

MHP Income Eligibility /Verification requirements

As a 40B subsidizing agency, MHP requires that the borrower/managing agent provides the following documents at initial lease up and at subsequent annual income re-certifications. MHP adheres to the income certification methodology and regulation outlined in the HUD Handbook **4350.3, REV1, Change 4, Chapter 5**. However, there are some occasions where MHP's requirements deviate from HUD 4350.3 to better suit compliance with its affordability requirements.¹

Required documents for applicant's **initial eligibility determination and annual income re-certifications**:

- **Proof of identity** for all household members (e.g. copy of driver's license, social security card or birth certificate). 40B does not have a citizenship or immigration status requirement, but at initial certification, identification for all family members must be provided.
- **Complete, signed and dated application**. MHP requires that all applications be completely filled out. **It is the owner's/agent's responsibility to either include a signed disclaimer in the application that it is complete or to ensure that all questions that do not apply are marked N/A.**
- **Release of information form** - signed and dated (i.e. HUD-9887 or other approved consent form).
- **Tenant Income Certification forms** - (TIC or a close substitute) must be used to document income and assets calculation at original certification (move-in) and for each subsequent recertification; tenant signature required.
- **Certification Worksheet/ Recertification Update Worksheet.**
- **Personal declaration** - as applicable.
- **Latest tax returns/W2** - at initial lease up and at annuals as applicable for seasonal, self-employed.
- **Income verification** – MHP follows HUD 4350.3, Chapter 5 to determine income. Our requirements have been streamlined to align with HUD's new definition of third party. As a result, the **owner/agent may accept income verification documents directly from sources, i.e., paystubs, letter head payroll sheet or other form from employer** (unless instructed otherwise by another agency or program). **However, in absence of the above, at the time of application, and as applicable, third party verification must be submitted by the owner/agent. Please refer to the methodology to anticipate and determine income from wages*.**

- **Asset verification** - for all assets including bank accounts, retirement accounts, real estate, stocks, bonds, etc. (above \$5,000 imputed @ new HUD passbook rate of 0.06%).
- HUD amended the 4350.3 Handbook to allow documentation directly from the financial institute to have the same value as a third party verification. The owner/agent is no longer required to obtain third party bank account verification forms (unless instructed otherwise by another agency or program). Applicant-provided statements are acceptable, provided: there are enough of them (six for checking and one current month for saving and other assets i.e. 401k, IRA, and other investments); they are current; and they show interest rates, dividends, and withdrawals.
- Although not explicit in HUD 4350.3, Chapter 5 does suggest a detailed review of assets. Therefore, **as part of MHP's requirements**, for consistency with income sources/amounts disclosed by applicants, **owner/agents must review deposit activity on bank account statements.**
- **Disposed asset** verification.
- **Under \$5,000 asset verification form** - MHP does not require an under \$5,000 verification since assets will be properly verified. Thus, the owner/agent is not required to produce this form.
- **Student-status disclosure form** – verification of assistance & enrollment as applicable. MHP follows the Low-Income Housing Tax Credit Program's student rule, as outlined by Internal Revenue Code Section 42(i) (3) (D) (please refer to page 6). Owner/agents must document minor children, grades K-12, as full-time students on the Tenant Income Certification (TIC). ***MHP accepts the Spectrum's student status form or the owner/agent can customize its own form based on the above stated guidelines.***

In some cases, the following documentation is needed:

- **Verification of disability**
- **Verification of live-in attendant**
- **Verification of unemployment benefits**
- **Verification of Section 8 assistance or Social Security payments**
- **Proof of change in family characteristics** (ex: divorce, death, birth)

- **Proof of gift income source**, if payments are received regularly
- **Proof of alimony/child support OR declaration that court-ordered support is not being received.**

Owner/agents shall use court documents to verify child support/alimony income. Alternatively, the state agency responsible for enforcing payments can provide activity reports to verify. In situations where no legal document exists (informal support), MHP requires third party verification from the person making payments.
- **Termination of employment verification** - Going forward the owner/agent can accept the last paystub and previous year's W2 as proof of employment verification termination. In the absence of one of these documents, the owner/agent would request termination verification directly from the previous employer. However, for applicants with seasonal employment, temporary or other type of work susceptible to layoff, the owner/agent will need to request a termination letter.
- **Self-employment form** - A form such as the Spectrum's self-employment form is acceptable and simple enough to understand. The form requires the applicant to provide a profit & loss report for each month if tax returns were not filed. However, the owner/agent can also accept supportive information such as spreadsheets detailing "Year to date Profit & Loss" and "Anticipated Profit and Loss for the next 12 months."
- **Certification of zero income & unemployment status affidavit** - MHP does require a signed statement of zero income (affidavit). If the owner/agent form already addresses employment & unemployment questions, there is no need to have the household complete a second form. A household's receipt of unemployment is verification. ***MHP accepts the Spectrum's forms or the owner/agent can customize and use its own form.***

***MHP's methodology to determine income from employment**

Income shall be documented and calculated as follows:

- 1. Obtain five consecutive paystubs from employer for all applicants.**
- 2. In absence of paystubs or need of additional clarification (seasonal fluctuations, scheduled raises, upcoming promotions, and year-end bonuses), the owner/agent must obtain a third party verification or alternative method of verification.**
- 3. Obtain W2 or 1040 and examine the gross income from prior year.**

Two separate calculations must derive from the pay stubs:

- (A) Average gross pay for five pay stubs; convert to annual figure and,
- (B) Convert YTD pay from latest pay-stub to annual figure. If pay-stubs do not have a YTD amount, or if applicant is unable to provide five consecutive pay-stubs, then a standard third party verification form from the employer must be requested, and the annual income calculation must derive from the third party verification.
- (C) Examine gross income from the prior year W2 or 1040.

The calculated income from (A) and (B) should be compared to the previous year's W-2 or 1040.

If the higher of (A) and (B) is less than the previous year's income from the W-2 and the household is still income eligible, then the higher of (A) and (B) should be the household's income put on the TIC, and no further employment income documentation is required for that source.

If any of the calculated income from (A) or (B), or the income from the previous year W-2, places the household over the income limit, the management/lottery agent should contact the employer to determine the circumstances. The management/lottery agent must document the employer's response, the resulting income calculation (which may not necessarily be the highest income) and use it as the base to determine income eligibility.

A third party employment verification form may be used to clarify an income discrepancy (which may result from seasonal fluctuations, scheduled raises, upcoming promotions or bonuses, year-end bonuses, commissions, overtime, pay unrelated to hourly wages), but this is not required if:

- The employer provides a signed statement, on company letterhead, or
- The owner/agent reaches out to the employer and documents the conversation on the Clarification Form.

If the employer is unable to provide information to explain the discrepancy, the owner agent must use the higher of (A), (B) or the income from the previous year's W-2.

4. The Section 8 Income Verification form is acceptable at annual income re-certification. Going forward, MHP will also accept it at initial certification.

The owner/agent can accomplish this by obtaining a copy of the voucher certificate and confirming qualified income level by submitting the Section 8 Income Verification form to the respective Public Housing Authority (PHA). These documents, along with the other required 40B documentation (application, student status form, and proof of identification), would be collected and submitted to MHP/Spectrum for final review. At move-in, the applicant would provide a final copy of the HUD-50058 form.

In absence of the above referenced documents, the applicant must provide the owner/agent with the required income/assets information. The owner/agent must complete the income verification process and submit it to MHP/Spectrum for final income eligibility determination.

Annual Compliance Review

During the 40B File Audit (annual for 40B projects, as required by loan documents for non-40B projects).

- a. MHP staff reviews new tenants' move-in certification files and a random sample of tenants' annual re-certification files (10%) to verify compliance with affordability restrictions of 40B comprehensive permit and MHP's Affordable Housing Agreements.
- b. MHP reviews any **marketing materials** used since the last review for compliance with the Affirmative Housing Fair Marketing Plan (AFHMP).
- c. MHP ensures **AFHMP is not expired** (less than 5 years old).
- d. MHP reviews **wait list for compliance** with the order of filling vacancies.
 - i. **Local preference is not allowed after the initial lease-up.**
- e. MHP reviews **declined applicant files** to ensure non-discriminatory practices.
- f. MHP reviews the **process and timing of purging** and reconstituting the wait list.
 - i. If the **wait list is closed, then re-opened**, the marketing and wait list order must comply with all Affirmative Fair Housing Marketing Guidelines.



Family definition & student rule

Under MHP's 40B Regulatory Agreement, "family" is defined as:

"Family : One or more individuals occupying a unit in accordance with the definition adopted by HUD for the so-called Section 8 program under the United States Housing Act of 1937, as amended, and the regulations promulgated thereunder (the "Section 8 Program"). Notwithstanding the foregoing, a household comprised of a full-time student or students shall not qualify as a Family except as permitted under the Low-Income Housing Tax Credit Program, Internal Revenue Code Section 42(i) (3) (D)."

The Internal Revenue Code provision regarding students:

"(D) Certain students not to disqualify unit. A unit shall not fail to be treated as a low-income unit merely because it is occupied

(i) by an individual who is -

(I) a student and receiving assistance under title IV of the Social Security Act,

(II) a student who was previously under the care and placement responsibility of the State agency responsible for administering a plan under part B or part E of title IV of the Social Security Act, or

*(III) enrolled in a job training program receiving assistance under the Job Training Partnership Act or under other similar Federal, State, or local laws, **or***

(ii) Entirely by full-time students if such students are

(I) single parents and their children and such parents are not dependents (as defined in section 152, determined without regard to subsections (b)(1), (b)(2), and (d)(1)(B)

*thereof) of another individual and such children are not dependents (as so defined) of another individual other than a parent of such children, **or***

(II) Married and file a joint return."

1- 40B Guidelines-"For a detailed description of assets and the treatment of such in determining eligibility, please refer to HUD's "Occupancy Requirements of Subsidized Multifamily Housing Programs"; Handbook 4350.3, Chapter 5, and Appendix 6-C, "Guidance About Types of Information to Request When Verifying Eligibility and Income"