

Multifamily Housing Case Studies: A RHIIP Training Program

Trainer Manual

INTRODUCTION TO THE TRAINER MANUAL

OVERVIEW

- This manual is a companion to the Participant Manual for the *Multifamily Housing Case Studies: A RHIIP Training Program*. The training program is another in a series of training and technical assistance tools that have been provided by the HUD Office of Multifamily Housing in support of the Rental Housing Integrity Improvement Project (RHIIP).
- The training program includes six modules, each addressing different requirements and aspects of the eligibility, income and rent determination process.
- These materials may be used in a variety of training settings including formal classroom training, conference calls, informal group, and self study.
 - The Trainer Manual contains the full text of the Participant Manual, annotated with trainer notes.
 - It also contains supplementary material for the trainer including lesson plans and recommendations for using the materials effectively.

ORGANIZATION OF THE TRAINER MANUAL

Introduction to the Trainer Manual

- This introduction describes the four settings in which the training materials may be used and discusses the relative merits of each.
- It also contains an annotated version of the Introduction to the Case Studies Training Program found in the Participant Manual.

Modules 1- 6

- Each of the six modules is organized as follows:
 - **Part A: Trainer Instructions and Lesson Plans** contains introductory material for the trainer for the module, including sample lesson plans.
 - **Part B: Annotated Participant Manual** includes a complete participant guide for the module. The “notes” sections of the Participant Manual have been annotated as needed with instructions and explanations for the trainer.
 - **Part C: Power Point Presentation** contains handout copies of the power point presentation for the module. Electronic versions of the power point slides also have been provided.
 - **Appendices:** Identical to the appendices of the Participant Manual. It contains items that participants and trainers may need to refer to for more than one module.

TRAINING METHODS

- The case study training materials can be used with a variety of methods including:
 - Conference call training
 - Formal class room training
 - Self Study
 - Small group study
- Table 1 provides a summary of the relative strengths and weaknesses of each training setting. Each method is discussed briefly below.

Conference Call Training

- The conference call format is a distance learning format that requires learners to participate by telephone.
 - The advantages of a conference call relate primarily to cost savings because no travel is involved.
 - The primary disadvantages are that interaction with participants must be limited and little individual attention can be given.

- Conference calls are most effective for:
 - Learners who already have some experience with the subject matter
 - Discrete topics that can be handled with a minimum of written materials
 - Generally for training that does not exceed three hours in length
- Because facilitators and participants are not in the same location:
 - Materials need to be well designed and easy to follow
 - Participants should receive and review the materials in advance

Classroom Training

- Classroom training presents the opportunity for participants and one or more instructors to be in the same location. It assumes that the materials will be presented and that participants will have the opportunity to complete tests, examples, and case studies during the session.
 - Classroom training offers the opportunity for a greater degree of interaction among participants and with the presenter and advance preparation by the participants is not required.
 - The primary disadvantages are related to cost for meeting facilities and travel for participants.
- Each of the six training modules can be presented as a single classroom training program. Two or more modules also may be combined to create longer programs.
- For *each module*:
 - A one-day (6-hour) training program would be appropriate for new learners.
 - A somewhat compressed 4-hour session is likely to be sufficient for learners with some experience.
- To allow for maximum discussion and to enable the trainer to assist participants during exercises, class size should be limited 40 students.

Self Study and Small Group Study

- Each training module includes all of the material that a motivated learner needs to study on his or her own.
 - This approach is helpful for a new learner before more training can be provided and for experienced staff looking for “refresher” training.
 - Self study enables the learner to work at his or her own speed.
 - This approach works best if a new learner has someone to turn to for questions and requires both a motivated learner and time set aside for the activity.
 - The estimated level of effort for each module, including recommended study of related Handbook 4350.3, REV-1 portions is 12 hours for a new learner and 8 hours for other learners.
- The materials have been designed in a way that also makes it possible for small study groups to work through the case studies together.
 - This could be an effective approach for several people in a single HUD office.
 - For this approach to be successful participants should review the materials and complete the exercises in advance and a specific time should be set aside for the group to meet.
- The self study approach for new learners combined with a group discussion with more experienced staff would be a useful component of an orientation program for a new employee or an employee assigned new responsibilities.

Table 1				
Comparison of Alternative Learning Environments for Multifamily Case Studies Training				
	Conference Calls	Formal Classroom Training	Self-Study	Small Group Study
Best Uses	<ul style="list-style-type: none"> • When participants already have some knowledge of the subject • When materials can be covered in three hours or less 	<ul style="list-style-type: none"> • For the new learner because materials are discussed in detail • When a significant amount of material needs to be communicated 	<ul style="list-style-type: none"> • For a new learner, before attending a formal training program • For any learner when other training methods are not possible 	<ul style="list-style-type: none"> • When participants already have some knowledge of the subject • Effective for an intact work group that is located together
Strengths	<ul style="list-style-type: none"> • Cost effective way to communicate a limited amount of information (no travel) • Can help identify areas of confusion for follow-up 	<ul style="list-style-type: none"> • Materials can be discussed in more detail • Case studies are completed in class • Individual assistance and answers to questions can be provided 	<ul style="list-style-type: none"> • For the motivated learner is efficient and effective • Learner can work at his/her own speed 	<ul style="list-style-type: none"> • Materials can be discussed in more detail • Can more easily be incorporated into a work day
Weaknesses	<ul style="list-style-type: none"> • Communication method is frustrating for some participants • Success depends upon participants preparing in advance 	<ul style="list-style-type: none"> • May require expenditures for travel and meeting space • Requires a full day commitment from participants 	<ul style="list-style-type: none"> • Requires a motivated learner • Risk that study will be preempted by other priorities • Limited ability to ask questions 	<ul style="list-style-type: none"> • Unless a facilitator is available there may be confusion when participants have questions • Risk that sessions will be preempted by other priorities

Trainer notes for Introduction to the Case Study Training Program

- The introduction from the Participant Manual (excerpted starting on page T-viii following) is an introduction to the entire training program (Modules 1-6).
- It should be discussed in conjunction with Module 1 and repeated in summary form at the beginning of each module that is presented at a separate time.
 - For example, if you conduct a one-day training program that covers Modules 1-3, you need to go over this material only once. But if you have separate conference calls for each module, weeks apart from each other, you should revisit the introduction at the beginning of each one.

For classroom training

- The power point presentation provides introductory slides that cover (in addition to this introduction) such issues as:
 - Administrative details and ground rules
 - Accessibility
 - Pre-training Self Test

Key points to emphasize in the Introduction to the Participant Manual (regardless of format)

Page i

- This is a RHIP training product and is intended to be used in conjunction with Handbook 4350.3, REV-1.
- This is a case study series:
 - Participation in all of them is important to obtain maximum benefit.
 - If you have missed (or will miss) any of the programs, please review that module as a self study exercise to catch up.

Page ii

- Go over the objectives list on this page. The objectives of the program relate to topics that were found to be problems in the QC study.
 - **Trainers:** Notice that the objectives provided here are for all 6 modules—each module has its own set of objectives that address the specific topics to be covered in that module.

Pages iii and iv

- This training program has a limited scope. It is not training on the entire Handbook 4350.3, REV-1.
- It covers the topics found in the chart on page iii.
 - ***Trainers:*** Some participants may have a hard time with the idea that the topics found in the chart are not going to be covered in the order found on the chart. Explain that every topic does not apply to every family (e.g., some case study families are elderly, some are not). To reassure them that the topics will be fully covered, refer them to Appendix 1 that explains which specific topics are addressed in each Module.
- It covers only Section 8 project-based, Section 202 PAC and Section 202/811 PRAC projects.

*Introduction excerpted from the Participant Manual***INTRODUCTION TO THE CASE STUDIES TRAINING PROGRAM****Overview**

- This training program is another in a series of training and technical assistance tools that have been provided by the Office of Housing in support of the Rental Housing Integrity Improvement Project (RHIIP).
- The training is presented in a series of six modules which cover aspects of eligibility, income and rent calculations that have been identified as significant problem areas in recent quality control studies.
- The program is based on **HUD Handbook 4350.3 REV-1, *Occupancy Requirements for Subsidized Multifamily Housing***. These training materials are intended to supplement, not replace, the handbook. Citations are provided in the training materials to enable the user to quickly refer to the handbook for expanded guidance and additional examples.
- The training program uses a case study method to explain key requirements. Case studies enable participants to see the actual application of the rules for a particular family. They present issues in the same way that owners and agents actually face them – with multiple issues relating to a single family.

Objectives of the Case Study Training Program

- The training program is intended to enhance participant knowledge and skills related to eligibility, income and rent determinations for multifamily assisted housing programs. Upon completion of the six modules, participants should be able to:
 - Correctly determine sources of income that are included and excluded from the determination of annual income
 - Identify assets and income from assets that must be considered in income determinations
 - Explain and apply HUD eligibility requirements related to disclosure of Social Security Numbers and documentation of citizenship and immigration status
 - Describe the deductions from income required by regulation and determine when each deduction is appropriate

Introduction excerpted from the Participant Manual

- Verify and document verification of factors that affect eligibility, income and rent determinations including obtaining consent from adult family members
- Develop effective and compliant verification forms
- Plan and execute effective interviews with applicants for and tenants in assisted housing
- Correctly calculate total tenant payment, utility allowances, utility reimbursements, and assistance payments

Programs and Topics Covered

- The six training modules cover the topics shown on the chart below as they apply to:
 - Section 8 project-based assistance
 - Section 202 developments with Project Assistance Contracts (PAC), and
 - Section 202 and Section 811 developments with Project Rental Assistance Contracts (PRAC)

Training Topics Included In the Six Modules	
<p>Eligibility</p> <ul style="list-style-type: none"> • Household Composition • Citizenship and Eligible Immigration Status • Disclosure of Social Security numbers 	<p>Verification and Documentation</p> <ul style="list-style-type: none"> • Consent and Verification Requirements and Methods • Documentation Requirements and Methods
<p>Annual and Adjusted Income</p> <ul style="list-style-type: none"> • Income Inclusions and Exclusions • Deductions from Income <ul style="list-style-type: none"> - Dependent and Child Care Deductions - Elderly and Disabled Household Deductions - Medical and disability assistance expenses 	<p>Effective Interviewing</p> <ul style="list-style-type: none"> • Interviewing uses and strategies • Required, recommended and prohibited questions • Data collection tools and techniques • Becoming a skilled interviewer
<p>Rent Calculations</p> <ul style="list-style-type: none"> • Rent formulas for Section 8, PAC and PRAC projects • Utility Allowances and Utility Reimbursements • Assistance Payments 	<p>Making the Most of the Training Materials</p> <ul style="list-style-type: none"> • Instructions and Resources for Trainers • Instructions and Resources for Self-study learners
<p>(See Appendix 1 for a summary of the topics to be covered in each module.)</p>	

Introduction excerpted from the Participant Manual

- Each module highlights different elements of these topics.
 - For example, Module 1 focuses on the dependent and child care deductions and later modules will address other deductions from income.
 - Appendix 1 of the Participant Manual lists the topics to be covered in each module.
- Special eligibility and rent calculation rules related to the Section 236 and Section 221(d)(3)BMIR programs and Handbook 4350.3 REV-1 topics other than those listed above are not covered.
- The same training content also is available in an interactive format on compact disk (CD).

Trainer Tools and Support

- A Trainer Manual including lesson plans, instructions and presentation slides is available for individuals that wish to present these materials in formal or informal training formats.
- Module 6 provides tips and additional guidance for trainers.

Trainer Manual

Module 1

Part A: Trainer Instructions and Lesson Plans

OVERVIEW OF MODULE 1

- The learning objectives of Module 1 are described on page 1-1 of the Participant Manual. From a trainer's perspective the module is intended to:
 - Provide an overview of the rent calculation process
 - Help participants become familiar with the case study method of learning, and
 - Permit the new learner, especially self study learners, to have an early success in working with HUD requirements and with this self study method
- The module includes pre- and post-training tests that are intended to be for the participant's use to identify areas that require additional study. The tests should not be used as the basis for certification or as part of an evaluation process. It does not provide enough questions for either of those purposes.
- The module consists of the six parts shown below. For a detailed description of the Parts see page 1-2 of the Participant Manual.
 - Part I. Household Composition and Definitions
 - Part II. Annual Income
 - Part III. Adjusted Income
 - Part IV. Rent and Assistance Payments
 - Part V. Verification Requirements
 - Part VI. Advanced Topics

TRAINING APPROACH

- **Parts I, II, III, and IV** should be presented together. They present an overview of the rent calculation process.
 - Note: During this initial introduction verification is not addressed and, although all household members are defined, there is a detailed discussion only of those that will be used in the Module 1 case studies.
 - Following this discussion participants complete Case Study 1. This is a relatively simple case study with answers provided at intermediate steps. This segment ends with a discussion of sources of error.
 - After reviewing the answers to Case Study 1, participants complete Case Study 2, a somewhat more complex situation for the same family.

- **Part V** describes overall verification requirements in detail and also the specific verification requirements for the topics covered in Module 1.
 - **Case Study 3** follows this discussion. It illustrates more complex calculations and requires the participant to review verification documents.
- **Part VI (Case Study 4)** enables participants to practice more complex calculations related to annualizing income and pro-rating child care expenses.

LESSON PLAN AND AGENDA: CONFERENCE CALL

- The lesson plan shown below for a three-hour conference call.
- The plan makes the following assumptions:
 - In order to successfully cover the material contained in Module 1 on a call of this length, participants must complete the pre-training self test, review the materials, and complete the case studies in advance.
 - Approximately 30 minutes of the call will be set aside for questions from participants.
- A sample agenda for this conference call is found at the end of Part A, on the page entitled “Agenda.”

Sample Lesson Plan Module 1 - Three Hour Conference Call

Module 1 Objectives

- At the end of this module participants will be able to:
 - Correctly identify and classify typical household members based upon the definitions contained in Handbook 4350.3 REV-1
 - Describe and apply Handbook 4350.3 REV-1 requirements for the treatment of the following:
 - Types of income: employment income, alimony and child support, foster care payments
 - Types of deductions from income: dependent deduction, child care expenses
 - Correctly calculate total tenant payment (TTP), assistance payments, rent to owner, and utility reimbursements for Section 8 project-based, PAC and PRAC projects.

Pre-Call Participant Preparation

- Complete the pre-training self test, review Module 1, complete case studies 1-4.
- Estimated level of effort: 2-3 hours (learner with experience); 3-4 hours (new learner).

Methods, Timeframes and Materials

- Of necessity, the training method on a conference call is primarily lecture. A participant question and answer period will be provided at the end of the conference call.
- The chart below summarizes the timeframes and materials for each segment of the conference call.

Module 1 - Conference Call Content Timeframes and Materials	
Topic	Timeframes and Materials
<p>Introductions and Overview</p> <ul style="list-style-type: none"> • Introduce call facilitators • Introduce Multifamily Housing Case Studies Training Program • Review agenda for the call 	<ul style="list-style-type: none"> 🕒 Timeframe: 15 minutes 📖 Manual: pages i through iv; 1-1 through 1-6 Self Test Answers in Participant Manual 1-67
<p>Parts I-IV Summary Discussion</p> <ul style="list-style-type: none"> • Summary of income & rent determinations • Highlight challenging policies related to income and deductions from income • Review case study and answers (1-27 through 1-30) • Case Study 2 questions and answers 	<ul style="list-style-type: none"> 🕒 Timeframe: 45 minutes (10 of which are for Q&A) 📖 Manual: pages 1-7 through 1-38 Case Study 2 Answers in Participant Manual: 1-71
<p>Part V: Summary Discussion</p> <ul style="list-style-type: none"> • Verification requirements • Case Study 3 	<ul style="list-style-type: none"> 🕒 Timeframe: 45 minutes (10 of which are for Q&A) 📖 Manual: pages 1-39 through 1-56 Case Study Answers in Participant Manual: 1-75
<p>Part VI: Advanced Topics</p> <ul style="list-style-type: none"> • Discussion of advanced questions • Annualizing income • Pro-rating child care expenses 	<ul style="list-style-type: none"> 🕒 Timeframe: 30 minutes 📖 Manual: pages 1-57 through 1-60 Case Study Answers in Participant Manual 1-79
<p>Question and Answer Session</p>	<ul style="list-style-type: none"> 🕒 Timeframe: 30 minutes 📖 Manual: None
<p>Post-training Self Test</p> <p>Participants may use this tool after studying Module 1 or after the conference call</p>	<ul style="list-style-type: none"> 🕒 Timeframe: 15 minutes 📖 Manual: pages 1-61 through 1-67 Self Test Answers in Participant Manual: 1-83

LESSON PLAN AND AGENDA: CLASSROOM TRAINING

- The lesson plan and agenda shown below are for a one-day (6 hour) classroom training program on Module 1.
- A full day may be required to train Module 1 topics in detail with a new learner group, but a full day may not be required for more experienced learners.
- Especially if participants must travel a significant distance to attend the training, you may wish to consider asking new learners to study the material in advance and then cover two modules in a single day.

**Sample Lesson Plan
Module 1 - Classroom Training**

Module 1 Objectives

- At the end of this module participants will be able to:
 - Correctly identify and classify typical household members based upon the definitions contained in Handbook 4350.3 REV-1.
 - Describe and apply Handbook 4350.3 REV-1 requirements for the treatment of the following:
 - Types of income: employment income, alimony and child support, foster care payments
 - Types of deductions from income: dependent deduction, child care expenses
 - Correctly calculate total tenant payment (TTP), assistance payments, rent to owner, and utility reimbursements for Section 8 project-based, PAC and PRAC projects.

Methods, Timeframes and Materials

- The format is intended to be an interactive discussion.
 - Participants generally are not expected to complete the Pre-training Self Test before the day of the session. The test may be administered as part of the formal session and/or participants may be encouraged to take the test during the registration process.
 - Participants will complete the case studies during the session.
 - Participants should complete the Post-training Self Test as part of the session.
- The chart below summarizes the timeframes and materials for each segment of the training. The chart includes references to Power Point slides that have been prepared for use in the classroom.
- See page A-viii for an agenda for this training.

Module 1 - Classroom Training Content Timeframes and Materials	
Pre-training Self Test (Participants may be asked to complete the self study test before the session begins as part of the registration process or as part of the introduction, as shown below.)	
Topic	Timeframes and Materials
Introductions and Overview of the Training <i>Format: Presentation and Information Collection</i> <ul style="list-style-type: none"> • Introduction of trainer(s) and participants • Introduction to the Multifamily Housing Case Studies Training Program • Review agenda for the training • Administer Pre-training Self Test 	<ul style="list-style-type: none"> 🕒 Timeframe: 15 minutes without self test; 30 minutes with self test 📖 Manual: pages i through iv; 1-1 through 1-6 Self Test Answers in Participant Manual: 1-67 ▶▶ Power Point: 1 through 21
Household Composition and Annual Income <i>Format: Presentation and Interactive Discussion</i> <ul style="list-style-type: none"> • Family and Household Definitions • Annual Income Overview • Employment Income • Alimony and Child Support • Foster Care Payments 	<ul style="list-style-type: none"> 🕒 Timeframe: 1 hour 📖 Manual: pages 1-7 through 1-18 ▶▶ Power Point: 22 through 51
Adjusted Income and Rent Calculations <i>Format: Interactive Discussion and 2 case study exercises</i> <ul style="list-style-type: none"> • Adjusted income overview • Dependent deduction • Child care expenses • TTP and assistance payments • Utility allowances and utility reimbursements • Case Study 1; Case Study 2 	<ul style="list-style-type: none"> 🕒 Timeframe: 1 hour, 45 minutes 📖 Manual: pages 1-19 through 1-38 Case Study 1 and Answers: 1-27 through 1-30 Case Study 2 Answers in Participant Manual: 1-71 ▶▶ Power Point: 52 through 90
Verification Requirements <i>Format: Interactive Discussion and 1 case study exercise</i> <ul style="list-style-type: none"> • Verification methods overview • Verification of earned income, alimony, child support • Verification of dependent deduction, and child care expenses • Case Study 3 	<ul style="list-style-type: none"> 🕒 Timeframe: 30 minutes 📖 Manual: pages 1-39 through 1-56 Case Study Answers in Participant Manual: 1-75 ▶▶ Power Point: 91 through 124
Advanced Topics and Post-training Self Test <i>Format: Case study exercises and discussion</i> <ul style="list-style-type: none"> • Discussion may include self test questions as well as those provided in Case Study 4 	<ul style="list-style-type: none"> 🕒 Timeframe: 45 minutes 📖 Manual: Pages 1-57 through 1-60 Self Test Answers in Participant Manual: page 1-83 ▶▶ Power Point: 125 through 136

Sample Agenda
Module 1 Classroom Training - 6 Hours

**MULTIFAMILY HOUSING CASE STUDIES TRAINING PROGRAM
AGENDA**

- | | |
|----------------------|---|
| 8:00 - 8:30 | Registration |
| 8:30 - 9:00 | Introductions <ul style="list-style-type: none">• Overview of the Training• Pre training Self Test |
| 9:00 - 10:00 | Household Composition <ul style="list-style-type: none">• Annual Income Overview• Inclusions/Exclusions• Earned Income• Alimony and Child Support• Foster Care Payments |
| 10:00 - 10:15 | Break |
| 10:15 - 12:00 | TTP and Assistance Payment <ul style="list-style-type: none">• Adjusted Income Overview• Dependent Deduction• Child Care Expenses• TTP and Assistance Payment• Utility Allowances and Utility Reimbursements• Case Study 1 and Case Study 2 |
| 12:00 - 1:00 | Lunch |
| 1:00 - 2:15 | Verification Requirements <ul style="list-style-type: none">• Case Study 3 |
| 2:15 - 2:30 | Break |
| 2:30 - 3:30 | Advanced Topics <ul style="list-style-type: none">• Case Study 4• General Questions and Answers |
| 3:30 - 3:45 | Post training Self Test |

NOTES

Trainer Manual

Module 1

Part B: Annotated Participant Manual

TRAINER NOTES

- The agenda on the following page is the agenda for a conference call format. See Part A for an agenda for classroom training.
- The agenda is followed by a table of contents for Module 1 that begins the specific introduction to Module 1. The table of contents is a reference tool for participants and does not need to be discussed.
- The appropriate place to discuss the organization of Module 1 is on page 1-2.

**RHIP HELP DESK CONFERENCE CALL
MODULE 1
November 3, 2004
AGENDA**

Time: 1:00 PM to 4:00 PM EST

Chairperson: Cynthia Thomas, HUD

Facilitators: Diane Hooten, HUD
Amy Jones, Nan McKay and Associates

Confirmation Number: 28157929

Dial In Number: 888-757-3036

Pre-conference Participant Responsibilities

- Complete the pre-training self test and review answers
- Review training manual
- Complete Case Studies 1-4

1:00 - 1:15 Introductions

Overview of the Multifamily Housing Case Studies: RHIP Training Program

1:15 - 1:45 Overview of Basic Income and Rent Calculation Policies

- Household Composition
- Annual and Adjusted Income
- TTP and HAP
- Case Study 1 - Introducing the Bonner Family
- Case Study 2 - The Bonners Revisited

1:45 - 2:00 Questions on Case Studies 1 and 2

2:00 - 2:30 Verification Basics

- Case Study 3 - Bonner Family Interim Reexamination

2:30 - 3:30 Advanced Topics

- Case Study 4

3:30 - 4:00 Questions and Answers

Post Training Participant Responsibilities

- Complete post-training self test
- Complete training evaluation

TRAINER NOTES

- The introduction that begins on page 1-1 is an introduction specifically for Module 1.
- The objectives on page 1-1 identify the specific topics that will be included in Module 1.
- The discussion on page 1-2 explains how the module is organized. Here, and not the table of contents is the correct place to discuss contents with participants.
- The pre-training self test begins on page 1-3. When these materials are used for a conference call format, the self-test should be completed in advance. For classroom training, the trainer may instruct participants to complete the test during the registration process or as part of the introductory session. Answers to this test are found in the Participant Manual on page 1-67.

Multifamily Housing Case Studies

A RHIP Training Program

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INTRODUCTION TO MODULE 1

OVERVIEW

- This module is the first in a series of six training modules developed in support of the Rental Housing Integrity Improvement Project (RHIIP). The module includes brief topic discussions based on Handbook 4350.3 REV-1, *Occupancy Requirements for Subsidized Multifamily Housing*, and four case studies that are designed to give the learner practice in applying HUD policies.
- The introductory case study is simple and designed to provide an overview of the income and rent calculation process. The remaining case studies become progressively more complex.
- The module may be used as a self-study tool or in a formal training program.

OBJECTIVES

- At the end of this module participants will be able to:
 - Correctly identify and classify typical household members based upon the definitions contained in Handbook 4350.3 REV-1.
 - Describe and apply Handbook 4350.3 REV-1 requirements for the treatment of the following:
 - Types of income: employment income, alimony and child support, foster care payments
 - Types of deductions from income: dependent deduction, child care expenses
 - Correctly calculate total tenant payment (TTP), assistance payments, rent to owner, and utility reimbursements for Section 8, PAC and PRAC projects.

ORGANIZATION OF MODULE 1

- ***Part I: Household Composition and Definitions*** provides an overview of HUD definitions for household members and detailed information about the household composition topics used in the Module 1 case studies including: head of household, minors, dependents, foster children.
- ***Part II: Annual Income*** provides an overview of the regulatory definition of annual income. Module 1 case studies address in detail the following topics related to annual income.
 - Earned income
 - Child support
 - Foster care payments
- ***Part III: Adjusted Income*** provides an overview of the regulatory definition of adjusted income. Module 1 case studies address in detail the following topics related to adjusted income:
 - Dependent Deduction
 - Child Care Expenses
- ***Part IV: Total Tenant Payment and Assistance Payment*** provides an overview of the Section 8 formula for calculating total tenant payment, the use of utility allowances, and calculation of the assistance payment. Module 1 case studies include the calculation of TTP and assistance payment.
- ***Part V: Overview of Verification Requirements*** summarizes basic verification requirements and the specific verification requirements related to the topics covered in Module I case studies.
- ***Part VI. Advanced Topics*** reviews key concepts provided earlier in the module and presents illustrations of more complex calculations and applications of policy.

MODULE 1 - PRE-TRAINING SELF TEST

Note: This test is provided as a learning tool for participants. The pre-training self test is designed to measure your level of knowledge **before** you study this module. Answer the questions as best you can (without looking at the training materials or Handbook 4350.3 REV-1). A post-test is available at the end of the module to measure how much you have learned.

Answers to Pre-training Self Test are in Attachment A at the end of this module.

1. For which of the following household members can the owner consider child care expenses?
 - Baby Sylvia, age 2
 - Brother Bryan, age 7
 - Frank, a foster child, age 8
 - Sister Janine, age 12
 - a. All of these household members qualify the family for child care expenses.
 - b. Only Sylvia and Bryan qualify the family for child care expenses.
 - c. All members except Frank, the foster child, qualify.

2. Fred and Ethel live in your assisted housing development. Fred works full-time, receiving \$1,000 gross pay bi-weekly. Ethel works part-time, receiving \$300 gross pay semi-monthly.
 - How would you compute the annual income for Fred and Ethel?

3. Calculate the total dependent deduction for the following family.
- Jim (head of household) 25, employed
 - Sally (Jim's wife), 21, full-time college student
 - Theresa (Sally's sister) 28, full-time college student
 - Bart (Jim/Sally's son), 2
- a. \$800
b. \$960
c. \$1,440
d. \$0
4. Theresa (from question 3 above) works part time at the local public library. She makes \$5.00/hour and works 15 hours per week. Calculate the amount of annual income that will be included in rent calculations.

Annual Income: _____

5. Child care expenses paid to a relative of a family member (who does not live in the assisted unit) can be deducted if all other requirements are met.
- a. True
b. False
6. Suzanna Q (head of household) lives with her disabled mother and 9 year old son. She works full time at the local manufacturing plant and earns \$14,000/year. A care attendant takes care of her mother and son Monday through Friday and charges \$150/week. What else do you need to know to calculate allowable child care?

7. Child support payments received by a family member are counted in annual income only if they were specified in a divorce decree or other court order.
- a. True
b. False

8. Tom B. (32) and his three children (3, 7, 10) live with Grandma B (head of household). After being stationed at Ft. Meyers for the last three years, Tom has been called for a tour of duty in Iraq and is expected to be gone 18 months. During his tour in Iraq, he is expected to be paid regular military pay as well as special pay by virtue of being exposed to hostile fire. Which of the following is true?
- a. All of Tom's income continues to be counted, even though he is not there.
 - b. Tom's regular pay is counted but not special pay he receives by virtue of being exposed to hostile fire.
 - c. None of Tom's income is counted because he is not the head of household and he will be gone for more than 12 months.
9. Bob H. is a retired carpenter. Now he occasionally does small jobs for other residents in his Section 202/PRAC project such as assembling book cases and repairing chairs. Some times he is paid with “cookies and coffee” but he guesses that he might have earned as much as \$300 in tips last year.

How much will you count as income in the coming year? _____

10. Jack and his son Phillip live in your development. Jack also has joint custody of his 3-year old daughter who lives with his ex-wife. Jack pays \$150/month to his ex-wife for the care of his daughter. Will you allow Jack a child care deduction for this amount?
- a. Yes
 - b. No

TRAINER NOTES: APPROACH TO CASE STUDY 1 AND PRESENTATION MATERIALS

Purpose and Approach

- Case Study 1 is designed to introduce the learner to basic concepts and to illustrate the full rent calculation process from determining annual income through calculation of the assistance payment.

Training Materials

- The training materials presented in Parts I-IV set the stage for Case Study 1 and provide a foundation for all of the remaining case studies. The materials summarize Handbook 4350.3 REV-1 requirements re:
 - Part I: Household composition. This part discusses all of the key definitions of family members and household members, even though not all types of family members are represented in the case studies. After reviewing Part I participants should be able to classify the status of any person who lives in an assisted unit.
 - Part II: Annual Income is both an introduction to the overall subject of annual income and also a more in-depth discussion of employment income, child support, and foster care payments. After reviewing Part II participants should be able to explain how to determine whether a particular type of income is included or excluded from annual income and explain basic requirements related to the three types of income.
 - Part III: Adjusted Income introduces all five deductions from income but focuses specifically on only two; the dependent deduction and child care expenses.
 - Part IV: TTP and Rent Calculations explains how an owner determines the amount the family should pay and the amount of subsidy the government should provide.

Presentation vs. Review

- In a conference call format, participants are expected to have reviewed Parts I-IV and completed the case study in advance.
- In a classroom training setting Parts I-IV should be presented as an interactive discussion and participants should complete the case study in class.

Tips and Cautions

- The case study is divided into two parts and the answers are provided in the text. This is the only case study for which this is true.
- New learners will find this case study helpful because it gives the “big picture” without complicated calculations or application of obscure policies. More experienced learners will find the case study very “basic.”
 - How much time should be spent on Case Study 1 depends upon the experience of the audience. In a mixed audience of new and experienced learners, explain that this case study is aimed primarily at new learners, but suggest that experienced learners confirm their understanding of the basics.
- The case study method addresses only specific elements of annual income and only two of the deductions from income. Keep the discussion focused on those elements. For example, more experienced learners may wish to ask questions about types of income or deductions that are not the focus of this case study. In such cases you should:
 - Identify the module that will address the issue and refocus the conversation on the items to be discussed in this module.
 - If there is time, at the end of the module address the extraneous questions raised if it is possible to do so briefly.
- To keep the discussions on track, trainers must become very familiar with the flow of materials within the module and the topics to be addressed in each case study. Try to avoid having participants divert the conversation to an issue discussed in Case Study 4 during the discussion of topics earlier in the module.

Notes

PART I HOUSEHOLD COMPOSITION AND DEFINITIONS

Why Household Composition Matters

- Eligibility and rent calculation rules vary depending upon the characteristics of the family as a whole and the characteristics of individual family members.
- Errors in classifying the status of persons who live in an assisted unit result in errors in tenant rent and assistance payment.
- Correct income and rent determinations depend upon the correct application of definitions for the following persons who may live in an assisted unit:
 - Head of Household
 - Spouse or Co-head
 - Dependents
 - Full time Students
 - Elderly Person/Elderly Household
 - Person with a Disability/Disabled Family
 - Live-in Aide
 - Foster Child/Adult

Family vs. Household

- “Family” refers to the assisted persons in the unit. A family may be one person and need not include children.
- “Household” is a broader term that includes family members and others living in the unit including live-in aides, foster children and foster adults.

Trainer Note:

Household composition will be revisited in each module as needed, based upon the characteristics of families in the case studies for each module.

You may wish to warn participants that you may defer questions about household composition that are covered in detail in other modules.

Notes

Head of Household

- Head of household means the adult member of the family who has been designated by the family as the head for purposes of determining income, eligibility and rent.
- Throughout this module the term “head” is used as shorthand for head of household.

Spouse or Co-head

- An adult member of the family who is treated the same as a head of the household for purposes of determining income, eligibility, and rent.

Other Adult

- Any adult family member that is not the head, spouse or co-head is an “other adult.”
- A temporarily absent “other adult” on active military duty who does not have a spouse or dependent in the unit is not counted as a family member. (See additional discussion of Armed Forces personnel under Part II).

Glossary

Notes

Minor/Emancipated Minor

- A minor is a family member under the age of 18.
- An emancipated minor is a person under the age of 18 who under state law may legally sign and be held responsible for legal documents (such as a lease).
 - The earned income of an emancipated minor who is the head, spouse or co-head is counted in annual income.
 - An emancipated minor who lives in the unit in a capacity other than head, spouse or co-head, is considered a dependent and the individual's earned income is not counted.

Glossary

4350.3 REV-1; Par. 5-6A

Elderly Person

- A person at least 62 years of age.

Glossary

Elderly Family

- An elderly family is one in which the head, spouse or co-head is at least 62 years of age.

Notes

Persons with Disabilities/Disabled Household

- Under HUD subsidy programs special rules apply to persons with disabilities and to any family whose head, spouse or co-head is a person with a disability.
- The detailed definition of *persons with disabilities* is provided in Handbook 4350.3 REV-1, Figure 3-6.
- A *disabled household* is one in which the head, spouse or co-head is a person with disabilities.
- A more detailed discussion of these special rules is provided in Module 4.

Dependents

- A dependent is a family member who is under 18 years of age, or a family member who is at least 18 years of age who is a person with disabilities or a full-time student.
- The head, spouse, co-head, a foster child, a live-in aide, an unborn child, and persons not yet living in the unit **are never** dependents.
- The following persons are counted as dependents:
 - Children temporarily absent due to placement in foster care
 - Children subject to a joint custody agreement who live in the assisted unit at least 50 percent of the time
 - Full-time students living away from home that live in the unit during school vacations
 - Children in the process of being adopted who are living in the unit

4350.3 REV-1; Ch 3

Trainer Note:

The definitions related to disabilities are complex, but most of the complexities relate to eligibility and non discrimination, not income and rent determinations. Generally speaking, disabilities may be physical, mental, developmental, and in some cases drug- and alcohol-related. More will be discussed on this topic in a Module 4.

4350.3 REV-1; Par. 5-10A

Notes

Full-time Student

- A person who is attending school or vocational training on a full-time basis as defined by the institution.

Glossary

Live-In Aides

- A person who resides with one or more elderly persons, near-elderly persons, or persons with disabilities, and who: (1) is determined to be essential to the care and well-being of the persons; (2) is not obligated for the support of the persons; and (3) would not be living in the unit except to provide the necessary supportive services.
- Relatives may be live-in aides if they meet the definition above, but are not considered family members.
- A live-in aide *cannot* be the remaining member of a family.

Glossary

Foster Adult

- A foster adult is usually an adult with a disability who is unrelated to the tenant family and who is unable to live alone.

Glossary

Trainer Note:

The glossary definition of *foster adult* does not include references to guardianship, but the intent is the same.

Foster Child

- Children that are in the legal guardianship or custody of a State, county or private adoption or foster care agency, yet are cared for by foster parents in their own homes, under some kind of short-term or long-term foster care arrangement with the custodial agency.

Glossary

Notes

Remaining Member of a Tenant Family

- Special eligibility and rent calculation rules apply to the remaining member of a family for some types of projects.

4350.3 REV-1; Par. 3-15

Trainer Note:

A discussion of remaining member of a tenant family is not required for Module 1 case studies, but since the term is referenced in the definition of live-in aide, it should be briefly explained.

Since a live-in aide is not a family member, the aide has no right to remain in a unit when the persons cared for are no longer in the unit (through death or a move).

Notes

PART II ANNUAL INCOME

Annual Income Definition

- Annual income is defined in 24 CFR 5.609. It includes all amounts monetary or not that are anticipated to be received from a source outside the family during the 12-months following admission or annual recertification effective date.
- The regulation specifies items to be included in annual income and those to be excluded. Appendix 2 provides these regulatory definitions.
- Annual income is compared to the applicable income limits to determine program eligibility.
- Annual income is also used as part of the formula that determines how much the family must pay and how much subsidy must be provided.

4350.3 REV-1; Exhibit 5-1

Trainer Note:

Income limits and targeting are not part of this module. See 4350.3 REV-1, Ch3, section 1.

Notes

Whose Income is Counted?

- All income of adult family members, that is not specifically excluded, is counted.
- Earned income of family members under 18 is NOT counted, except that a minor who is the head, co-head or spouse is treated as an adult. Benefits and other non-earned income of minors are counted.
- The income of live-in aides, foster children and foster adults is never counted.
- Income of temporarily absent family members is counted.
- A person who is permanently confined to a nursing home or hospital may not be designated head, spouse or co-head, even when the permanently confined family member is married to the person who is or will become the head of the family. The family may choose whether to:
 - Include the absent individual's income and therefore benefit from any allowable deductions from income, or
 - Exclude the absent individual's income and therefore not receive any allowable deductions that are based upon the permanently confined member.

4350.3 REV-1; Par. 5-6

4350.3 REV-1; Par. 5-6C

Trainer Note:

This policy creates a challenging situation for owners. In order to explain the implications of this decision to the family, they may have to calculate TTP using both methods. This topic is covered in Module 4.

Notes

Earned Income

- Annual income includes: “the full (gross) amount, before any payroll deductions of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services.”
- For members of the Armed Forces the regulation requires owners to:
 - **Count** all regular pay, special pay and allowances of a member of the Armed Forces (whether or not living in the dwelling) who is the head, spouse, or other person whose dependents are residing in the unit
 - **Exclude** special pay to a family member serving in the Armed Forces who is exposed to hostile fire.
- Handbook 4350.3 REV-1 further clarifies that the income of a temporarily absent family member on active duty who is not the head, spouse or co-head:
 - **Is** counted if either the spouse or dependents of the individual live in the assisted unit and
 - **Is not** counted if no spouse or dependent lives assisted in the unit.
- Income from sporadic work is NOT counted.
- Earned income of minors (except for head, spouse or co-head) is NOT counted.
- Count only the first \$480 of earned income paid to dependents who are 18 or older and who are full-time students.
- 24 CFR 5.609(b) lists a number of other types of earned income that are NOT counted.
- Owners should become familiar with these special types of income and understand if and how they are administered locally.

4350.3 REV-1; Ch5,
section 1

Trainer Note:

More on this in Module 4.

Notes

Anticipating Earned Income

- Generally earned income is anticipated based on a family's current circumstances. For example:
 - If a family member currently works full time and earns \$7.00/hour, the owner should (absent contradicting information) assume the person will work full time at that amount in the future.
- If the owner can verify changes that will take place during the year the owner may annualize income from all sources.
- If changes are likely but circumstances after the change are not known (e.g., unemployment compensation will end) the owner should anticipate annual income based upon current circumstances.

4350.3 REV-1; Par. 5-5

Trainer Note:

The intent is to avoid unnecessary interims, but owners should use some discretion in applying this rule. If an individual routinely works at one job during the school year and another during the summer, it is reasonable to assume that the family's budget is geared to this schedule, and to annualize and average the two incomes together.

However, if a person's income is now \$0 (because she is a student) and has a firm job offer at \$40,000 starting five months from now, it would not make sense to average those incomes, because the person has no ability to pay now.

Notes

Alimony or Child Support

- Owners must count alimony or child support amounts awarded by the court unless the applicant certifies that payments are not being made and demonstrates that he/she has taken all reasonable legal actions to collect amounts due.
- Alimony or child support paid by a family member to or on behalf of a person not living in the assisted unit is not an eligible deduction from income.

4350.3 REV-1; Par. 5-6E

Payments for the Care of Foster Children/Adults

- Payment received by the family for the care of a foster child/adult is *excluded* from annual income.

NOTES

Notes

PART III ADJUSTED INCOME

Adjusted Income Definition

- Adjusted income is annual income minus the amount of any of the following deductions for which the family qualifies.
 - *All families* may qualify for:
 - \$480 dependent deduction (discussed in this module)
 - Allowable child care expense deduction (discussed in this module)
 - Unreimbursed disability assistance expense
 - *Only families in which the head, spouse or co-head is at least 62 or a person with a disability* may qualify for:
 - Elderly or disabled household deduction
 - Unreimbursed medical expense deduction
- A family may not designate a family member as head, spouse or co-head solely to become eligible for deductions from income.

4350.3 REV-1; Ch3, section 2

Trainer Note:

Remind participants that in this module we are going to discuss only the dependent deduction and child care expenses.

This is not the time to get engaged in a conversation about the others, because there are no examples.

4350.3 REV-1; Par. 5-9 B.2.

Notes

4350.3 REV-1; Par. 5-10A

Dependent Deduction

- \$480 is deducted from annual income for each family member that is a dependent.
- *How many dependents?* In each of the following circumstances specify the number of dependents. (Answers found on page 1-22.)

Family Composition	Number of Dependents
A. Head (26) and Spouse (27); children (3, 5, 6)	
B. Head (42), children (9, 13; 23 and disabled)	
C. Head (21), Spouse (17), child (2)	
D. Head (62), Daughter (35), grand daughter (5)	
E. Head (52), Daughter (30 and disabled), grand daughter (15), mother of the head (72 and a full time student)	
F. Head (30), foster children (4, 5) and a disabled foster child (9)	

- When more than one assisted family shares custody of the child, only one family (at a time) can claim the deduction.
 - The family with primary custody or with custody at the time of initial or annual recertification receives the deduction.
 - In the case of a dispute, the owner should refer to available documents (e.g., IRS and court orders).

*Notes***Child Care Expenses*****Type of Child Care***

- A family may be eligible to receive a deduction for anticipated child care expenses if:
 - The expenses are for the care of a child under age 13 and are reasonable and not reimbursed by someone outside the family
 - The care is necessary to enable a family member to work, seek work, or further his/her education
 - The *family* determines no adult family member capable of providing care is available
 - The expenses are not paid to a family member living in the unit

Limits on Child Care Expenses

- Child care expenses that enable a family member to work must not exceed the amount earned by the family member made available to work.
- Child care expenses that enable a family member to seek work or further his/her education are not limited by family earnings.
- If some of the child care expense is limited by earnings and some is not, the amounts must be considered separately.
- If the expenses also pay for care of someone who is not eligible for child care the expenses must be pro-rated.

4350.3 REV-1; Par. 5-10B

Trainer Note:

Emphasize this point. Owners should not be making the decision about whether a family member is available.

Notes

Answers to Dependent Deduction Quiz

Family Composition	Number of Dependents
A. Head (26) and Spouse (27); children (3, 5, 6)	3
B. Head (42), children (9, 13; 23 and disabled)	3
C. Head (21), Spouse (17), child (2)	1
D. Head (62), Daughter (35), grand daughter (5)	1
E. Head (52), Daughter (30 and disabled), grand daughter (15), mother of the head (72 and a full time student)	3
F. Head (30), foster children (4, 5) and a disabled foster child (9)	0

Notes

PART IV TENANT PAYMENT AND ASSISTANCE PAYMENT

Project Rents

- HUD approves the rent the owner may charge for the unit and also a utility allowance for tenant-paid utilities.
- In Section 8 and 202 PAC projects:
 - The unit rent is called “contract rent”
 - The “gross rent” = contract rent plus the utility allowance
- For Sec. 202/811 PRAC projects:
 - The unit rent is the operating rent minus the utility allowance
 - The “gross rent” = the operating rent

4350.3 REV-1; Ch5, section 4

Trainer Note:

Throughout this section the generic term “assistance payment” is used rather than HAP, to make the discussions relevant to 202 PAC and 202/811 PRAC projects as well as Section 8.

Total Tenant Payment

- The total tenant payment (TTP) is the amount a tenant is expected to contribute for rent and utilities.
- For Section 8, PAC and PRAC, the TTP is based on the family's income.
- For Section 8, the family pays the greatest of:
 - 30% of monthly adjusted income
 - 10% of monthly gross income
 - Welfare Rent (in as paid states)
 - \$25 Minimum Rent
- PAC and PRAC projects use the same formula, except that there is no minimum rent.
- In PRAC projects, the TTP may exceed the PRAC operating rent.

4350.3 REV-1; Figure 5-6

Notes

- **TTP at Admission:** Section 8 and PAC projects may admit an applicant only if the TTP is less than the gross rent.

Note: Owners must waive the minimum rent requirement in certain hardship circumstances. Exceptions to the minimum rent requirement will be covered in Module 2.

Assistance Payments

- The assistance payment is the federal subsidy provided on the tenant's behalf. The assistance payment is calculated as follows:

$$\begin{array}{r} \$600 \text{ Contract Rent} \\ + \quad \underline{75 \text{ Utility Allowance}} \\ = \quad \underline{675 \text{ Gross Rent}} \\ - \quad \underline{100 \text{ TTP}} \\ = \quad \underline{\$575 \text{ Assistance Payment}} \end{array}$$

Trainer Note: Even though not discussed in this module, you should know the basics. See 4350.3 REV-1, Par. 5-26D.

Notes

Tenant Rent and Utility Allowances

- A family's Total Tenant Payment is used to pay both rent and utilities. In the example above, the family's TTP would be allocated as follows:

- \$75 would be used to pay utilities
- \$25 would be paid to owner as rent

- The owner would receive:

$$\begin{array}{r}
 \$25 \text{ From the family} \\
 + \quad 575 \text{ From HUD} \\
 \hline
 \$600 \text{ Contract rent}
 \end{array}$$

Utility Reimbursements

- If a family's TTP is less than the allowance for tenant-paid utilities, the owner owes the family a utility reimbursement.
- Example:

$$\begin{array}{r}
 \$500 \text{ Contract rent} \\
 + \quad 55 \text{ Utility allowance} \\
 \hline
 = \quad \$555 \text{ Gross rent}
 \end{array}$$

$$\begin{array}{r}
 \$555 \text{ Gross rent} \\
 - \quad 25 \text{ TTP} \\
 \hline
 = \quad \$530 \text{ Assistance payment}
 \end{array}$$

- The owner receives \$530 from HUD, and retains \$500 to cover the unit rent
- The owner pays the remaining \$30 to the tenant as a utility reimbursement.
- \$30 (from owner) + \$25 (TTP) = the utility allowance.

Trainer Note:

QC study has shown utility reimbursements as a problem:

- Must be paid monthly
- Cannot be used to offset other charges
- Not paid at all sometimes

Notes

Rounding Rules

- Generally, carry decimals from one step to another until you reach the number that will be entered into TRACS.
- Then round up at \$0.50 and down at \$0.49.

Income Example

- Mary makes \$9.23/hour and works 16 hours/week. The calculation would be as follows:
 - \$9.23 x 16 = \$147.68 (do not round)
 - 147.68 x 52 weeks = \$7679.36 (round down)
 - TRACS entry for employment income would be \$7679.

Assets Example

- Each type of asset is separately rounded.
 - Savings Account: \$489.23 would round down to \$489
 - Checking Account: \$246.89 would round up to \$247
 - Total Assets is calculated using the rounded numbers:
\$489 + \$247 = \$736

Medical Expense Example

- Since only the final number is entered in TRACS, do not round each item. Round the total for all medical expenses.
 - Prescription A costs \$98.42/month x 12 months = \$1181.04
 - Prescription B costs \$48.36/month x 12 months = \$580.32
 - Medical expenses

	\$1,181.04	
+	580.32	
=	\$1,761.36	Rounded to \$1,761

4350.3 REV-1;
Appendix 8

Trainer Note:

Case Study 1 on the next page is designed in two parts. *For this case study only*, answers are part of the exercise. Participants complete page 1-27 (answers are on 1-28). Stop and discuss. Participants then complete page 1-29 (answers are on 1-30).

CASE STUDY 1: INTRODUCING THE BONNERS

Background

The Bonner family lives at Daniel Apartments in a two bedroom unit that rents for \$925 including all utilities. Elizabeth Bonner is a 26 year old, divorced, single mother who works full-time as a nurse’s aide at the Northside Community Hospital. She earns \$6.75 per hour.

She has two children who attend Northside Elementary School. Their mother gives each child \$5.00 per week for specified chores.

- Ronald Bonner (age 8)
- Adam Bonner (age 5)

Elizabeth's mother takes care of the children while she works but doesn't charge Elizabeth.

1. Using HUD's definitions, identify household classifications for each family member.

Elizabeth is _____

Ronald is _____

Adam is _____

2. Using the information above, calculate the Bonner family’s annual income and adjusted income.

Annual Income

Family Member	Source of Income	Calculation	Annual Income
TOTAL ANNUAL INCOME:			\$

Adjusted Income

less	\$	Total Annual Income
equals	\$	What is the deduction for? _____
	\$	Adjusted Income _____

Answers

- Using HUD's definitions identify household classifications for each family member.

Elizabeth is **head of household**

Ronald is **a dependent**

Adam is **a dependent**

- Using the information above about the Bonner's, calculate the Bonner family's annual income and adjusted income.

Annual Income

Family Member	Source of Income	Calculation	Annual Income
1	Employment	6.75 x 40 hrs x 52 wks.	\$14,040
TOTAL ANNUAL INCOME:			\$14,040

Notes: Generally “full time” means 40 hours/week x 52 weeks per year or 2080 hours. Earned income of minors is not counted.

Adjusted Income

	\$14,040	Total Annual Income
less	\$960	The deduction is for \$480 (dependent deduction) x 2 dependents
equals	\$13,080	Adjusted Income

Now...

3. Calculate the Bonner family's total tenant payment (TTP) and HUD's assistance payment to the owner.

Total Tenant Payment

\$		30% of monthly adjusted income
\$		10% of monthly gross (annual) income
	NA	Welfare Rent (not applicable to this case study)
\$		Minimum Rent
\$		Total Tenant Payment (TTP)

Assistance Payment

	\$	Gross Rent
less	\$	Total Tenant Payment
equals	\$	Assistance Payment to Owner

Answers

Total Tenant Payment

\$327	30% of monthly adjusted income
\$117	10% of monthly gross (annual) income
NA	Welfare Rent (not applicable to this case study)
\$25	Minimum Rent
\$327	Total Tenant Payment (TTP)

Assistance Payment

	\$925	Gross Rent
less	\$327	Total Tenant Payment
equals	\$598	Assistance Payment to Owner

Sources of Error

- Case Study 1 is intended to give an overall introduction to the income and rent determination process.
- Even a scenario like the Bonners that seems fairly straightforward holds the potential for errors, and often the challenge facing owners is even greater.
- Often the calculation of annual income is less clear. (The Bonner family had only one source of income.) In other instances:
 - Multiple family members may have multiple sources of income.
 - Family members may work on a part-time, intermittent or seasonal basis.
 - Compensation may include overtime, tips, bonuses and commissions.
 - Responses from verification sources are late, unclear or contradictory.

Trainer Note:

The transition to this section should be a discussion with participants about how difficult they found Case Study 1 to be. It describes issues that might make other cases more complicated and highlights QC study findings.

Notes

- Sometimes family relationships are more complex. (The Bonner household consists of a mother and two children.) In other instances:
 - Multiple generations and non-related persons may live in the unit.
 - Ineligible non-citizens may require that assistance payments be pro-rated.
 - Additional rules apply when the household includes elderly persons, full-time students, and persons with disabilities.
 - The household may include live-in aides and foster children and adults
 - People may be moving in and out of the household.
- Some errors related to utility allowances and utility reimbursements. (The Bonners were lucky enough to have all utilities paid by the development.)
 - The family's TTP is intended to cover rent to the owner and utilities.
 - When projects have separately metered utilities an allowance for tenant-paid utilities must be incorporated into the calculations.
 - If the family's TTP is not enough to cover utilities, the owner must pay the family a utility reimbursement.
- Other case studies in the training program illustrate additional possible complications and highlight errors that were identified in the Quality Control Study.

TRAINER NOTES: APPROACH TO CASE STUDY 2

Purpose

- Case Study 2 is intended to:
 - Reinforce the basic concepts introduced in Case Study 1.
 - Illustrate more complicated calculations of employment income (two different sources and rates of pay) and the treatment of child support payments.
 - Introduce the manual rent calculation form that requires the learner to complete the calculations that (for most owners) are automated.
 - Enable the learner to practice completing calculations.

Presentation/ Review

- Conference call participants should have completed the case study in advance. For classroom training participants will complete the case study in class.
- No additional training materials are provided for this case study, but the instructor should review the form with participants.
- This is NOT a HUD-required form. It is similar to the one that many owners use to collect information and make manual calculations.
- Doing the calculations manually is an important training activity because owners should know how the calculations work, even though many of the calculations are done by vendor software.

- The form has a section for each major area:
 - Assets: records family assets and calculates income from assets
 - Annual Income: records and annualizes other types of income and calculates the total
 - Adjusted Income: records each of the deductions for which the family qualifies and calculates adjusted income
 - Tenant Rent Calculation
 - Assistance Payment
- Virtually all families will have some assets, even if only a checking account, but because this module does not talk about assets, this section is ignored in all case studies
- For classroom training sessions, power point slides provide instructions to the participants.
 - Allow 10 - 15 minutes for completion

Tips and Cautions

- In a classroom setting with all new learners, suggest that participants work in teams.
- Do not provide more information than is provided in the Case Study 2 Background because you may “give away” answers that the participants should think through.

NOTES

Asset Income

(Asset income is not a part of this case study but see note 1 in table below.)

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv – expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
E. Bonner	1			<i>Note 1: Elizabeth undoubtedly has a savings or checking accounts but the discussion of assets is saved for another case study in the series.</i>			
Ronald	2						
Adam	3						
TOTAL					\$0		\$0
If 1d. Total is greater than \$5,000, complete Line 2. and Line 3.							
If 1d. Total is less than or equal to \$5,000, enter \$0 in Line 2.; complete Line 3.							
2. Imputed income from assets: HUD approved passbook rate (.02) x 1d.Total:							\$0
3. Total Asset Income:					Greater of Line 2. or 1e. Total:		\$0

Annual Income

4a. Family Member Name	4b. FM #	Calculation	4c. Employment or Business	4d. Social Security, Pensions, etc.	4e. Public Assistance	4f. Other Income
E. Bonner	1					
Ronald	2					
Adam	3					
4g. Total Income from each source			\$	\$	\$	\$
5. Total Income All Sources:			Add all amounts on Line 4g. above:			\$
6. Total Annual Income:			Add Line 5. + Total Asset Income:			\$

Adjusted Income

6. Total Annual Income: Carryover from Line 6. on Annual Income table		\$
Dependent Allowance		
7. Allowance for Dependents (# of dependents _____ x \$480)		\$
Child Care Allowance		
8. Child Care Allowance (Line 8a. plus Line 8b.)		\$
8a. Expense enabling family member to work (may not exceed \$ earned by family member enabled to work)	\$	
8b. Expense enabling family member to attend school and/or look for work	\$	
Elderly/Disabled Household Allowance		
Elderly/Disabled Household Allowance (\$400 or \$0)		\$
Disability Assistance Expenses		
10. Enter total unreimbursed disability assistance expenses:	\$	
11. Enter 3% of Total Annual Income (Line 6. x .03)	\$	
12. Maximum allowable disability assistance expense (Line 10. minus Line 11.)		
• If positive or zero, enter in Box 12a.	12a. \$	
• If negative, enter as positive number in Box 12b.	12b. \$	
13. Enter \$ earned by family member enabled to work as a result of disability expenses	\$	
14. Enter lower of Line 12a. or Line 13. If Line 12a. is blank or zero, enter zero	\$	
Medical Expenses		
15. Enter the total annual unreimbursed medical expenses for all family members of a disabled or elderly family	\$	
Medical/Disability Assistance Expenses Allowance		
16. Enter the total of Line 14. and Line 15.	\$	
17. Enter Line 12b. If Line 12b. is blank or zero, enter zero.	\$	
18. Medical/Disability Assistance Expense: Line 16. minus Line 17. (but not less than zero)		\$
19. Total Allowances: Total of Lines 7., 8., 9. and 18.		\$
Total Adjusted Income		
20. Adjusted Annual Income: Line 6. minus Line 19		\$

Tenant Rent Calculation

1.	Monthly Income (Line 6. from Annual Income table ÷ 12)	\$
2.	Monthly Adjusted Income (Line 20. from Adjusted Income table ÷ 12)	\$
3.	30% of Monthly Adjusted Income (Line 2. x .30)	\$
4.	10% of Monthly Income (Line 1. x .10)	\$
5.	Welfare Rent (If applicable)	\$
6.	Minimum Rent (\$25 for Section 8 / \$0 for PAC/PRAC)	\$
7.	Total Tenant Payment (greater of Line 3., 4., 5., or 6.) <i>Note:</i> May never exceed unit gross rent in Sec. 8 or PAC programs.	\$
8.	Utility Allowance (UA)	\$
9.	Tenant Rent: TTP – UA (Line 7. minus Line 8.)	\$
	a. Tenant Rent: If positive number, enter	\$
	b. Utility Reimbursement: If negative number, enter as positive	\$

Assistance Payment Calculation

1.	Contract Rent:	\$
2.	Utility Allowance (same as Line 8. on Tenant Rent Calc. table)	\$
3.	Gross Rent (Line 1. plus Line 2.)	\$
4.	TTP (same as Line 7. on Tenant Rent Calc. table)	\$
5.	Assistance Payment: (Line 3. minus Line 4.)	\$
5.a.	Assistance Payment to Owner for Rent (Lesser of Line 5. or Line 1.)	\$
5.b.	Assistance Payment to Owner for Utility Reimbursement (Line 5. minus Line 5.a.)	
	<i>Note:</i> Should equal Line 9.b. on Tenant Rent Calc. table	\$

TRAINER NOTES: APPROACH TO PART V PRESENTATION MATERIALS AND CASE STUDY 3

Purpose

- Case study 3 is intended to introduce basic verification concepts and address new issues including:
 - Added family members
 - Seasonal employment and overtime pay
 - Foster care payments
 - Documentation of loss of income (child support)
 - Dependent deduction as it applies to foster children
 - Utility allowances
- It is also designed to enable participants to practice:
 - Reviewing and using verification forms
 - Completing calculations

Presentation/Review

- Conference call participants should have reviewed material and completed the case study in advance. Classroom training participants will complete the case study in class.
- Part V provides a brief introduction to verification and documentation methods and requirements.
 - The primary focus of Part V is the specific verification requirements for the types of income and deductions that are covered in Module 1.
 - Family consent is mentioned but not discussed in detail. Consent is a topic for Module 2 of the training program.

Tips and Cautions

- The case study deliberately shows a difference between the amount reported by the family and verification documents. Charles reports that he makes \$12; the verification reports that he makes 12.50/hour.
- It is not helpful for participants to complete the rest of the form with wrong numbers. In a classroom setting: To avoid frustration give the participants approximately 5 minutes to work on the case study and then offer to review their answer for annual income. Make sure they are using the correct income numbers and that they have not counted the foster care payments as income.
- Explain the utility allowance by saying that the owner now has separate metering. This could generate questions about budget-based rent adjustments and setting utility allowance schedules. That is not the subject of this module.
- For new learners you may need to explain why the owner's rent went down (i.e., utilities paid by owner have decreased) and how the owner may benefit overall from this arrangement but do not directly benefit.

Notes

PART V VERIFICATION REQUIREMENTS

Note: Part V provides an overview of verification requirements, specifically as they relate to income and rent issues. Part V also addresses verification of the topics addressed in this module. Subsequent modules will address verification of other topics.

4350.3 REV-1; Section 3

Basic Verification Requirements

- Owners must verify all income, expenses, assets, and family circumstances that affect eligibility or level of assistance.
- Families must sign consent forms that permit the owner to verify required information. (Consent forms will be discussed in detail in Module 2).
- The cost of verification cannot be passed on to an applicant or program participant.
- Income and eligibility information must be handled by the owner in accordance with the Privacy Act.

When are Verifications Conducted?

- Owners must verify income, assets, expenses, and deductions prior to initial move-in and as part of the annual recertification process.
- Owners must verify changes in income, allowances or family characteristics reported between annual recertifications.

Notes

Acceptable Methods of Verification

- Owners are responsible for determining if the verification documentation is adequate and credible.
- HUD accepts three methods of verification (in the following preferred order for most topics):
 - Third-party verification (written or oral)
 - Review of documents provided by the family
 - Family self-certification

Third-Party Verification

- **Written** documentation sent directly by a third-party source is the preferred verification method.
 - Generally sent to owner via mail, but may be accepted electronically (fax, e-mail, internet, etc.), if the owner makes an adequate effort to ensure that the sender is a valid third-party source.
 - A telephone conversation with the third party increases the reliability of electronic verification.
- Verification should **not** be hand-carried by the family.
 - Verification delivered by the family, or lacking original signatures, should be examined by the owner for evidence of tampering.
 - The owner is not required to accept this documentation.
- **Oral** verification, by telephone, with a third party is acceptable method.
 - Often used when the third party does not respond to a written request, or to clarify unclear responses.
 - Owner should ensure that the third party is the party he or she claims to be.
- If third-party verification is unavailable, owners must document the tenant file to explain why it was unavailable.

Notes

Review of Documents

- Review of documents may be used when:
 - Third party verification is not possible or necessary (e.g., birth certificates for age)
 - Third party verifications are delayed beyond two weeks from the owner's request
- Copies of reviewed documents must be placed in applicant or tenant file.
 - Where copies cannot be made, owner must list reviewed documents, information on the documents, and initial and date the notation.
- Reviewed documents must be current, complete, original and unaltered.

Family Certification

- Family certification should be used only when no other form of verification is possible.
- Owner may accept family's notarized statement regarding veracity of information submitted.

Verification Sources

- Appendix 3 of Handbook 4350.3 REV-1 provides a chart that addresses each factor to be verified and acceptable sources and documentation.
 - The owner may accept additional and/or alternative sources and documentation.

Notes

Verification and Consent Forms

- Adult family members must authorize owners to request independent verification of data.
- Adult family members sign two HUD-required forms:
 - HUD-9887, *Notice and Consent to the Release of Information to HUD and to a PHA*
 - HUD-9887-A, *Applicant/Tenant's Consent to the Release of Information – Verification by Owners of Information Supplied by Individuals who Apply for Housing Assistance*
- Owners also create their own verification forms to request information from employers, child care providers, medical professionals and others.
- Consent forms will be discussed in detail in Module 2.

Documentation Requirements

- Many of the quality control findings related to owner failure to explain how the figures used in rent calculations were derived.
- Owners must explain in the tenant file how figures used for income and rent calculations were derived whenever something less than the preferred form of verification is used, or where the information obtained through the verification process is inconsistent or contradictory.

Notes

- Tenant files must contain documentary evidence of the verification process including:
 - Written verification forms from third parties
 - Owner documentation of information received by telephone from the third party, including the third party's name, position, contact information, name of person conducting the telephone interview, date/time of telephone call
 - Copies of original documents observed by the owner, annotated with the date and the name of the person who saw the originals, and/or a written record of documents that are not copied, including a note to file describing the document, person who reviewed the document, and date of review
- When third-party verification is not available, owners must document efforts to obtain third-party verification and the reason why it was not obtained. Files must include:
 - A note explaining why third-party verification was not possible
 - A copy of the dated original request sent to the third party
 - Written notes or documentation of follow-up efforts
 - A written note to file that the request has been outstanding for four or more weeks, without a response from the third party

Notes

Effective Terms of Verifications

- Verifications are valid for 120 days after receipt by the owner.
- Time limits do not apply to items that do not need to be reverified (e.g., age, disability status, family membership, citizenship status, or social security numbers that have been reported and verified).
- See Module 2 for a discussion of verification of citizenship, eligible immigration status and Social Security numbers.

Verification of Family Composition

- In general, HUD does not require verification of family composition (e.g., is this person really a daughter of that family member?). The owner may wish to verify:
 - Whether a child lives in the unit at least 50% of the time because this affects unit size
 - An ex-family member's new location or address when it is reported that a family member has moved out
- Owners who verify aspects of family composition other than those required to determine eligibility, income and allowances must clearly state the policy in the tenant selection plan.

4350.3 REV-1; Par. 3-27

Notes

Verification of Dependents and Full Time Student Status

- **Age.** Third-party verification of age is not required. The family may present a variety of documents to prove age including birth and baptismal certificates, valid passport, military discharge papers. See Appendix 3 of 4350.3 REV-1 for the comprehensive list.
- **Full-time students.** Verification of full time student status is needed only when it is necessary to qualify the person as a dependent (i.e., it is not necessary for head, spouse, co-head or family members under 18).
 - The owner may accept third-party verification from school officials.
 - Review of school records also is permitted.

4350.3 REV-1; Appendix 3

Verification of Earned Income

- Verification received directly from the employer is preferred.
- Quality control studies suggest that verification of earned income was a significant problem.
- **Asking the Right Questions.** One key to getting the correct information is asking the right questions. Owner verification forms should ask:
 - Clear questions about the hours worked; rate of pay; overtime, bonuses and commissions
 - Whether future changes are imminent
- Module 3 of this training program will focus on effective interviewing, including ideas for questions to include on data collection forms.

Notes

- **Pay stubs.** When third party verification is not available, Appendix 3 of 4350.3 REV-1 suggests obtaining 6-8 consecutive pay stubs.
- **Additional and Multiple Sources.** The owner may have to collect information from a combination of sources to obtain a clear picture.
 - For example, employers are sometimes reluctant to estimate (promise) future overtime.
 - The owner may need to use the employer's verification form, plus pay stubs or W-2s to anticipate income.
 - Appendix 3 of 4350.3 REV-1 identifies a number of fee services that provide information about employment income. This information can be used to support the owner's analysis but may not be used in place of third-party verifications.

Verification of Alimony or Child Support

- Verification of alimony and child support may require collecting information from several sources and reconciling differences in the information.
- Formal documents such as a separation or divorce agreement are preferred but these documents may represent the initial agreement, not the current circumstances.
- Verification may be provided by the ex-spouse but conflicts between the information provided by the family and the ex-spouse may occur.

Notes

- If a family member has been awarded alimony or child support but is not receiving it, the owner must verify that the family member has made reasonable efforts to collect amounts due (e.g., filing with a state enforcement agency).
- If a state or local child enforcement agency is collecting the payment on behalf of the family member, only the net amount received by the family is counted. Example:
 - Joan X. was awarded \$100/month alimony by the court.
 - Her ex-husband had not been paying so she requested assistance from the state child support enforcement bureau.
 - Now the \$100 payments flow through the enforcement agency. The agency retains \$25 in compensation for welfare assistance provided to Joan.
 - The owner would use \$75, not \$100 in income calculations.

Notes

Verification of Child Care Expenses

- **Verification of Costs:** Whether the child care is to enable a family member to work, seek work or further his/her education, verification of the following is required:
 - Who is the care provider?
 - What children are cared for?
 - What are the hours of care and how are care services charged (e.g., rate/hour, day, or week; per child rates, etc.)?
- **Purpose: Work.** If the child care is used to enable a family member to work the owner must verify that:
 - The hours of work are reasonably related to the hours of care
 - The amount claimed does not exceed the amount earned by the person enabled to work
- **Purpose: Furthering Education.** If the child care is used to enable a family member to further his/her education, the owner must verify:
 - The hours of school are reasonably related to the hours of care
 - The family member actually is enrolled in an educational program. (Note: enrollment does not have to be full-time.)
- **Purpose: Seeking Work**
 - Generally a certification from the family member seeking work is required.
 - The owner must specify in the tenant selection plan what information the owner requires to document search efforts.

CASE STUDY 3: THE BONNERS – CHANGES AND CHALLENGES

On May 1 Elizabeth Bonner came to the project management office to request an interim reexamination.

The family's life has changed considerably.

- Ms. Bonner (26) has invited her fiancé Charles Smith (29) to move in with her and requests that he be added to the family and lease.
- Charles works construction. He reports that his base pay is \$12/hour and that he works about 40 hours/week regular time. During prime construction season (20 weeks in the spring-summer) he's able to pick up an additional 10 hours/week of overtime work, at a time and a half rate.
- Now that Charles has joined the family, Elizabeth has decided that she would like to quit work and spend more time with her children while they are still young. Besides Adam is having trouble in school and needs some extra attention.
- Since she will be home now during the day, she and Charles have decided to take in Billy Brown, who has been removed from his own mother's home because of neglect. The county welfare agency pays Ms. Bonner \$300/month for Billy's care.
- Her ex-husband has “disappeared” and the family no longer receives child support payments.
- The project manager has agreed that both Charles and Billy may move in and, because both bedrooms in the unit are quite large, will permit the family to remain in the two-bedroom unit.
- The owner has requested and HUD has approved a budget-based rent adjustment in conjunction with the owner separately metering utilities. Now the tenants pay for heat and electricity. The new contract rent is \$880 and the new utility allowance is \$75.

Assignment

1. Using HUD's household composition rules, what is Billy's status in the household?

Billy: _____

2. Review the verification forms found beginning on the next page and then calculate the income, total tenant payment and assistance payment for the Bonner household using the forms provided starting on page 1-54.

Answers to Case Study 3 are found in Attachment C at the end of this module.

Employment Verification Form for Charles

Verification of Income from Employment

Re: Charles Smith

Social Security No. 123-45-6789

Dear Sir/Madam:

We are required to verify the income of all family members living in or applying for federally-assisted housing. We ask your cooperation in supplying the information requested below about the individual referenced above. We will use any information you provide only to determine the family's eligibility and rent, and will keep all information in strictest confidence. Your prompt response to this letter is greatly appreciated. A self-addressed, stamped return envelope is enclosed. Note that the referenced individual has authorized your release of the information.

If you have any questions, please contact Melissa Andrews at (619) 329-6847.

Sincerely: Melissa Andrews Date: 5/3/05

1. Employed Since: 3/1/05 2. Job Title: Laborer
3. Base Pay Rate: \$ 12.00 per hour; \$ _____ per week; \$ _____ per month
4. Average hours worked at Base Pay Rate: 40 hrs/week; or _____ hrs/month
5. Does this individual work overtime? Yes No
If Yes, Overtime Pay Rate: \$ 18.00 per hour No. of Overtime Hours Worked: 10 hrs/week
6. Do you expect individual's salary or hours worked to change in the coming 12 months? Yes No
If Yes: New Base Pay Rate: \$ 12.50 per hour
Expected Hours worked at Base Pay Rate: 40 hrs/week; or _____ hrs/month
New Overtime Pay Rate: \$ 18.75 per hour
Expected Hours Worked at Overtime Pay Rate: 10 hrs/week
Effective date of new rate(s): 6/1/05
7. Comments: We are able to offer Charles overtime work during our peak season - about the first of April through the end of August. On the first of September, overtime work is no longer available.
8. Any other compensation not listed above (e.g., commissions, bonuses, tips, etc.). Yes No
If Yes, Please specify:
Compensation _____ at \$ _____ per _____

Name of Firm: BILDIT CONSTRUCTION
Address: _____

Individual completing this form:
Name: Fred Mertz Title: Foreman
Signature: Fred Mertz Date: 5/15/05

Applicant/Tenant Release:
I CHARLES SMITH hereby authorize the release of the requested information.
Signature: Charles Smith Date: 5/1/05

Pay Stubs for Charles

BILDIT CONSTRUCTION										
Employee Name		Employee SSN		Period Start		Period End		Check Date		
Charles Smith		123-45-6789		April 3		April 9		April 14		
Earnings/Compensation					Deductions/Taxes/Miscellaneous					
Description	Rate	Hrs	Amount	Year to Date	Description	Amount	Year to Date			
Wages	12.00/hr	40	\$480.00	\$5760.00	Fed W/H	\$69.50	\$677.00			
Wages - OT	18.00/hr	10	\$180.00	\$1080.00	FICA	\$34.90	\$344.40			
					Medicare	\$8.50	\$81.00			
					ST W/H	\$32.30	\$318.80			
Gross Pay:			\$660.00	Total Deductions:			\$145.20	Net Pay:		\$514.80

BILDIT CONSTRUCTION										
Employee Name		Employee SSN		Period Start		Period End		Check Date		
Charles Smith		123-45-6789		April 10		April 16		April 21		
Earnings/Compensation					Deductions/Taxes/Miscellaneous					
Description	Rate	Hrs	Amount	Year to Date	Description	Amount	Year to Date			
Wages	12.00/hr	40	\$480.00	\$6240.00	Fed W/H	\$69.50	\$746.50			
Wages - OT	18.00/hr	10	\$180.00	\$1260.00	FICA	\$34.90	\$379.30			
					Medicare	\$8.50	\$89.50			
					ST W/H	\$32.30	\$351.10			
Gross Pay:			\$660.00	Total Deductions:			\$145.20	Net Pay:		\$514.80

BILDIT CONSTRUCTION										
Employee Name		Employee SSN		Period Start		Period End		Check Date		
Charles Smith		123-45-6789		April 17		April 23		April 28		
Earnings/Compensation					Deductions/Taxes/Miscellaneous					
Description	Rate	Hrs	Amount	Year to Date	Description	Amount	Year to Date			
Wages	12.00/hr	40	\$480.00	\$6720.00	Fed W/H	\$69.50	\$816.00			
Wages - OT	18.00/hr	10	\$180.00	\$1440.00	FICA	\$34.90	\$414.20			
					Medicare	\$8.50	\$98.00			
					ST W/H	\$32.30	\$383.40			
Gross Pay:			\$660.00	Total Deductions:			\$145.20	Net Pay:		\$514.80

**Verification from State Dept. Of Welfare, Child Support Enforcement Division
Re: Child Support**

Department of Social and Health Services
Child Support Enforcement Division

Begin Record

05-20-05

Child Support
Payment History
05-04..04-05

Payor.....Bonner·George

Payee.....Bonner·Elizabeth

05-04.....	\$100
06-04.....	\$100
07-04.....	\$100
08-04.....	\$100
09-04.....	\$100
10-04.....	\$100
11-04.....	\$100
12-04.....	\$100
01-05.....	\$100
02-05.....	\$100
03-05.....	\$0
04-05.....	\$0

End Record

Verification from County Welfare Agency Re: Billy B.

**Northside County
Department of Social Services**

630 Green Ave.
Northside, OH 46401
404.230.0989

Daniel Apartments
210 Oak Tree Lane
Northside, OH 46401

This is to certify that the following individual is a foster child, placed by this agency:

Foster Child: Billy Brown
SSN: 987-65-4321
Case No: FC-1001

The above referenced foster child has been placed under the care of the following foster family:

Family Name: Bonner
Responsible Member: Elizabeth Bonner
Address: Daniel Apartments
210 Oak Tree Lane, Apt. 111
Northside, OH 46401

Effective: **May 1, 2005** the above referenced foster family receives/will receive: **\$300 / month** in compensation for care of the above referenced foster child.

Please contact me if you have any questions.

Sincerely,



Linda Goff, Caseworker
DSS
404.230.0990

Asset Income

(Asset income is not a part of this case study but see note 1 in table below.)

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv – expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
E. Bonner	1			<i>Note 1: Elizabeth undoubtedly has a savings or checking accounts but the discussion of assets is saved for another case study in the series.</i>			
C. Smith	2						
Ronald	3						
Adam	4						
Billy	5						
TOTAL					\$0		\$0
If 1d. Total is greater than \$5,000, complete Line 2. and Line 3.							
If 1d. Total is less than or equal to \$5,000, enter \$0 in Line 2.; complete Line 3.							
2. Imputed income from assets: HUD approved passbook rate (.02) x 1d.Total:							\$0
3. Total Asset Income: Greater of Line 2. or 1e. Total:							\$0

Annual Income

4a. Family Member Name	4b. FM #	Calculation	4c. Employment or Business	4d. Social Security, Pensions, etc.	4e. Public Assistance	4f. Other Income
E. Bonner	1					
C. Smith	2					
Billy	5					
4g. Total Income from each source			\$	\$	\$	\$
5. Total Income All Sources:			Add all amounts on Line 4g. above:			\$
6. Total Annual Income:			Add Line 5. + Total Asset Income:			\$

Adjusted Income

6. Total Annual Income: Carryover from Line 6. on Annual Income table		\$	
Dependent Allowance			
7. Allowance for Dependents (# of dependents _____ x \$480)		\$	
Child Care Allowance			
8. Child Care Allowance (Line 8a. plus Line 8b.)		\$	
8a. Expense enabling family member to work (may not exceed \$ earned by family member enabled to work)	\$		
8b. Expense enabling family member to attend school and/or look for work	\$		
Elderly/Disabled Household Allowance			
Elderly/Disabled Household Allowance (\$400 or \$0)		\$	
Disability Assistance Expenses			
10. Enter total unreimbursed disability assistance expenses:	\$		
11. Enter 3% of Total Annual Income (Line 6. x .03)	\$		
12. Maximum allowable disability assistance expense (Line 10. minus Line 11.)			
• If positive or zero, enter in Box 12a.	12a. \$		
• If negative, enter as positive number in Box 12b.	12b. \$		
13. Enter \$ earned by family member enabled to work as a result of disability expenses	\$		
14. Enter lower of Line 12a. or Line 13. If Line 12a. is blank or zero, enter zero	\$		
Medical Expenses			
15. Enter the total annual unreimbursed medical expenses for all family members of a disabled or elderly family	\$		
Medical/Disability Assistance Expenses Allowance			
16. Enter the total of Line 14. and Line 15.	\$		
17. Enter Line 12b. If Line 12b. is blank or zero, enter zero.	\$		
18. Medical/Disability Assistance Expense: Line 16. minus Line 17. (but not less than zero)		\$	
19. Total Allowances: Total of Lines 7., 8., 9. and 18.		\$	
Total Adjusted Income			
20. Adjusted Annual Income: Line 6. minus Line 19		\$	

Tenant Rent Calculation

1.	Monthly Income (Line 6. from Annual Income table ÷ 12)	\$
2.	Monthly Adjusted Income (Line 20. from Adjusted Income table ÷ 12)	\$
3.	30% of Monthly Adjusted Income (Line 2. x .30)	\$
4.	10% of Monthly Income (Line 1. x .10)	\$
5.	Welfare Rent (If applicable)	\$
6.	Minimum Rent (\$25 for Section 8 / \$0 for PAC/PRAC)	\$
7.	Total Tenant Payment (greater of Line 3., 4., 5., or 6.) <i>Note:</i> May never exceed unit gross rent in Sec. 8 or PAC programs.	\$
8.	Utility Allowance (UA)	\$
9.	Tenant Rent: TTP – UA (Line 7. minus Line 8.)	\$
	a. Tenant Rent: If positive number, enter	\$
	b. Utility Reimbursement: If negative number, enter as positive	\$

Assistance Payment Calculation

1.	Contract Rent:	\$
2.	Utility Allowance (same as Line 8. on Tenant Rent Calc. table)	\$
3.	Gross Rent (Line 1. plus Line 2.)	\$
4.	TTP (same as Line 7. on Tenant Rent Calc. table)	\$
5.	Assistance Payment: (Line 3. minus Line 4.)	\$
5.a.	Assistance Payment to Owner for Rent (Lesser of Line 5. or Line 1.)	\$
5.b.	Assistance Payment to Owner for Utility Reimbursement (Line 5. minus Line 5.a.)	\$
	<i>Note:</i> Should equal Line 9.b. on Tenant Rent Calc. table	\$

PART VI ADVANCED TOPICS

- This part addresses more challenging issues related to the topics discussed in Parts I-V. By reviewing those parts and the sections of Handbook 4350.3 REV-1 referenced, you should be able to find the answers to these questions.

TRAINER NOTES: APPROACH TO CASE STUDY 4

Purpose

- Case study 4 is intended to:
 - Enable the instructor to recap key policies discussed in this module.
 - Enable participants to practice making the most challenging decisions and calculations, specifically:
 - Annualizing income
 - Pro-rating child care expenses
 - Kick off the question and answer session.

Presentation/Review

- Conference call participants should have completed the case study in advance. Classroom training participants will complete the case study in class.
- The issues discussed in each question are briefly described below. The answers to Case Study 4 further explain these issues.
 - Questions 1 and 2: address the common error incorrectly annualizing hourly rates.
 - Question 1 demonstrates annualizing a semi-monthly paychecks (multiply the paycheck x 24).
 - Question 2 demonstrates annualizing a bi-weekly paycheck (multiply the paycheck x 26 weeks). This question also enables the learner to deal with variable work hours.
 - Question 3 gives an example of “sporadic” income (which is not counted in annual income).
 - Question 4 requires the participant to pro-rate child care expenses because one of the persons cared for is not eligible for child care.
 - Question 5 illustrates how child care for a foster child is treated and illustrates child care expenses limited by the earned income of the person enabled to work.

Tips and Cautions

- In a classroom setting, if time is limited, walk through the questions with participants rather than treating it like an exercise.
- This case study is the kick-off to the question and answer period. If time remains ask participants if there are other topic areas covered by the module they would like to review.
- If time permits, the post test may also be reviewed as part of the wrap-up.

CASE STUDY 4

Address the following scenarios.

Answers to Case Study 4 are in Attachment D at the end of this module.

Annualizing Income

Calculate annual income for Sam A. and Sally B. Answer Question for Harry C.

1. Sam A. is a salaried employee of a retail store. He is paid twice a month and his gross paycheck each pay period is \$600.

2. Sally B. works as a clerk at a photo shop. Her gross pay is \$450 every two weeks. She also works 6 hours every other Saturday as a bank cashier and earns \$11/hour.

3. Harry C is retired, living on social security. Although he lives in your elderly development, he has ties to his old neighborhood and goes there now and again to do chores for his old neighbors. Sometimes he gets paid with a cup of coffee but he estimates that he might have gotten about \$400 last year from people who wanted to pay him. What sources of income would you count for Harry C.?

Pro-rating Child Care Expenses

Calculate child care deduction for the following individuals:.

4. Juanita D. works full time as a dispatcher at the local taxi company. She works the 7:00 a.m. to 3:00 pm shift and earns \$1500/month. She receives \$210/month child support from her ex-husband. Her next door neighbor takes care of Susie (age 8) and Phillip (age 14). Juanita pays \$180 in child care each week for the two children.
 - What information would you need to determine how much, if any, child care expenses you would allow for Juanita?

5. Jean E. works part time (noon to 5:00) Monday-Thursday and earns \$6.00/hour. She goes to XYZ vocational school 3 days per week (M-W-F) from 8:00 a.m. - 11:00 a.m. She pays \$200 for child care every week for the care of her 7 year old son and 6 year old foster daughter.
 - How much, if any, child care expenses would you deduct from Jean's annual income?

MODULE 1: POST-TRAINING SELF TEST

Note: This test is provided as a learning tool. The post-training self test is designed to measure your level of knowledge after studying this module. Answer the questions as best you can, (without looking at the training materials). Any questions you miss represent areas you should review in the training materials and Handbook 4350.3 REV-1.

Answers to Post-training Self Test are in Attachment E at the end of this module.

1. Ramona (35) works as a teacher's aide in the local elementary school during the 38-week school year. She earns \$8.25/hour and works 30 hours/week. In the summer she works only 10 hours per week at the public library for \$6.50/hour. In the space below:
 - a. Identify two ways that her annual income could be calculated.
 - b. Would both methods have the same result?

2. The number of dependents that the family reports to the IRS can be different than the number of dependents used to compute the family's adjusted income.
 - a. True
 - b. False

Explain your answer:

3. Don works in a retail store. He works 32 hours/week at \$5.10/hour, but he also receives a commission based upon a weekly sales target. The verification from his employer states that commissions “vary” but that Don earned \$2500 in commissions last year. The employer also reports that a new bonus program has been established that pays \$100 to the most productive sales person each month.

Don says things have been slow for the last several months and doubts he will be so lucky this coming year. What commission and bonus figures will you use for computing annual income for the coming year?

4. The Webster family (John, Jill, and their two children) live in your development. The economy is slow so John has been forced to work construction across the state. He comes home every other weekend.

John's gross weekly income is \$560, but because he has to stay in a hotel during the week, the amount he sends home is \$150 less than the take-home pay the family used to have. They have asked for an interim reexamination and a reduced rent.

- What income will you use for John's gross annual income? Explain your answer.

5. The Brown family lives in a Section 8 New Construction project. The family's annual income is \$9,500. The family has 2 children age 6 and 7 and a foster child who is 4. Mrs. Brown stays home and takes care of the children.

- \$855 Contract Rent
- \$75 Utility Allowance

Compute the following:

- a. _____ Adjusted Income
- b. _____ TTP
- c. _____ Assistance payment
- d. _____ Tenant Rent the Browns will pay to the owner

6. Barbara (45) and her daughter (19) have lived in your development for 3 years. Barbara's father recently died and her mother Ethel (67) is moving in with them. You have done the necessary screening and accepted Ethel. In reviewing the information you provided, she suggests that it would be advantageous for the family to consider her (Ethel) the head of household. Will you allow this?

- a. Yes
- b. No

Explain your answer:

7. Pamela and her two children live in your development. She pays a baby sitter \$15 on Monday, Wednesday and Friday when she works out at a local fitness center in the hopes of becoming an aerobics instructor. Can Pamela deduct this \$45/week as child care expense that enables her to further her education?

- a. Yes
- b. No

Explain your answer:

8. Fred and Ethel, with their two sons Bert and Ernie, live in your assisted development. It's time for the family's annual recertification. The family's total Annual Income is \$30,000. The only deduction from income is \$960 (dependent deductions for Bert and Ernie). The rent for the unit is \$675/month. The utility allowance for the unit is \$30.
- a. If your development were a Section 8 development, what would the family's TTP be? Explain:

- b. If your development were a PRAC development, what would the family's TTP be? Explain:

9. A family subject to the \$25 minimum rent requirement can never receive a utility reimbursement.
- True
 - False

Explain your answer:

10. Sam (24) Head; Zelda (22) Spouse and Zach, their 18 month old son, live in your development. Sam works 9:00 AM to 5:00 PM at a retail store and Zelda stays home and takes care of Zach. To supplement the family income, Zelda takes a part-time job working 12:00 PM to 4:00 PM at the local hospital. As a result, the family pays for child care from 11:30 AM to 4:30 PM to cover the time it takes Zelda to go to work and return home.
- What income should be used to cap child care expenses?
- Family annual income
 - Family adjusted income
 - Zelda's annual income
 - Zelda's adjusted income

NOTES

ATTACHMENT A – PRE-TRAINING SELF TEST ANSWERS

1. For which of the following household members can the owner consider child care expenses?

- Baby Sylvia, age 2
- Brother Bryan, age 7
- Frank, a foster child, age 8
- Sister Janine, age 12

- a. **All of these household members qualify the family for child care expenses.****
- b. Only Sylvia and Bryan qualify the family for child care expenses.
- c. All members except Frank, the foster child, qualify.

Comment: Child care expenses can be deducted for the care of children under age 13 and also for foster children living in the household.

2. Fred and Ethel live in your assisted housing development. Fred works full-time, receiving \$1,000 gross pay bi-weekly. Ethel works part-time, receiving \$300 gross pay semi-monthly.

- How would you compute the annual income for Fred and Ethel?

Fred:	$\$1,000 \times 26 =$	\$26,000
Ethel:	$\$300 \times 24 =$	7,200
		\$33,200 Annual Income

Comment: Fred is paid **bi-weekly**; this means once every two weeks. 52 weeks in a year divided by two equals 26 bi-weekly periods. Multiply Fred’s pay by 26.

Ethel is paid **semi-monthly**; this means two times each month. 12 months in a year multiplied by two equals 24 semi-monthly periods. Multiply Ethel’s pay by 24.

3. Calculate the total dependent deduction for the following family.
- Jim (head of household) 25, employed
 - Sally (Jim's wife), 21, full-time college student
 - Theresa (Sally's sister) 28, full-time college student
 - Bart (Jim/Sally's son), 2
- a. \$800
- b. \$960****
- c. \$1,440
- d. \$0

Comment: A spouse (Sally) is never a dependent, even if under 18 or a full-time student; but full-time students 18 and older who are not the head, spouse or co-head are counted as dependents. Therefore: Bart and Theresa are dependents. $\$480 \times 2 = 960$

4. Theresa (from question 3 above) works part time at the local public library. She makes \$5.00/hour and works 15 hours per week. Calculate the amount of annual income that will be included in rent calculations.

Annual Income: **\$480****

Comment: Annual Income = \$480. Only the first \$480 of earned income of full time students is counted.

5. Child care expenses paid to a relative of a family member (who does not live in the assisted unit) can be deducted if all other requirements are met.
- a. **True****
- b. False

Comment: Child care expenses must be reasonable and not reimbursed from any other source. They must care for children under the age of 13 and must be for the purpose of enabling a family member to work, seek employment or further his/her education. There is no restriction on relatives. BUT, child care expenses paid to a member of the assisted family is not deducted.

6. Suzanna Q (head of household) lives with her disabled mother and 9 year old son. She works full time at the local manufacturing plant and earns \$14,000/year. A care attendant takes care of her mother and son Monday through Friday and charges \$150/week. What else do you need to know to calculate allowable child care?

Answer: How much of the \$150 weekly charge is for child care and how much is for dependent care?

Comment: When the same care provider takes care of children and a disabled person over age 12, the owner must prorate the total cost and allocate a specific cost to the attendant care and a specific cost to the child care. If the care attendant charges equally for the care of both mother and son, then $\frac{1}{2}$ of the \$150 weekly charge could be considered child care expenses. If the care attendant does not charge an equal amount for the care of these two persons, then the \$150 weekly charge would need to be prorated based on the amount charged for the care of the mother and the amount charged for care of the son. The sum of both the child care and disability assistance expenses cannot exceed the employment income of the family member enabled to work.

7. Child support payments received by a family member are counted in annual income if they were specified in a divorce decree or other court order.
- True
 - False****

Comment: Child support payments should be counted if the amount can be verified. It is not necessary that the amount be established through a legal process. When no documentation of child support is available, the owner may require the family to sign a certification stating the amount of child support received.

8. Tom B. (32) and his three children (3, 7, 10) live with Grandma B. After being stationed at Ft. Meyers for the last three years, Tom has been called for a tour of duty in Iraq and is expected to be gone 18 months. During his tour in Iraq, he is expected to be paid regular military pay as well as special pay by virtue of being exposed to hostile fire. Which of the following is true?
- All of Tom's income continues to be counted, even though he is not there.
 - Tom's regular pay is counted but not special pay he receives by virtue of being exposed to hostile fire.****
 - None of Tom's income is counted because he is not the head of household and he will be gone for more than 12 months.

Comment: Generally, the income of a temporarily absent individual on active military duty is not counted unless that individual is the head, spouse or co-head. However, where the dependents of the temporarily absent individual on active military duty continue to remain in the assisted unit, then the absent individual's income must be counted in full.

Any special pay to a family member serving in the Armed Forces who is exposed to hostile fire is, by definition, excluded from consideration as income.

9. Bob H. is a retired carpenter. Now he occasionally does small jobs for other residents in his Section 202/PRAC project such as assembling book cases and repairing chairs. Some times he is paid with "cookies and coffee" but he guesses that he might have earned as much as \$300 in tips last year.

How much will you count as income in the coming year? \$0**

Comment: This would be considered "sporadic" income and would not be counted.

10. Jack and his son Phillip live in your development. Jack also has joint custody of his 3-year old daughter who lives with his ex-wife. Jack pays \$150/month for her support to his ex for the care of his daughter. Will you allow Jack a child care deduction for this amount?
- Yes
 - No****

Comment: Jack cannot claim child care expense for a child who does not live with the assisted family.

ATTACHMENT B – CASE STUDY 2 ANSWERS

Asset Income

Elizabeth undoubtedly has a savings or checking account, but asset income is not a part of this case study.

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv – expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
E. Bonner	1			<i>Note 1: Elizabeth undoubtedly has a savings or checking accounts but the discussion of assets is saved for another case study in the series.</i>			
Ronald	2						
Adam	3						
TOTAL					\$0		\$0
If 1d. Total is greater than \$5,000, complete Line 2. and Line 3.							
If 1d. Total is less than or equal to \$5,000, enter \$0 in Line 2.; complete Line 3.							
2. Imputed income from assets: HUD approved passbook rate (.02) x 1d.Total :							\$0
3. Total Asset Income: Greater of Line 2. or 1e. Total :							\$0

Annual Income

4a. Family Member Name	4b. FM #	Calculation	4c. Employment or Business	4d. Social Security, Pensions, etc.	4e. Public Assistance	4f. Other Income
E. Bonner	1	10.28 x 8 x 26 = 2,138.24	\$10,687			
		6.85x 24 x 52 x = 8,548.80				
E. Bonner	1	100 x 12 = 1,200				\$1,200
4g. Total Income from each source			\$10,687	\$	\$	\$1,200
5. Total Income All Sources:			Add all amounts on Line 4g. above:			\$11,887
6. Total Annual Income:			Add Line 5. + Total Asset Income:			\$11,887

Adjusted Income

6. Total Annual Income: Carryover from Line 6. on Annual Income table		\$11,887
Dependent Allowance		
7. Allowance for Dependents (# of dependents <u> 2 </u> x \$480)		\$960
Child Care Allowance		
8. Child Care Allowance (Line 8a. plus Line 8b.)		\$5,200
8a. Expense enabling family member to work (may not exceed \$ earned by family member enabled to work)	\$5,200	
8b. Expense enabling family member to attend school and/or look for work	\$	
Elderly/Disabled Household Allowance		
Elderly/Disabled Household Allowance (\$400 or \$0)		\$0
Disability Assistance Expenses		
10. Enter total unreimbursed disability assistance expenses:	\$	
11. Enter 3% of Total Annual Income (Line 6. x .03)	\$	
12. Maximum allowable disability assistance expense (Line 10. minus Line 11.)		
• If positive or zero, enter in Box 12a.	12a. \$	
• If negative, enter as positive number in Box 12b.	12b. \$	
13. Enter \$ earned by family member enabled to work as a result of disability expenses	\$	
14. Enter lower of Line 12a. or Line 13. If Line 12a. is blank or zero, enter zero	\$	
Medical Expenses		
15. Enter the total annual unreimbursed medical expenses for all family members of a disabled or elderly family	\$	
Medical/Disability Assistance Expenses Allowance		
16. Enter the total of Line 14. and Line 15.	\$	
17. Enter Line 12b. If Line 12b. is blank or zero, enter zero.	\$	
18. Medical/Disability Assistance Expense: Line 16. minus Line 17. (but not less than zero)		NA
19. Total Allowances: Total of Lines 7., 8., 9. and 18.		\$6,160
Total Adjusted Income		
20. Adjusted Annual Income: Line 6. minus Line 19		\$5,727

Tenant Rent Calculation

1.	Monthly Income (Line 6. from Annual Income table ÷ 12)	\$991
2.	Monthly Adjusted Income (Line 20. from Adjusted Income table ÷ 12)	\$477
3.	30% of Monthly Adjusted Income (Line 2. x .30)	\$143
4.	10% of Monthly Income (Line 1. x .10)	\$99
5.	Welfare Rent (If applicable)	\$NA
6.	Minimum Rent (\$25 for Section 8 / \$0 for PAC/PRAC)	\$25
7.	Total Tenant Payment (greater of Line 3., 4., 5., or 6.) <i>Note:</i> May never exceed unit gross rent in Sec. 8 or PAC programs.	\$143
8.	Utility Allowance (UA)	\$0
9.	Tenant Rent: TTP – UA (Line 7. minus Line 8.)	\$143
	a. Tenant Rent: If positive number, enter	\$143
	b. Utility Reimbursement: If negative number, enter as positive	\$0

Assistance Payment Calculation

1.	Contract Rent:	\$925
2.	Utility Allowance (same as Line 8. on Tenant Rent Calc. table)	\$0
3.	Gross Rent (Line 1. plus Line 2.)	\$925
4.	TTP (same as Line 7. on Tenant Rent Calc. table)	\$143
5.	Assistance Payment: (Line 3. minus Line 4.)	\$782
5.a.	Assistance Payment to Owner for Rent (Lesser of Line 5. or Line 1.)	\$782
5.b.	Assistance Payment to Owner for Utility Reimbursement (Line 5. minus Line 5.a.)	\$0
	<i>Note:</i> Should equal Line 9.b. on Tenant Rent Calc. table	\$0

NOTES

ATTACHMENT C – CASE STUDY 3 ANSWERS

Billy: is a foster child

Asset Income

Elizabeth and/or Charles undoubtedly have a savings or checking account, but asset income is not a part of this case study.

1a. Family Member Name	FM #	1b. Asset Type	1c. C/I	Calculation for Asset Cash Value (mv – expenses)	1d. Cash Value of Asset	Calculation for Asset Income (mv x int/div)	1e. Actual Annual Asset Income
E. Bonner	1			<i>Note 1: Elizabeth undoubtedly has a savings or checking accounts but the discussion of assets is saved for another case study in the series.</i>			
Ronald	2						
Adam	3						
				TOTAL	\$0		\$0
If 1d. Total is greater than \$5,000, complete Line 2. and Line 3.							
If 1d. Total is less than or equal to \$5,000, enter \$0 in Line 2.; complete Line 3.							
2. Imputed income from assets: HUD approved passbook rate (.02) x 1d.Total:							\$0
3. Total Asset Income: Greater of Line 2. or 1e. Total:							\$0

Annual Income

4a. Family Member Name	4b. FM #	Calculation	4c. Employment or Business	4d. Social Security, Pensions, etc.	4e. Public Assistance	4f. Other Income
C. Smith	2	12.50 x 40 x 52 = 26,000	\$29,750			
		18.75 x 10 x 20= 3,750				
4g. Total Income from each source			\$29,750	\$	\$	\$
5. Total Income All Sources:			Add all amounts on Line 4g. above:			\$29,750
6. Total Annual Income:			Add Line 5. + Total Asset Income:			\$29,750

Adjusted Income

6. Total Annual Income: Carryover from Line 6. on Annual Income table		\$29,750
Dependent Allowance		
7. Allowance for Dependents (# of dependents <u> 2 </u> x \$480)		\$960
Child Care Allowance		
8. Child Care Allowance (Line 8a. plus Line 8b.)		
8a. Expense enabling family member to work (may not exceed \$ earned by family member enabled to work)	\$	
8b. Expense enabling family member to attend school and/or look for work	\$	\$0
Elderly/Disabled Household Allowance		
Elderly/Disabled Household Allowance (\$400 or \$0)		\$
Disability Assistance Expenses		
10. Enter total unreimbursed disability assistance expenses:	\$	
11. Enter 3% of Total Annual Income (Line 6. x .03)	\$	
12. Maximum allowable disability assistance expense (Line 10. minus Line 11.)		
• If positive or zero, enter in Box 12a.	12a. \$	
• If negative, enter as positive number in Box 12b.	12b. \$	
13. Enter \$ earned by family member enabled to work as a result of disability expenses	\$	
14. Enter lower of Line 12a. or Line 13. If Line 12a. is blank or zero, enter zero	\$	
Medical Expenses		
15. Enter the total annual unreimbursed medical expenses for all family members of a disabled or elderly family	\$	
Medical/Disability Assistance Expenses Allowance		
16. Enter the total of Line 14. and Line 15.	\$	
17. Enter Line 12b. If Line 12b. is blank or zero, enter zero.	\$	
18. Medical/Disability Assistance Expense: Line 16. minus Line 17. (but not less than zero)		\$NA
19. Total Allowances: Total of Lines 7., 8., 9. and 18.		\$960
Total Adjusted Income		
20. Adjusted Annual Income: Line 6. minus Line 19		\$28,790

Tenant Rent Calculation

1.	Monthly Income (Line 6. from Annual Income table ÷ 12)	\$2,479
2.	Monthly Adjusted Income (Line 20. from Adjusted Income table ÷ 12)	\$2,399
3.	30% of Monthly Adjusted Income (Line 2. x .30)	\$720
4.	10% of Monthly Income (Line 1. x .10)	\$248
5.	Welfare Rent (If applicable)	\$NA
6.	Minimum Rent (\$25 for Section 8 / \$0 for PAC/PRAC)	\$25
7.	Total Tenant Payment (greater of Line 3., 4., 5., or 6.) <i>Note:</i> May never exceed unit gross rent in Sec. 8 or PAC programs.	\$720
8.	Utility Allowance (UA)	\$75
9.	Tenant Rent: TTP – UA (Line 7. minus Line 8.)	\$645
	a. Tenant Rent: If positive number, enter	
	b. Utility Reimbursement: If negative number, enter as positive	\$0

Assistance Payment Calculation

1.	Contract Rent:	\$880
2.	Utility Allowance (same as Line 8. on Tenant Rent Calc. table)	\$75
3.	Gross Rent (Line 1. plus Line 2.)	\$955
4.	TTP (same as Line 7. on Tenant Rent Calc. table)	\$720
5.	Assistance Payment: (Line 3. minus Line 4.)	\$235
5.a.	Assistance Payment to Owner for Rent (Lesser of Line 5. or Line 1.)	\$235
5.b.	Assistance Payment to Owner for Utility Reimbursement (Line 5. minus Line 5.a.)	\$0
	<i>Note:</i> Should equal Line 9.b. on Tenant Rent Calc. table	

NOTES

ATTACHMENT D – CASE STUDY 4 ANSWERS

Annualizing Income

Calculate annual income for Sam A. and Sally B. Answer the question for Harry C.

1. Sam A. is a salaried employee of a retail store. He is paid twice a month and his gross paycheck each pay period is \$600.

Answer: $\$600 \times 24 = \mathbf{\$14,400}$
Note: Multiply bi-weekly (every two weeks) wages by 26 Multiply semi-monthly (twice a month) wages by 24

2. Sally B. works as a clerk at a photo shop. Her gross pay is \$450 every two weeks. She also works 6 hours every other Saturday as a bank cashier and earns \$11/hour.

Answer: $450 \times 26 =$	\$11,700
$\$11 \times 6 \times 26 =$	<u>\$1,716</u>
Annual Income	\$13,416
Note: Multiply bi-weekly (every two weeks) wages by 26 Multiply semi-monthly (twice a month) wages by 24	

3. Harry C is retired, living on social security. Although he lives in your elderly development, he has ties to his old neighborhood and goes there now and again to do chores for his old neighbors. Sometimes he gets paid with a cup of coffee but he estimates that he might have gotten about \$400 last year from people who wanted to pay him. What sources of income would you count for Harry C.?

Answer: Count social security income. Do not count the \$400. This is “sporadic” income.

Pro-rating Child Care Expenses

Calculate child care deduction for the following individuals.

4. Juanita D. works full time as a dispatcher at the local taxi company. She works the 7:00 a.m. to 3:00 pm shift and earns \$1500/month. She receives \$210/month child support from her ex-husband. Her next door neighbor takes care of Susie (age 8) and Phillip (age 14). Juanita pays \$180 in child care each week for the two children.
- What information would you need to determine how much, if any, child care expenses you would allow for Juanita?

Answer: There are two issues here:

1. What are the child care expenses?

- Juanita may not deduct expenses for the care of her son because he is over the age of 12. Therefore, the \$180/week may need to be prorated.
- The care provider should specify how much she would charge for Susie alone. This might or might not be 1/2 of the \$180 amount.

2. Do the child care expenses exceed the amount earned?

- Juanita's annual earnings total \$18,000 (1,500 x 12). The child care expenses when they are determined will not be capped because the total care expenses for both children is only \$9,360 (180 x 52)

5. Jean E. works part time (noon to 5:00) Monday-Thursday and earns \$6.00/hour. She goes to XYZ vocational school 3 days per week (M-W-F) from 8:00 a.m. - 11:00 a.m. She pays \$200 for child care every week for the care of her 7 year old son and 6 year old foster daughter. How much, if any, child care expenses would you deduct from Jean's annual income?

Answer: To determine the correct answer, you must consider the following questions:

How much of the child care expense is attributable to work; and how much to education?

- Jean works 20 hours/week and goes to school 9 hours per week.
- Therefore 69 percent of the child care is attributable to work (20 divided by 29 total hours = 69%).
- \$7,176 is attributable to work ($\$200 \times 52 = \$10,400$; $\$10,400 \times .69 = \$7,176$)
- \$3,224 is attributable to school ($\$10,400 - \$7,176$)

With this information, what (if any) child care expenses would you deduct from Jean's annual income?

- \$7,176 of the child care is attributable to (and capped by employment).
- Jean earns \$6,240 (5 hours/day x 4 days x 52 weeks).
- Therefore, child care to enable Jean to work is capped at \$6,240.
- Child care to enable Jean to go to school is \$3,224, and is not capped.
- Jean's total allowable child care expenses are:

	\$6,240	Capped amount attributable to employment
plus	\$3,224	Amount attributable to education
	\$9,464	
equals		Total allowable child care

NOTES

ATTACHMENT E – POST-TRAINING SELF TEST ANSWERS

1. Ramona (35) works as a teacher's aide in the local elementary school during the 38-week school year. She earns \$8.25/hour and works 30 hours/week. In the summer she works only 10 hours per week at the public library for \$6.50/hour. In the space below:
 - a. Identify two ways that her annual income could be calculated.
 - b. Would both methods have the same result?

Answer: An owner could use two methods to compute her income.

Method 1: Use current circumstances to anticipate annual income
 $\$8.25 \times 30 \text{ hours} \times 52 \text{ weeks} = \mathbf{\$12,870}$ annual income

- Using this method, Ramona could ask for an interim reexamination when her income drops in the summer.

Method 2: Use known changes to anticipate annual income

$$\begin{array}{r} \$8.25 \times 30 \text{ hours} \times 38 \text{ weeks} = \$9,405 \\ \$6.50 \times 10 \text{ hours} \times 14 \text{ weeks} = \quad 910 \\ \hline \mathbf{\$10,315} \text{ annual income} \end{array}$$

- Using this method, Ramona could **not** ask for an interim reexamination when her income drops in the summer.

Is the result the same? - NO

- Annual income using method 1 is \$2,555 higher than annual income using method 2, but the net effect of these two methods cannot be seen without computing the TTP Ramona would pay under each method. Ramona’s TTP over a 12-month period using each method is demonstrated below. Assume Ramona has one dependent.

Method 1

September-June TTP	July-August TTP
\$12,870 Annual income	\$3,380 Annual income (\$6.50x10x52)
– 480 Dependent deduction	– 480 Dependent deduction
= <u>\$12,390</u> Adjusted income	= <u>\$2,900</u> Adjusted income
1,033 Monthly adjusted income	242 Monthly adjusted income
x .30	x .30
= <u>\$310</u> TTP	= <u>\$73</u> TTP
x 10 months	x 2 months
= <u>\$3,100</u>	= <u>\$146</u>

Annual TTP = \$3,100 + \$146 = \$3,246

Note: Even though Ramona will be working reduced hours at a reduced rate for 14 weeks, the example computes this time at 2 months (8 weeks) based on the time typically needed to process an interim reexam and make the new rate effective.

Method 2

	\$9,405	Annual income for 38 weeks (\$8.25 x 30 hours x 38 weeks)
	\$910	Annual income for 14 weeks (\$6.50 x 10 hours x 14 weeks)
=	\$10,315	Total annual income
-	480	Dependent deduction
=	\$9,835	Adjusted income
	820	Monthly adjusted income
x	.30	
=	\$246	TTP

Annual TTP = \$246 x 12 months = 2,952

The two methods make \$294 difference in what Ramona would pay during the course of a year.

2. The number of dependents that the family reports to the IRS can be different than the number of dependents used to compute the family's adjusted income.
 - a. True**
 - b. False

Comment: HUD’s definition and the IRS definition of dependent is not the same.

- There may be situations where an individual may be claimed as a dependent for tax purposes, but would not be a dependent in the assisted household for purposes of HUD requirements. Similarly, there may be situations where an individual is classified as a dependent in the assisted household based on HUD requirements, but could not be claimed as a dependent for tax purposes.
- It is true that, where there is a dispute about whether an individual may be claimed as a dependent in the assisted household, IRS tax returns showing who has claimed the individual as a dependent can be useful in resolving the dispute.

3. Don works in a retail store. He works 32 hours/week at \$5.10/hour, but he also receives a commission based upon a weekly sales target. The verification from his employer states that commissions “vary” but that Don earned \$2,500 in commissions last year. The employer also reports that a new bonus program has been established that pays \$100 to the most productive sales person each month.

Don says things have been slow for the last several months and doubts he will be so lucky this coming year. What commission and bonus figures will you use for computing annual income for the coming year?

Answer: Owners should anticipate income based upon current circumstances. Unless Don can provide information that supports a change, the owner should anticipate \$2,500 in commissions. There is no history related to the bonus. No amount for bonuses should be included.

4. The Webster family (John, Jill, and their two children) live in your development. The economy is slow so John has been forced to work construction across the state. He comes home every other weekend.

John's gross weekly income is \$560, but because he has to stay in a hotel during the week, the amount he sends home is \$150 less than the take-home pay the family used to have. They have asked for an interim reexamination and a reduced rent.

- What income will you use for John's gross annual income? Explain your answer.

Answer: Gross annual income = **\$29,120**. John's full income should be counted.

Explanation: If John were working as an independent, self-employed contractor then he might be considered to be running a “business.” However, there is not enough information to determine this. It is more likely that John went across state to be hired by a construction firm in a different area. Business income will be discussed in a subsequent module.

5. The Brown family lives in a Section 8 New Construction project. The family's annual income is \$9,500. The family has 2 children age 6 and 7 and a foster child who is 4. Mrs. Brown stays home and takes care of the children.

- \$855 Contract Rent
- \$75 Utility Allowance

Compute the following:

- | | | |
|----|----------------|--|
| a. | \$8,540 | Adjusted Income |
| b. | \$214 | TTP |
| c. | \$716 | Assistance payment |
| d. | \$139 | Tenant Rent the Browns will pay to the owner |

6. Barbara (45) and her daughter (19) have lived in your development for 3 years. Barbara's father recently died and her mother Ethel (67) is moving in with them. You have done the necessary screening and accepted Ethel. In reviewing the information you provided, she suggests that it would be advantageous for the family to consider her (Ethel) the head of household. Will you allow this?

- a. Yes
- b. No****

Explain your answer: A family may not arbitrarily change the head of household for the purpose of reducing the TTP.

7. Pamela and her two children live in your development. She pays a baby sitter \$15 on Monday, Wednesday and Friday when she works out at a local fitness center in the hopes of becoming an aerobics instructor. Can Pamela deduct this \$45/week as child care expense that enables her to further her education?

- a. Yes
- b. No****

Explain your answer: The care must be necessary to enable a family member to work, seek employment, or further his/her education (academic or vocational). The expense Pamela is claiming is not as a result of participation in a formal vocational program.

8. Fred and Ethel, with their two sons Bert and Ernie, live in your assisted development. It's time for the family's annual recertification. The family's total annual income is \$30,000. The only deduction from income is \$960 (dependent deductions for Bert and Ernie). The rent for the unit is \$675/month. The utility allowance for the unit is \$30.
- a. If your development were a Section 8 development, what would the family's TTP be? Explain:

Answer:

$$\text{Unit Gross Rent: } \$675 + \$30 = \$705$$

$$\text{Adjusted Income: } \$30,000 - \$960 = \$29,040$$

$$\text{TTP: } (\$29,040 / 12) \times .3 = \$726$$

The TTP formula produces a result that exceeds the gross rent for the unit. Because the family lives in a Section 8 development, the family's TTP is capped at the gross rent of **\$705**.

- b. If your development were a PRAC development, what would the family's TTP be? Explain:

Answer:

$$\text{Unit Operating Rent: } \$675 + \$30 = \$705$$

$$\text{Adjusted Income: } \$30,000 - \$960 = \$29,040$$

$$\text{TTP: } (\$29,040 / 12) \times .3 = \$726$$

The TTP formula produces a result that exceeds the operating rent for the unit. However, because the family lives in a PRAC development, the family's TTP may exceed the unit operating rent. Therefore the family's TTP is **\$726**.

9. A family subject to the \$25 minimum rent requirement can never receive a utility reimbursement.
- True
 - False****

Explain your answer: The “minimum rent” is actually minimum TTP. In a situation in which the \$25 minimum rent is the greatest of the amounts in the TTP formula, a utility reimbursement could still (and often would) occur.

\$550	Contract Rent		\$615 Gross Rent
65	Utility Allowance	— 25	
\$615	Gross Rent	= \$590	Assistance Payment

\$550 of the \$590 assistance payment would be paid to the owner for contract rent

\$40 of the assistance payment would be paid to the tenant as a utility reimbursement

10. Sam (24) Head; Zelda (22) Spouse and Zach, their 18 month old son, live in your development. Sam works 9:00 AM to 5:00 PM at a retail store and Zelda stays home and takes care of Zach. To supplement the family income, Zelda takes a part-time job working 12:00 PM to 4:00 PM at the local hospital. As a result, the family pays for child care from 11:30 AM to 4:30 PM to cover the time it takes Zelda to go to work and return home.
- What income should be used to cap child care expenses?
 - Family annual income
 - Family adjusted income
 - Zelda’s annual income****
 - Zelda’s adjusted income

Trainer Manual

Module 1

Part C: Power Point Presentation

