theCredential

Back to Basics

Part 2: Asset Income Part 1

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Back to Basics…Again! | Part Four | Asset Income Part 1

Depending on which state you are in, HOTMA is either here or coming very soon. Legally it applied 1/1/2024, although all federal HUD offices affected by HOTMA have given grace periods into or through 2024, and some state LIHTC agencies have followed that model. Regardless, there is no time to waste! HCCPs, the foremost compliance professionals in the industry, are taking the lead and learning what they need to know to succeed at implementing HOTMA. Fortunately, we at the Credential are here to help! This article series will discuss what we need to know.

Prior to HOTMA, HUD regulations listed asset inclusions and exclusions. However, HUD realized that it cannot keep up with all of the possible inclusions that may exist or may be created in the future, and that it would likely miss some. With HOTMA, HUD will no longer focus on a list of inclusions but will focus on a comprehensive list of exclusions. If an asset does not appear on the list of explicit exclusions, it is counted as an asset, and its income is counted.

All assets under HOTMA are in three categories. The value and income of each of these categories is treated in a specific manner, as below.

Assets Overview

24 CFR 5.603 definition "Net Family Assets"

Types of Assets

Type of asset		How treated
1 | Necessary personal property		**Value excluded**
2 | Non-necessary personal property	If totals $50,000 or less	**Value excluded, actual income included**
	If totals exceed $50,000	**Value and actual income included**
3 | Real Property		**Value and income included**

Special Thresholds

In HOTMA, there are three important thresholds. Since they are all the name number, they are collectively be referred to here as the ***asset threshold***. This started at $50,000 in 2024 but is adjusted each year for inflation. In 2025 the threshold is $51,600.

When *total net assets* do not exceed the threshold

1. Self-certification of assets is allowed
2. Asset income is not imputed on certain assets that cannot otherwise have income calculated.

When *total net non-necessary personal property* [NNPP] does not exceed the threshold

3. Total net NNPP is excluded (each item of NNPP is assigned value of $0)

Assets Exclude

Note | The excluded asset type unchanged by HOTMA is indicated with asterisks before and after the unchanged provision. This helps readers focus on the changes as they adjust their knowledge for HOTMA implementation.

Excluded from the calculation of net family assets are:

(1) The value of ***necessary items of personal property.***

(2) The combined value of all ***non-necessary items of personal property*** if the combined total value does not exceed $50,000 (adjusted for inflation based on the Consumer Price Index for Urban Wage Earners and Clerical Workers (CPI-W)).

> Note | In the *HOTMA Implementation Notice*, Table F1, HUD has provided examples of the difference between *"necessary"* and *"non-necessary"* items of personal property from [1] &[2]. [2] above.

(3) The value of any account under a ***retirement plan recognized as such by the Internal Revenue Service***, including individual retirement arrangements (IRAs), employer retirement plans, and retirement plans for self-employed individuals.

(4) The value of ***real property that the family does not have the effective legal authority to sell*** in the jurisdiction in which the property is located.

(5) Any ***amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty*** owed to a family member arising out of law, ***that resulted in a family member being a person with a disability***.

(6) The value of any ***Coverdell education savings account*** under section 530 of the Internal Revenue Code of 1986, the value of any qualified tuition program under ***section 529*** of such Code, the value of any ***Achieving a Better Life Experience (ABLE) account*** authorized under Section 529A of such Code, and the ***value of any ''baby bond'' account*** created, authorized, or funded by Federal, State, or local government.

> Note | According to HUD, baby bonds are "money held in trust by the government for children until they are adults." These "are being authorized in various States and localities in an effort to combat the wealth gap and address systemic poverty."

(7) * Interests in Indian trust land. *

(8) Equity in a manufactured home where the family receives assistance under 24 CFR part 982.

(9) Equity in property under the Homeownership Option for which a family receives assistance under 24 CFR part 982.

> Note | The above two provisions relate to Housing Choice Vouchers that assist manufactured and other homeowners.

(10) Family Self-Sufficiency Accounts.

> Note | FSS is a program that enables HUD-assisted families to increase their earned income and reduce dependency on welfare assistance and rental subsidies. Goals are set that a family must work toward to graduate from the program. An interest-bearing escrow account is established by the PHA for each participating family. Any increases in the family's rent as a result of increased earned income during the family's participation in the program result in a credit to the family's escrow account. Once a family graduates from the program, they may access the escrow and use it for any purpose.

(11) Federal tax refunds or refundable tax credits for a period of 12 months after receipt by the family.

> Note | The HOTMA Implementation Notice F.4.e instructs us to subtract the value of any tax return that a household has received in the last 12 months from the account the proceeds of the return were deposited into. This applies if the account will have a value assigned because the total non-necessary personal property exceeds $50,000, as adjusted.

With the above foundation laid, an owner/agent can now proceed with accurate calculations. The next article will discuss this topic.

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