



HOTMA Policy Update

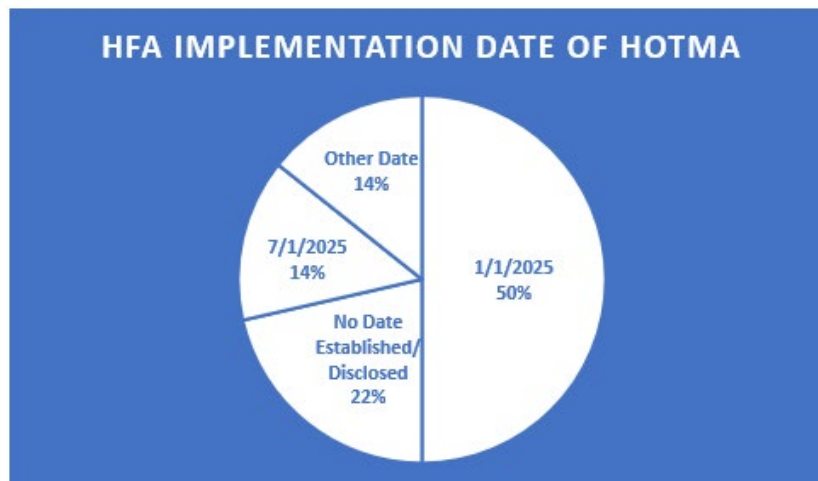
by Kelly Wakefield and Carrie Odum of Preferred Compliance Solutions and Carol Howard

As we approach Jan. 1, 2025, the question on everyone's mind is: Do we implement HOTMA? The answer to that question will largely depend on the property program and what Housing Finance Agency (HFA) has oversight over the property. Those that have a footprint in multiple states or jurisdictions may be struggling to organize the different policies. Throughout 2024, Preferred Compliance Solutions have been in frequent contact with each of the HFAs to determine when they would implement HOTMA and how it would be implemented.

The live results of this ongoing survey are available at preferredcompliance.com/resources/hotma. This free industry resource is updated when additional policies or procedures are released and provides a single place to track in real time what HFA's have announced.

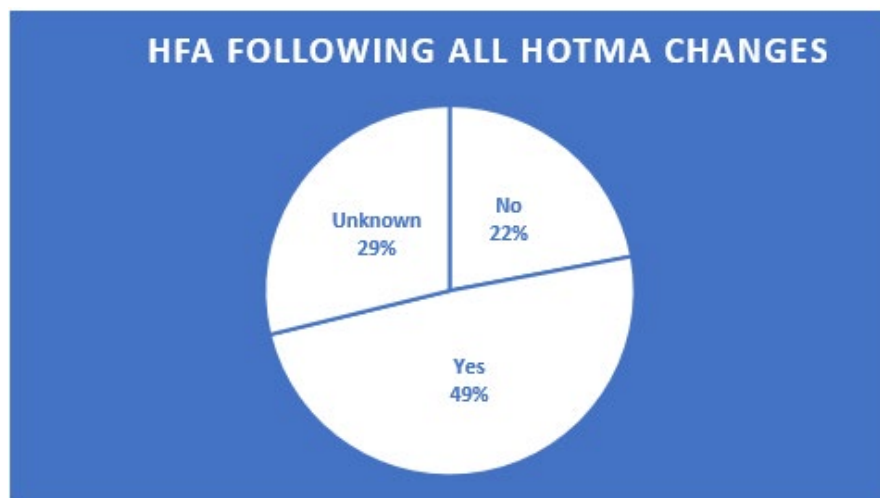
The state-by-state tracker reflects the answers to identical questions that were posed to each agency. By clicking on a state on the map, or by state name, you can see what their stance is on questions such as what date they permitted HOTMA to be implemented, what date HOTMA required to be implemented and whether they were adopting or allowing various changes that HOMTA outlined.

In this article we will explore some data points based on what the states have identified, including when they are requiring implementation of HOTMA and whether they are deviating from released regulation. The data being explored is current as of the date of writing, but the link provided above will reflect up-to-date information.





The effective date for changes was Jan. 1, 2024, though a one- year implementation date through Jan. 1, 2025, was permitted by most agencies. Since that time, HUD Multifamily announced a delay in implementation until July 1, 2025. With the varied dates, we have seen that many HFAs have taken a different approach to the required implementation date. Even after HUD’s announcement, many HFAs (50%) are moving forward with a mandatory Jan. 1, 2025, required implementation date. While 14% are permitting a delay until July 1, 2025, an additional 14% have implementation dates that vary from Jan. 1, 2024, to September 2024. Many agencies that have an earlier permitted implementation date have outlined that any findings during inspections would be listed as comments prior to the required effective date.

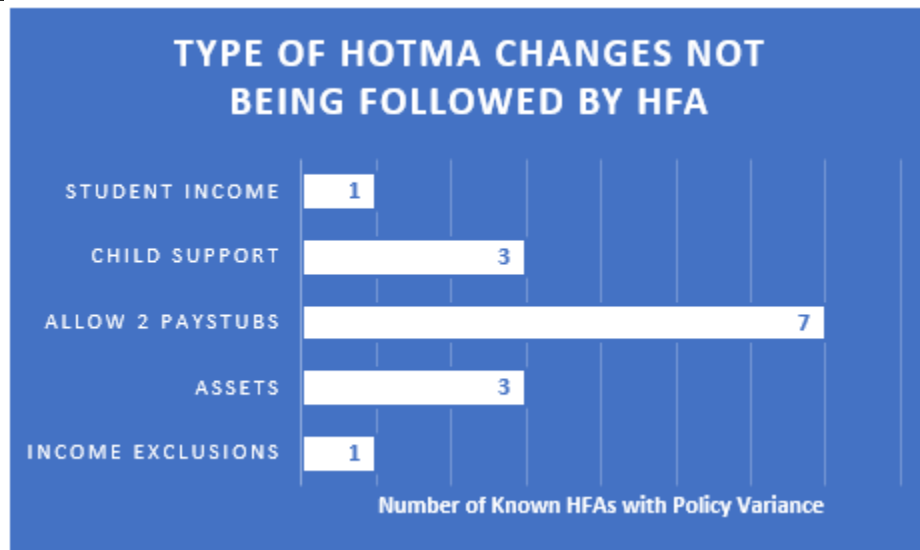


HOTMA is intended to streamline processes and reduce burden. Many of the changes are welcomed by owner/agents and are highlighted as ways that will allow an applicant to move into housing quicker. These announced changes would supersede previous requirements.

In surveying the HFAs, we asked whether they intended to allow or adopt changes such as:

- (1) the updated list of income exclusions,
- (2) changes to how assets are documented and calculated,
- (3) the use of two paystubs from the previously required four to six,
- (4) counting only what is received for child support instead of the amount they are entitled to and
- (5) financial assistance for students, or student income.

While we were pleased to see that 49% would follow all HOTMA changes, 22% have more strict policies that will not allow some or all these HOTMA changes.



Of the 22%, by far the most common change not being followed was allowing two paystubs, with seven HFAs enforcing more stringent policies of requiring four to six paystubs to two months of paystubs. As it relates to assets, several HFAs are waiting for an updated announcement from the IRS on whether self-declaration of assets will be changed from under \$5,000.

It is strongly recommended that if implementing HOTMA, even prior to your state's required implementation date, that all changes are implemented at that time, especially within each file. While some changes may be easier and more advantageous to implement right away, having differing implementation dates for portions of the policy changes can quickly create confusion for those reviewing your files, including syndicators and lenders. Having documented processes of when the policy is implemented, and that everything in each file from that point forward will reflect the changes, will ensure a consistent review, and reduce potential of findings.

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