

Breakout Session

Thursday, February 22, 2024

11:20 am – 12:35 pm

Speaker: Shaila Grady



SAHMA Affordable Housing Conference:
Georgia

HOTMA Implementation

Presented by: Shaila Grady, Compliance Specialist
National Housing Compliance



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AGENDA



- MORs
- MOR Scheduling and Final Rule
- HOTMA
- Desk Review
- HOTMA Policy Updates
- On-Site Review
- HOTMA Compliance Implementation
- REAC/NSPIRE
- HOTMA Updated HUD Forms



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Who is National Housing Compliance?

- Contract Administrator for Illinois and Georgia
- Rental Assistance Demonstration (RAD) Program
- HOME Program
- Section 8 Program
- Section 202 & 811 Project Rental Assistance Contract Program
- Low Income Housing Tax Credit Program



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What is an MOR?

Management and Occupancy Review is one of the integral mechanisms of project monitoring used to ensure that owners/agents (O/A) comply with the requirements under the Regulatory Agreement, Mortgage, Management Certification, Housing Assistance Payments (HAP) Contract and/or relevant business agreements.



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MOR Streamlining Schedule

PREVIOUS MOR:	Unsatisfactory	Below Average	Satisfactory	Above Average	Superior
	YOUR	NEXT	MOR		
Risk Classification: Troubled	1 year	1 year	1 year	1 year	1 year
Potentially Troubled	1 year	1 year	1 year	1 year	1 year
Not Troubled	1 year	1 year	2 years	3 years	3 years



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HOTMA Dates to Remember

- Final Rule: Effective **1/1/2024**
- Policy Updates: **3/31/2024**
- Full Compliance: **1/1/2025**

Dedicated HOTMA email addresses
HOTMAquestions@hud.gov

January 2024						
SU	MO	TU	WE	TH	FR	SA
31	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

March 2024						
SU	MO	TU	WE	TH	FR	SA
25	26	27	28	29	1	2
3	4	5	6	7	8	9
10	11	12	13	14	15	16
17	18	19	20	21	22	23
24	25	26	27	28	29	30
31						

January 2025						
SU	MO	TU	WE	TH	FR	SA
		1	2	3	4	
5	6	7	8	9	10	11
12	13	14	15	16	17	18
19	20	21	22	23	24	25
26	27	28	29	30	31	1



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HOTMA

Housing Opportunity Through Modernization Act of 2016 (7/29/2016)

Contains 14 sections that affect the public housing and Section 8 rental assistance programs. The act aims to streamline administration and ease the burden on private owners and public housing authorities (PHAs).

HUD's new TRACS Version 203A helps implement HOTMA. HOTMA will not go live without TRACS 203A.



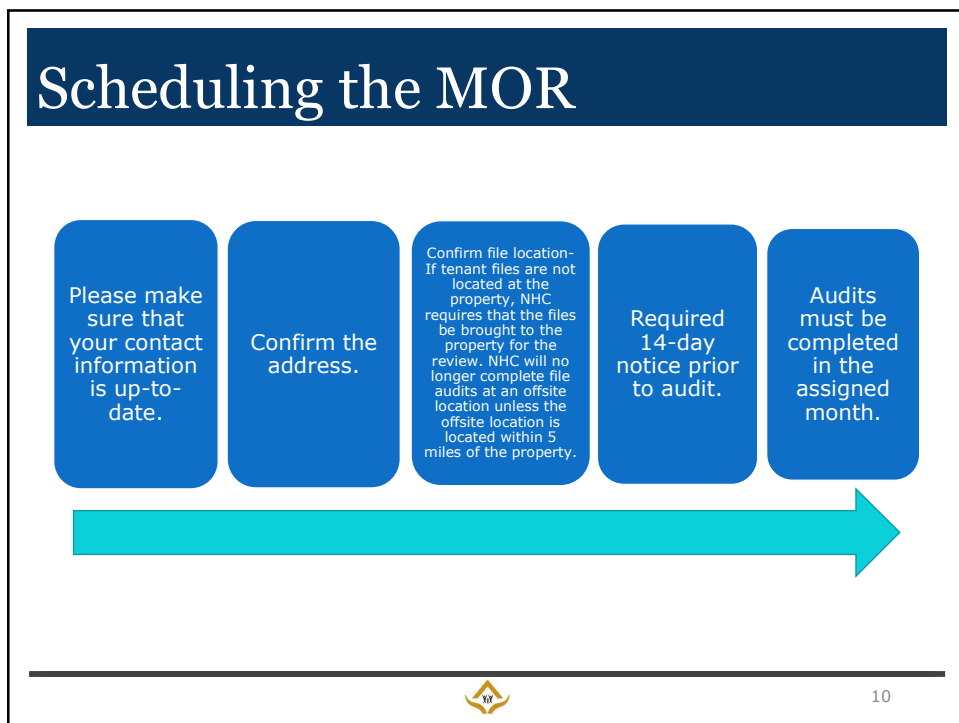
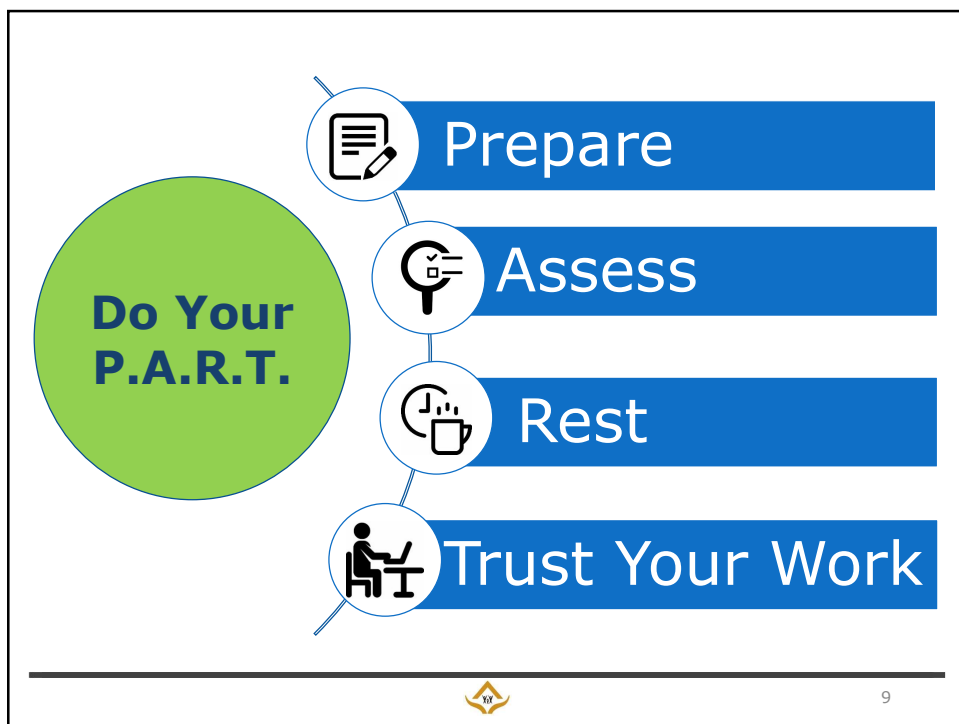
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HOTMA

- HUD will be providing additional supplemental guidance and comprehensive live HOTMA training. There will be hands-on case studies, quizzes, discussions, and more.
- For those who hold a COS, COS-P, COS-V or TCS, taking the HOTMA course will extend your active certification and meet your annual continuing education requirements.



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Desk Review

- Please submit within 10-days of receipt of your scheduling letter
- Email mordocs@nhcinc.org
- Name the attachment “**Owner Documents**”
- Use only the contract number (GA06xxxxxx) in the subject line of the email



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Desk Review

- Tenant Selection Plan (TSP)
- HUD-Approved Affirmative Fair Housing Market Plan (AFHMP)
- Application
- Current Lease and HUD-Approved Addenda
- House Rules (if applicable)
- Pet Rules (if applicable)
- Enterprise Income Verification System (EIV) Current Policies/Procedures
- VAWA Emergency Transfer Plan (form HUD 5381)
- HUD-Approved Letters (if applicable)
- Lead-Based Paint Assessment or Certification (if applicable – prior to 1978)



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Updating Policies

- O/As must update by 3/31/2024:
 - Tenant Selection Plan (must be publicly available)
 - EIV Policies & Procedures
- O/As must continue to follow existing TSP & EIV policies until the O/A's software is compliant with TRACS 203A
- When software is compliant:
 - O/A must give the tenant 60-day notice before using the revised Model Leases at the expiration of the household lease term
 - O/A must implement the revised TSP & EIV policies
 - O/A must inform households prior to their first certification, that income determination will be conducted in accordance to HOTMA final rule
 - O/A must use the revised Tenant Consent Form (form HUD 9887/A), and Fact Sheets (How Your Rent is Determined)



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NHC Compliance Deadline: 1/1/2025

- NHC will not penalize the O/As for HOTMA-related tenant file errors during the MOR.
- NHC will (instead) issue observations with corrective actions.



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Compliance Implementation

- NHC will monitor for full compliance with HOTMA final rule.
- Section 102: Changed requirements related to income reviews for the Section 8 programs and revised the definitions of income and assets.
- Section 104: Introduced “asset disqualifiers” that limit eligibility and continued assistance in the Section 8 programs.
- HOTMA-related findings will be issued during the MOR.
- O/As must have corrected all HOTMA-related observations that were issued during MORs conducted in 2024.



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HUD Approval Letters (if applicable)

- Submission recommended with desk review documents
- Must be received prior to exit conference
- Mass Recertifications
- Addenda



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Notice H 2023-10 Topics

Asset Limitation

Calculating
Income

Deductions and
Expenses

Fair Housing
and Civil Rights
Requirements

Household
Composition

Income

Income
Exclusions

Inflationary
Adjustments

Interim
Reexaminations

Verification



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After Implementation

- **Tenant Selection Plan Updated**
- **EIV Policies Updated**
- **COLA Increase Requirements**
- **De Minimis Errors**
- **Lease Modification Notification**
- **Use of 9887/9887A**
- **Use of Revised Facts Sheets**
- **Hardship Policy**
- **Elderly/Disabled Family Deduction**



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Calculation of Income

- O/As must use anticipated income at the time of admission and interim recertification.
- At annual recertifications:
 - O/As have the option to use Safe Harbor income verification.
 - O/As may use streamlined income determination.
 - O/As must determine and use the family's income for the previous 12-month period.
 - Adjustments to reflect current income must be made.
 - Must take into consideration any IRs completed since the last AR.
 - If there are changes to annual income not processed by the O/As since the last AR, current income must be used.
 - Income from Assets is always anticipated regardless of the certification type.



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Calculating Income Safe Harbor Methods

- TANF
- Medicaid
- SNAP
- Earned Income Tax Credit
- LIHTC
- WIC

- SSI
- Secretary Administered Programs
- Memo will establish other means-tested methods



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Calculating Income

AR Income Calculations

STEP 1: No changes use previous year income

- EIV
- 50059
- Questionnaire Paperwork

STEP 2: If an IR was completed since AR, use IR income

STEP 3: If changes but no IR, use current income

If 3rd party is unavailable management must document the file.



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Calculating Income

Interim Certifications

PHAs/MFH Owners have the discretion to set a lower percentage threshold, in which case that lower percentage threshold must be included in the ACOP, Administrative Plan, or Tenant Selection Plan, as applicable.



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Calculating Income

COLA Changes

Effective the day after SSA has announced the COLA, PHAs/MFH Owners are required to factor in the COLA when determining SS and SSI annual income for all annual reexaminations and interim reexaminations of family income that have not yet been completed and will be effective January 1 or later of the upcoming year.



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Assets

- Households with assets whose Total Cash Value exceeds \$100,000 are not eligible for assistance (applicable at move-in and recertification).
- If a family's assets exceed \$100K at recertification:
 - O/As may delay termination for up to six months.
 - O/As may establish policies that allow families to cure the asset ineligibility within a six-month period.
 - HUD will accept a self-certification from families stating they don't have ownership/interest in real property.
- At O/As discretion to grandfather existing tenants whose assets make them ineligible for assistance (must be in TSP).



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Assets

Households may not receive assistance if they own real property that is suitable for occupancy, except if property is:

- Up for sale
- Does not meet the disability-related needs
- Jointly owned with someone who is not a household member
- Geographic location make it a hardship for the household to commute to work or school
- If a household own real property that does not make them ineligible, the cash value of the property is counted as long as they can legally sell it



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Assets

- Households with net family assets that total \$50,000 or less, can self-certify all assets for verification purposes.
- O/As must still obtain third-party verification of all assets every three years.
- HUD affirms that asset limitation applies to the Section 202/8 program.



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Asset Exclusions

Total value of all non-necessary items of personal property is counted only if total combined value exceeds \$50,000.

- Non-necessary items are things that are not required for daily life
- Assets of foster children and adults
- Retirement savings accounts such as 401K and IRAs
- 529 and 530 (Coverdell) educational savings plans
- Equity in property receiving assistance as part of an HCB program
- Family self-sufficiency (FSS) accounts



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Imputed Income

- HUD Passbook Savings Rate is currently at 0.06%; however, it is subject to annual inflationary adjustments by HUD.
- Imputed income is included only when Total Cash Value of assets exceeds \$50,000.
- Imputed income is calculated only for assets for which annual income cannot be determined.



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Deductions Definition Update

Summary: Health and medical care expenses, as defined in 24 CFR § 5.603, include costs **incurred for the diagnosis, cure, mitigation, treatment, or prevention of disease or payments for treatments affecting any structure or function of the body.**



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Deductions & Expenses



- Dependent deduction remains at \$480; however, subject to annual adjustments by HUD.
- Elderly/disabled family deduction is \$525, effective 1/1/2024, also subject to annual adjustments by HUD.
- The sum of unreimbursed medical care, reasonable attendant care, and auxiliary expenses that exceed 10% of family's annual income is deducted from annual income.



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Interim Recertifications

PHAs/MFH Owners must conduct an interim reexamination of family income when the PHA/MFH Owner becomes aware that a family's annual adjusted income has changed by an amount that the PHA/MFH Owner estimates will result in a decrease of 10% or more in annual adjusted income or a lower threshold set by HUD or by a PHA/MFH.



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Interim Recertifications

PHAs/MFH Owners may choose not to conduct an interim reexamination during the last three months of a certification period if a family reports an increase in income within three months of the next annual reexamination effective date.



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Software Compliant, Now What?

60-Day notice of lease modification. The lease is effective at end of term.

Implement revised TSP and EIV Policies.

All tenant data submissions must comply with the HOTMA regulations. Prior to their first reexaminations under HOTMA, MFH Owners must inform families that their income determinations will be conducted in accordance with the HOTMA final rule. As a best practice, HUD recommends that MFH Owners describe to families how their income determinations will change with the implementation of the final rule.

MFH Owners must use the revised Tenant Consent form (form HUD-9887/9887A) & Fact Sheets ("How Your Rent is Determined").



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REAC

- Real Estate Assessment Center (REAC)
- HUD conducts physical inspections based on set standards to ensure housing is in Decent, Safe and Sanitary condition



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NSPIRE

NSPIRE – the National Standards for the Physical Inspection of Real Estate – is the new physical inspection model designed to promote HUD’s goal of reducing health and safety hazards in the home. To achieve this goal, NSPIRE prioritizes the condition of residents’ homes.



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CO Alarm/Detectors: NOTICE H 2022-01

The Act required the installation of CO alarms or detectors in certain Federally Assisted Housing by **December 27, 2022**.

- Don't have to be hard wired.
- Can be battery operated.
- If there are no fuel generated appliances, a detector is not needed.
- If a fuel-burning appliance, fuel-burning fireplace or adjacent space from which byproducts of combustion gases can flow is present, then verify that a carbon monoxide alarm is installed within each sleeping area and in the immediate vicinity of each sleeping area.



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Unit Walkthrough



- Vacant
- Storage
- Decent, Safe and Sanitary conditions
- Rent ready assessment



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File Review

# Units	# Files	# Units	# Files	# Units	# Files
1-50	5	101-150	11	401-450	17
51-60	6	151-200	12	451-500	18
61-70	7	201-250	13	501-550	19
71-80	8	251-300	14	551-600	20
81-90	9	301-350	15	601-700	21
91-100	10	351-400	16	701-800	22



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File Review

Move-in

Annual

Interim

Move-out

Rejected
Applicants

TRACS
Error

Addendum A in HUD Form 9834



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- Active Tenant Files
 - Move-in documentation plus three years (maximum) for MOR review
 - Keep all documentation
- Inactive Tenant Files- Move out + three years
- EIV Master Binder- three years
- Must document/maintain the disposal log



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EIV-Master Documents

- Owner Authorization Letter
- CAAF- Coordinator Access Authorization Form
- UAAF- User Access Authorization Form
- ROB- Rules of Behavior
- Cyber Awareness challenge (annually)
- Expired Users



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EIV

- Is there a master file?
- Assess frequency of reports
 - Dates are required
- Follow-up documentation and/or notations on how discrepancies are resolved
- EIV Destruction and Log
- Secure Location



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EIV P&P Revisions: 3/31/2024

- EIV usage
- O/As are not required to use EIV during Interim Recertifications
- O/As who adopt the policy not to include Earned Income when determining if the 10% threshold for increases was met (after a decreased income IR), are not required to use EIV New Hires report between ARs
- O/As who adopt a policy to include Earned Income when determining the 10% threshold, are required to review the EIV New Hires report quarterly for the remainder of the certification period (after a decreased income IR)
- O/As are not required to use the EIV Income Report at ARs if they use Safe Harbor verification to determine income
- O/As are not required to use EIV Income Discrepancy report at ARs if they used the Safe Harbor income determination in the last recertification
- O/A must outline these policies in the TSP



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Identity Verification (Monthly)

- Failed Identity Verification
 - What was the cause?
 - Error with Social Security Number
 - Deceased tenant
- Resolution?
- Dated notations
- Name of the person documenting file



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Multiple Subsidy

- Minimum Quarterly
- Children and move-in effective dates
- Did management investigate?
- Follow-up documentation
 - Fraud
 - Is reimbursement required?
 - Resolution
 - Dated Notations
 - Name of Person Documenting the file



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New Hires



- Recommend report run monthly
- Timeframe of Discrepancy
- Date of Hire
- Discrepancy Amount- is it valid?
- Was a third-party verification sent to the employer?
 - ✓ Fraud
 - ✓ Resolution
 - ✓ Dated notations
 - ✓ Name of the person documenting the file



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Deceased Tenant

- Minimum quarterly
- Verification of date of death
- If HOH, was date of death entered on HUD Form 50059-A?
- If not HOH, was member removed from the household timely?
- Dated notations
- Name of the person documenting file



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Move-in Documents



- Application
- Form HUD 92006 (most recently updated)
- Existing tenant search (prior to move-in)
- Race and ethnicity form
- Verification of Social Security Number
- EIV summary report
- Citizenship declaration
- Criminal/sex offender screening



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Move-in Documents

- Owner-elected screenings (if applicable)
- Verification of Disability (if applicable)
- Proof of Age
- HUD Model Lease and attachments
- Move-in inspection
- Move-in HUD Form 50059
- Proof of Security Deposit Payment
- Documentation of exceptions/accommodations (if applicable)



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Recertification Documentation

- | | |
|--|---|
| <ul style="list-style-type: none">• Executed HUD Form 50059• Verification Documentation• Student Status• Disposal of Assets• Acknowledgement• Annual Inspection | <ul style="list-style-type: none">• Recertification Reminder Notices• Initial Notice• 30-day notice of increase |
|--|---|



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- Effective date
- Keep original documents and revisions (TRACS)
- Signed and dated by all adult household members
- Review income, assets, and allowances
- Unit size and household size
- Household members (recently turned 18)

[illegible]

Word Choice



- MUST
- SHOULD
- MAY
- OPT TO
- CAN

Move Out

- HUD Form 50059-A
- Notice to Vacate/
Documentation of Possession
- Move out inspection
- Security Deposit Disposition
- Evidence of Security Deposit Refund
- Does move-out date match voucher date?



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Rejected Applicant

- Rejection Letter
 - Dated
 - Denied in accordance with the TSP?
 - Reason provided in plain language?
 - Provide 14-day appeal?
- VAWA Notices



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Exit Conference

- Review HUD Form 9834 & Addendum D
- Review Tenant File Worksheets
- Review and Sign Exit Conference Sheet



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HOTMA Updated HUD Forms

- HUD-50059
- HUD-50059A
- HUD-9887
- HUD-9834
- HUD Model Leases



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QUESTIONS



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**NATIONAL HOUSING
COMPLIANCE**

National Housing Compliance:
www.nhcinc.org

Resident Concerns:
residentconcerns@nhcinc.org
(888) 530-8266

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