HOTMA: What Does it Mean for Me?
Assets and Property Limitation

A Training for Public Housing Residents and Housing Choice Voucher Program Participants

1.

Narrator 1: Welcome to "HOTMA: What Does it Mean for Me?" This training is a guide for people living in public housing and participating in the Housing Choice Voucher program. We will cover new rules related to HOTMA and how they may affect your family.

Narrator 2: HOTMA, which stands for The Housing Opportunity Through Modernization Act of 2016, brings changes to certain rules in the public housing and Section 8 rental assistance programs. In this presentation, we will explain the new rules related to assets and property that your PHA will start using by January 1, 2025.

Narrator 1: This training is Part 2 in a series of two trainings. The first training gives a general overview of HOTMA and explains income and income reviews. This training covers the new asset and real property limits.

2.

Narrator 2: This training has 5 parts: A quick overview of HOTMA and the asset and real property limitations, how PHAs can apply the new rules, specifics on the asset limitation rule, specifics on the real property limitation, and related resources for residents.

Narrator 1: You can easily skip between sections using the button shown on the screen.

3.

Narrator 2: So, what is HOTMA? Again, HOTMA stands for Housing Opportunity Through Modernization Act. The U.S. Congress passed the law in 2016 and it makes changes to many of HUD's rental assistance programs.

Narrator 1: This training is specifically for public housing residents and Housing Choice Voucher participants, including project-based and voucher programs. In this training, we also refer to the Housing Choice Voucher Program as HCV or Section 8.

Narrator 2: So what's the timeline for these changes?

Narrator 1: These rules are already law. But, when the rules will affect you depends on when the system at your public housing agency transitions to the new rules and when your lease is renewed. The rules will apply on or before January 1, 2025. Your public housing agency, PHA, will let you know exactly when.

Narrator 2: Some of these rules will be the same for everyone in public housing and for those using Section 8 vouchers all across the country. In other cases, your PHA can decide on their specific policy. We'll let you know where policies may differ so you can check with your PHA.

Narrator 1: Also, throughout the training we will refer to specific dollar amounts from the rules. These are the amounts for 2024. Each year, they will go up a small amount as they are adjusted for inflation.

4.

Narrator 2: Okay, let's look at the big picture. There are two main rules we're going to cover in this training. They both create new limits on what families who are applying to, and in some cases already living in, public housing and HCV can own.

Narrator 1: These rules were adopted because there are many more low-income families who need affordable housing and are eligible for these programs than there are public housing and vouchers. This is why it is important that PHAs keep the limited homes and vouchers they have for families who truly need the assistance and don't have another suitable place to live.

Narrator 2: The first rule is that families who live in public housing or have a housing choice voucher cannot have more than $100,000* in net assets. The second rule is that families cannot own a home that they could live in outside of their affordable housing program.

Narrator 1: There are a number of items that families may own that are not counted as part of a family's assets. And, there are a number of exceptions to the property rule.

Narrator 2: That's right. And, PHAs can decide if, and how, they will enforce the asset limitation for existing residents. Let's start by talking about that.

5.

Narrator 1: OK. First, it's important to know that your PHA is required by HUD to apply these rules to all new applicants. That means that if you apply for public housing or an HCV program after January 1, 2025, these rules will definitely apply to you.

Narrator 2: But, PHAs have options on how to apply these new limits on assets and property to anyone who is already living in public housing or who already has a voucher. This also includes residents who get into one of these programs in the future, but later on have assets or property that is not allowed.

Narrator 1: That's right. PHAs have three options for the policy they will apply to existing residents. The PHA will choose an option with input from residents and the public.

Narrator 2: The first option is that the PHA can apply the asset and property limits strictly. That means the PHA will terminate and possibly evict any resident who is not in line with the new rules. A PHA can decide on whether their policy will allow a resident time to look for new housing, up to 6 months, before beginning termination of assistance.

Narrator 1: In the second option, the PHA will enforce the rules but allow residents time to change their assets or property so that they meet the guidelines. The PHA will set an amount of time, up to 6 months, that you have to make changes. If you are able to meet the limits, within that time frame, you would not be at risk of termination or eviction.

Narrator 2: The third option is that PHAs can choose not to enforce these new limitations at all for existing residents. The PHA will still need to ask about your assets. But in this case, the PHA would not evict you because you are over the asset limit, or because you own a home you could live in.

Narrator 1: As a part of their policy, the PHA can have exceptions to the asset and real property limits. Exceptions can be based on certain traits like age, disability, or income. For example, your PHA might have a strict enforcement policy, except for families that are considered extremely-low income. For those families, the PHA could have a policy to not enforce the asset limits.

Narrator 2: As always, ask your PHA if you are not sure what policy they are using.

6.

Narrator 1: Let's talk for a moment about what happens if you continue to be over the asset and real property limit and your PHA is enforcing the rule.

Narrator 2: Depending on the PHA policy, the PHA will either start termination proceedings within 6 months or once the 6-month period to resolve the issue is over.

Narrator 1: What exactly happens depends on which housing program you are in. However, in all cases, if you do not fix the issue when permitted or move, you will be terminated from the housing program. This means your housing will no longer be subsidized.

Narrator 2: Families in public housing will have to move or the PHA will evict you. However, as a public housing resident, you can request a hearing under the PHA administrative grievance procedure, if you think a mistake was made.

Narrator 1: Under the Section 8 programs, in some cases, participants may have the option of moving *or* remaining in their housing but paying the full contract rent (meaning without a subsidy). And, in some circumstances, the owner may charge you less in rent than they charged the PHA.

Narrator 2: Remember, PHAs will begin implementing the rules by January 1, 2025. Your PHA will notify you of the date. And, most residents will not be affected by these changes. We'll now explain both the net family assets and property limits in more detail.

7.

Narrator 1: This section will explain the new rules about asset limits for families living in public housing or participating in an HCV program.

8.

Narrator 2: The new rules state that families may not have more than $100,000* in net family assets.

Narrator 1: "Net family assets" refers to the total value of money and valuable items, including real estate, that you have after subtracting costs that you would have to pay to sell the items. This includes the costs of paying off debts on an item when that is required before you can sell it. The calculation excludes many common items, including "necessary personal property" which we'll talk about in a few minutes.

Narrator 2: This change will affect the tenancy of *very few* public housing and HCV program participants.

Narrator 1: However, all families will need to certify their assets, even if your PHA does not enforce the limitation. So, it is important to understand what is included and excluded and the information you will need to provide to your PHA.

Narrator 2: If your family is among the few residents and program participants who have net family assets that total more than $100,000*, and your PHA strictly enforces the limit, the PHA will be required to begin termination or eviction, unless you move first. However, some PHAs will allow families to change their assets in order to meet the rules and continue their tenancy. Residents could also do this before their first income review under the new rules. We will discuss options to come into compliance in a moment.

Narrator 1: Even when PHAs choose not to enforce the asset and property limits for existing residents, no one will be admitted into public housing and HCV programs who do not meet these limitations.

9.

Narrator 2: Okay, now let's look at the rule in more detail. Again, an asset is anything valuable you own.

Narrator 1: That's right. Some examples of assets include: the funds in a checking or savings account, jewelry, artwork, antiques, or stocks. Real property, such as land, housing, or commercial property are also assets.

Narrator 2: However, for the purposes of HOTMA, there are many exceptions – including necessary personal property – which will not count towards the $100,000* limit. Let's look at some common items and money that are not included.

10.

Narrator 1: As you can see, there are several types of assets that are excluded from the total limit.

Narrator 2: Necessary personal property is not counted when adding up your assets for the limit. This includes items you need to go about your daily life. It includes things that you need to keep up and live in your home and supplies that you need for your job, school, or health.

Narrator 1: So, furniture, appliances, and TVs are typically excluded as necessary personal property. So is a car you use to get to work, or a laptop you use for school.

Narrator 2: However, it's important to keep in mind that each family's situation is different. So, what is necessary for your family may not be necessary for another family.

Narrator 1: HUD also excludes non-necessary personal property, as long as the total value of all the items is equal to or less than $50,000*. For example, if you had a boat that was worth $10,000 and a checking account with $5,000, this would be $15,000 of non-necessary personal property. Because the total value of these items does not exceed $50,000*, none of the property will count towards the $100,000* limit.

Narrator 2: Let's look at another example. If you own an antique car that is not used for commuting, worth $45,000, and you have a savings account with $10,000, the total value of your non-necessary personal property is $55,000. Because the value is more than $50,000*, the entire value of this non-necessary personal property will count towards the $100,000* limit.

Narrator 1: Other common exclusions include IRS-recognized retirement accounts, like 401ks, IRAs, and 403(b)s, educational savings accounts, and ABLE accounts, which are special disability support savings accounts. This is not a complete list and there are many other types of assets that are excluded from the net family assets. For a complete list, please see the HOTMA Assets, Asset Exclusions, and Limitation on Assets Resource Sheet.

11.

Narrator 2: Again, the new asset limit will not impact most families. In fact, if you estimate that the total value of your assets is equal to or less than $50,000* <u>and</u> you don't own any real property, like a house or land, your PHA may allow you to self-certify when you move in and at most annual reviews after that.

Narrator 1: Some PHAs will fully verify assets every year. And all PHAs must fully verify your family assets at least once every three years through third-party documentation.

Narrator 2: Third-party documentation could include a bank statement, a property assessment for real property you own, or an annual investment report.

Narrator 1: You can always self-certify that you do not own any real property, like a building or land.

12.

Narrator 2: So, what happens if your net family assets are worth more than $100,000* or you own a home that you could live in?

Narrator 1: Nothing will happen right away. Your PHA will determine if you have exceeded the limitation at a regular or interim income review, sometimes called a reexamination or re-certification.

Narrator 2: As we discussed at the beginning, what happens next depends on the written policy that your PHA adopts. It may be that your PHA does not enforce the limitation. In that case, nothing will happen.

Narrator 1: Or, your PHA may allow you time to come into compliance with the limitation. That could mean transferring money to different kinds of accounts or selling property. We'll talk more about that later. However if you don't come into compliance, the PHA will take steps to end the housing assistance you receive.

Narrator 2: Finally, if your PHA doesn't allow time to come into compliance, the PHA may take steps to end the assistance you receive. This could mean you have to move out. In the case of HCV, a resident may have the option to stay in the home and pay the entire rent, without any PHA assistance.

Narrator 1: The policy on enforcement can really vary! If you may be affected by the asset or property limits, it's important to find out what policy and process your PHA will follow.

13.

Narrator 2: So, what do you do if your net family assets are over $100,000* and you wish to remain in public housing or keep your Housing Choice Voucher?

Narrator 1: It can be scary to learn that you might lose your affordable housing as a result of your assets, but don't panic. There are things you can do to reduce what's counted as part of your "net family assets."

Narrator 2: Right, you have a few options. You could buy a necessary item, such as a car to commute to work or a laptop for school. You could move money into an IRS-recognized retirement account, or into an irrevocable trust that benefits someone in your family.

Narrator 1: If your assets are items, not money, you may need to sell the asset first and then put the money earned into an account that is excluded from the asset limit. For example, if you own a home that is worth $80,000 you could sell the home and move the money into a qualifying retirement account or an irrevocable trust.

Narrator 2: Remember: you should always consult a financial professional before moving your assets. When you are looking for professional help, make sure you talk to a fiduciary, who is legally required to give you advice that is in your best interest.

Narrator 1: Each PHA can decide on whether they allow time for families to meet the new guidelines after they have been found to not meet the requirements at an annual or interim review. PHAs can also decide how much time they allow families to fix those issues. The maximum amount of time is 6 months. For this reason, it's important that you talk to your PHA about their policy as soon as possible if you think you may have assets worth more than $100,000.

14.

Narrator 2: It may be tempting to give or sell your assets to friends or family quickly and cheaply in order to meet the rules. However, if you sell something of value for less than it is worth, the value that you did not receive will be counted as an asset for two years.

Narrator 1: So, in adding up your total assets, you would include the amount the asset is worth minus the amount you received.

Narrator 2: For instance, if you have an antique car worth $45,000 and you sell it to your cousin for $5,000, HUD will include the difference between those two values. So, for the following 2 years $40,000 will be included as part of your net family assets. This is in addition to the $5,000 from your cousin, if that money is in an account that is not excluded.

Narrator 1: Let's now move on to look at the real property limitation.

15.

Narrator 2: HOTMA introduces a new real property limitation. With some exceptions, participants cannot own another home that is "suitable for occupancy." This means you cannot own another home that you could live in.

Narrator 1: The PHA policy on how to enforce the asset limit also applies to the real property limit. So, for example, if your PHA is not enforcing the limit on assets, the PHA will also not enforce the limit on property.

16.

Narrator 2: As explained in slide 5, your PHA will have one policy that will state whether, and how, they enforce the asset and real property limitations. The policy options include not enforcing these rules, allowing residents up to 6 months to fix any issues related to the rules, or enforcing the rules. The PHA may also have exceptions for specific groups of people such as the elderly, people with disabilities, or very low income residents.

Narrator 1: If your PHA enforces the asset and property limits, and you own a home that HUD considers "suitable for occupancy," that does not qualify for an exemption, your PHA may give you time to move, depending on their policy. But, the PHA will have to take steps towards termination or eviction after no more than 6 months.

17.

Narrator 2: It's important to know that if you own a home, regardless of whether you could live in it, its value will count towards your net family assets. If the home is worth more than $100,000*, you would need to sell it and purchase an item that is not included in net family assets or transfer the money to an account or trust that would not count towards your net family assets. We discussed this briefly in the previous section.

Narrator 1: The only exception would be if the property qualifies for an exclusion under the asset limitations. For example, if you do not have the legal authority to sell the property. In that case, the value of the property would <u>not</u> count towards the total asset limit of $100,000.

18.

Narrator 2: Let's look at some of the exemptions HUD allows for owning property. In these cases, you would be allowed to continue owning the home, even if you could live in the property, and would not be affected by the rule.

Narrator 1: First, if you own the home and receive assistance through the Housing Choice Voucher Program, you are exempted from the limitation.

Narrator 2: Right. And if you own the property with someone else, and that person lives in the home, then it will not count against you. For example, if you and your cousin inherit a house from your grandmother and that cousin lives in the home. In that case, the home will not make you ineligible for the program under the real property limitation.

Narrator 1: However, the value of the home will count towards your net family assets. For example, if the house is worth $100,000* and you and your cousin own the home together, then, in most cases, $100,000 will count towards your net family assets.

Narrator 2: If you or someone in your family is the victim of domestic violence, dating violence, sexual assault, or stalking, the property qualifies for an exemption.

Narrator 1: Finally, if you are currently selling the home, then you are still within the new guidelines. But again, the value of the home will count as a part of your net family assets. And, the amount you receive after the sale, minus how much it cost you to sell it, will also count as part of your net family assets. That is, unless you move that money into an account that is exempt or you use the money to pay for necessary personal property.

19.

Narrator 2: If none of the exemptions apply to you, you should next consider whether the house is “suitable for occupancy,” according to HOTMA rules. Suitable for occupancy means that you could live in it.

Narrator 1: Right. If your PHA enforces the limitation, you would be ineligible for your affordable housing program if you own a home you could live in. There are several reasons a house may not be suitable for occupancy though. If the house does not meet the disability-related needs of your family, such as a wheelchair ramp or space for medical equipment, the home may not be suitable.

Narrator 2: If the house is not big enough for your family, then it is also not considered suitable. For instance, if you are a family of 6 and it is a 2-bedroom house, the house would not be considered suitable for your household.

Narrator 1: The location of the house may also make it not suitable for occupancy, particularly if living there would mean you could not travel to work or school. For example, if you live in public housing in Missouri where you work, but you inherited a house in Ohio, the house would not be “suitable for occupancy.” Your PHA will have a policy to determine whether the location would make this house suitable or not.

Narrator 2: The condition of the house matters too. A home that is in need of serious repairs to be safe would not be suitable for occupancy. However, if the unsafe conditions can be easily fixed and the cost of repairs would not be a serious burden on the family, then the PHA may determine that you could live in it.

Narrator 1: Finally, if you cannot legally live in the home, then it would not be considered suitable for occupancy. For example, if the property is a storefront that is only zoned for commercial use.

Narrator 2: PHAs have some discretion in what property is considered “suitable for occupancy.” If you own a home that may make you ineligible for the program, you should talk to your PHA as soon as possible to determine whether it is exempt.

20.

Narrator 1: What happens if you own a home that is suitable for occupancy and are considered out of compliance?

Narrator 2: If your PHA has a policy to not enforce the limitation or if you are exempt, you do not need to come into compliance.

Narrator 1: Some PHAs will strictly enforce the policy. You will need to move or the PHA will have to end your housing assistance and, in public housing, evict you.

Narrator 2: Under HOTMA, PHA’s may have a policy to allow up to 6 months after you are found to not meet asset limitation requirements for you to meet the new guidelines. The PHA may also have specific rules for which families can have extra time to come into compliance. For example, a family who can show they are having a hard time finding alternative housing.

Narrator 1: You can use the extra time to demonstrate that you either no longer own the property or that it should be excluded (for example, it does not meet your family’s disability-related needs, or because it is being offered for sale). If you demonstrate that and your PHA determines that you now meet the requirements, they will not terminate your assistance.

Narrator 2: Don’t forget that your net family assets cannot exceed $100,000* (as adjusted for inflation each year) after selling the property. If your net family assets are more than $100,000*, you may need to take steps to transfer funds into an asset that HUD considers excluded.

Narrator 1: Because of this, it’s important to talk to your PHA as soon as possible and find out what their policy is.

21.

Narrator 2: HUD has many written resources and webinars to support you in understanding how these changes may impact your housing and rent. These resources can also help you find more specific information and prepare you for annual and interim reviews.

22.

Narrator 1: There are three fact sheets written specifically for residents, that provide information on HOTMA changes and links to more information. They are on:

- Income Calculation and Reviews
- Health, Medical, and Childcare Deductions
- Asset and Real Property Limitations

23.

Narrator 2: There are also three worksheets to help you organize your documents and understand if, and how, your family may be impacted under the new rules related to:

- Interim Reviews
- Student Financial Aid
- Asset and Real Property Limitations

Narrator 1: These worksheets provide more details on the information that your PHA will look at and where you can find the documentation you need. They provide space for you to record your family's information. In places where a calculation will be done - for example, calculating your assets- the worksheet will allows space for you to put in values and will automatically calculate the results. This is not an official or final determination but can be useful in getting ready to meet with the PHA.

24.

Narrator 2: There is also the HOTMA Income and Assets Training Series and related resources for PHAs. We have mentioned a couple of these resources already. For example, the HOTMA Income and Income Exclusions Resource Sheet includes the full list of excluded income and the HOTMA Assets, Asset Exclusions, and Limitation on Assets Resource Sheet includes the full list of excluded assets. You can access all of these resources through the HOTMA training page on the HUD Exchange.

25.

Narrator 1: Thank you for participating in this training. We hope that the training and related resources will be useful to you, your family, and your neighbors.

Narrator 2: Keep in mind though, you do not have to figure out this information on your own. If you have questions or need support, talk to your PHA.

**As adjusted for inflation annually.*