

MICHIGAN STATE HOUSING DEVELOPMENT AUTHORITY

TENANT BASED RENTAL ASSISTANCE PROGRAM

**Income - Assets, Allowances, Expenses, Verifications &
Calculations**

Income Verification Requirements

Introduction

The integrity of income verification is vital for HUD, MSHDA, and the TBRA Program.

Gather Tenant Information for Income Verification

When the income verification process is initiated at the time of initial contract or annual re-examination, the TBRA Administrator will require the following forms be completed:

- Applicant/Tenant Authorization & Certification (TBRA #5)
- Declaration of Section 214 Status (TBRA #7).

All documents must be signed by head of household and every other household member age 18 and over.

Third Party Verification (TPV) Process

TBRA Administrators must obtain TPV or document in the file why TPV was not available for the following factors:

- Reported family annual income;
- The value of assets;
- Expenses related to deductions from annual income;
- Other factors that affect the determination of adjusted income.

Federal Regulations require disclosure of income information and verification from all family members age 18 and over for all earned and unearned income for the household. TBRA Administrators will verify the accuracy of the information and adjust the family's household income, which affects the tenant's rent payment.

Each item marked "yes" on the checklist involving income, assets, or deductions must be verified using the TPV process.

HUD requires that income, assets, and deductions be verified through a third party such as an employer, financial institution, DHS caseworker, etc. A tenant cannot hand carry documents to or from the verification source.

Verification documents for income, assets, and deductions must be dated within:

- 60 days prior to the TBRA Housing Coupon issuance date; and
- 120 days prior to the effective date of the transaction.

Third-Party Verification Hierarchy

HUD has identified a hierarchy of TPV verification. The five levels of verification, in order of acceptance to HUD, are identified below:

1. Up-front income verification (UIV)
2. Third party verification, written
3. Third party verification, oral
4. Review of original documents (tenant supplied documents)
5. Verification of Income from Other Contributions (TBRA #18 or notarized statement)

Up-Front Income Verification (UIV) System

Up-Front Income Verification (UIV) is the verification of income through an independent source that systematically and uniformly maintains income information in computerized form for a large number of individuals. It is the preferred method of income verification to be used. The current Up-Front Income Verification (UIV) resource:

- Private sector databases (e.g. The Work Number): You may use the website www.theworknumber.com to obtain UIV employment verification.
NOTE: If the tenant disagrees with the UIV information, it is incumbent upon the tenant to disprove the UIV information.

Third Party Verification (TPV) – Written

If an Up-Front Verification (UIV) is not available, or if there is an income discrepancy involving UIV, Third Party Verifications (TPV) must be used to verify information directly from the source. Written TPV can be requested from the source by first class mail, E-mail, FAX, or drop off at source, etc. Submit the first request for written TPV directly to each source. If the first request for written TPV is not received from the source within 14 days, a second request for written TPV directly to the source is made. Allow the source 7 days to respond to the second request for written TPV, for a total of 21 days.

Attach a copy of the Applicant/Tenant Authorization & Certification (TBRA #5) with the words “see attached authorization form” written on the tenant signature line of the applicable verification form *prior* to sending to the source. Multiple forms may be needed to accommodate several sources, such as the need for a separate Verification of Resources (TBRA #17) if the tenant has three savings accounts at three different financial institutions.

The verification forms are submitted *directly* to the verification source who then returns the document(s) *directly* back to the TBRA Administrator.

Requests for written Third Party Verifications (TPV) for income/assets/deductions must be made whether or not a TBRA verification form exists.

If written TPV cannot be obtained (i.e. employer is out of business) then the TBRA Administrator will make the decision as to how best to obtain the required information. However, the TPV hierarchy must be followed, and written documentation must be recorded on the Third Party Monitoring Form (TBRA #41) or the Supplemental Information Form (TBRA #31) which “tells the story” of attempts at verification and answers received.

The tenant CANNOT hand carry any verification documents to or from the source.

In order to be considered written TPV, the verification must come directly from the source; all required data is present, and the following:

- Mailed verifications – When possible include the envelope as proof that the verification was received from the TPV source. If more than one verification was received in the envelope, the TBRA Administrator should notate, date, and sign on each verification form that it was received with other verifications from the source.
- Faxed verifications – The TBRA Administrator must identify the source’s name encoded on the FAX documents, or the cover sheet showing the source’s name must be stapled to the document.
- E-mail verifications – The TBRA Administrator *must* identify the source’s name or notate, date and sign on the form that the verification came from source via E-mail.
- Other verifications – For example, the TBRA Administrator stopped by a source’s place of business and picked up verification directly from source. The TBRA Administrator must notate on the form that the verification was picked up directly from the source by the Grantee, date and sign.

If the TPV received has an appearance that revisions have been made or has been tampered with in some way, then the verification is not acceptable. (Tampering of documents could be white outs, cross outs, different inks, different handwriting, suspicious letterhead or forms, suspicious information, etc.) If tenant fraud is believed to have occurred, please discuss possible termination with MSHDA.

The TPV 21 day process clock begins on the day that the first attempt for written TPV is made to each source.

Medical/Pharmacy Release of Information Exceptions: Due to HIPAA confidentiality reporting laws, it may be necessary to use verification/release of information forms provided by the source (i.e. Wal-Mart and K-Mart) instead of TBRA forms, which the tenant must sign requesting that the information be sent to the TBRA Administrator from the source. A Verification of Medical Expenses (TBRA #15) should be sent to the source along with the source’s forms.

If Up-Front Income Verification (UIV) is not available and attempts to obtain written Third Party Verifications (TPV) were unsuccessful; TBRA Administrator must originate oral TPV.

Third Party Verification – Oral

If UIV and written TPV is not obtained, the TBRA Administrator must *initiate* contact with the source identified on the Household, Income, Asset, and Expense Declaration, (i.e. supervisor, personnel department, etc.) to obtain the necessary verification. The individual source's name, the date/time contacted, TBRA Administrator signature, and all required data must be noted on the following verification document:

- If a TBRA verification form exists for the item(s) being verified, the entire form must be completed based on the conversation.
NOTE: The verification form does not require tenant signature since this is oral TPV.
- If no TBRA verification form exists for the item(s) being verified, document the required information on a Supplemental Information Form (TBRA #31).

In the event that attempts for oral TPV from the independent source have failed, the TBRA Administrator must pursue original documents provided by the family.

If UIV is not available and attempts to obtain written and oral TPV were unsuccessful; the TBRA Administrator must utilize documents provided by the family if the documents contain complete information.

Original Documents Provided by Family in Lieu of TPV

If UIV, written, and oral TPV is not obtained, the TBRA Administrator reviews the original documents provided by the family as verification of income/assets/deductions. To be acceptable for this method of verification documents must be original and authentic, (e.g. not Faxes nor photocopies). TBRA Administrator must photocopy the original document. Notate "viewed original document" and sign and date the copy of the tenant-provided document.

NOTE: Financial institution statements that reflect direct deposit amounts are not acceptable verification until 28 days have passed and the third party did not respond. Since direct deposit financial documents do not identify gross amounts or deductions, specific information must still be obtained from the source for Medicare deductions, gross wages, etc.

Under no circumstances can a copy of a U.S. Treasury issued check be in a tenant file as documentation.

In the event information cannot be verified by a review of documents, families will be required to submit family certification.

Family Certification (Notarized Statement)

If UIV is not available and attempts to obtain written and oral TPV were unsuccessful, and the family cannot provide original documents, then family certification is required. Family certification is a notarized statement signed under penalty of perjury in the presence of a witness. The TBRA Administrator may accept a notarized statement or affidavit from the family that declares the family's total monthly or annual income/assets/deduction verification. This method should be used as a last resort when no other verification method is possible.

Exceptions to TPV

TPV Written: There are occasions when the TBRA Administrator may not be able to attempt written TPV. In those instances, the TBRA Administrator must explain on the Third Party Verification Monitoring Form (TBRA #41) (and/or the Supplemental Information Form (TBRA #31) if necessary) why they skipped this step in the hierarchy. For example, if a tenant is unable to provide and the TBRA Administrator cannot obtain a mailing address for the source that can be used for written attempts for TPV, this step may be skipped and the TBRA Administrator would immediately go to the TPV oral step. The reason this was skipped must be thoroughly explained on the Third Party Verification Form (TBRA #41) or the Supplemental Information Form (TBRA #31).

TPV Oral: There are occasions when the TBRA Administrator may not be able to attempt oral TPV. In those instances, the TBRA Administrator must explain on the Third Party Verification Form (TBRA #41) (and/or the Supplemental Information Form (TBRA #31) if necessary) why they skipped this step in the hierarchy. For example, if the tenant is unable to provide and the TBRA Administrator cannot obtain a phone number for the source that can be used for oral TPV, the reason this was skipped must be thoroughly explained on the TBRA #31.

Original Documents Provided by Family in Lieu of TPV: There are occasions when a tenant may not be able to provide original tenant supplied documents. In those instances, the TBRA Administrator must explain on the Third Party Verification Monitoring Form (TBRA #41) (and/or the Supplemental Information Form (TBRA #31) if necessary) why they skipped this step in the hierarchy. For example, a tenant is unable to provide documents to verify income/assets/ deductions. The reason that this was skipped must be thoroughly explained on the Third Party Verification Monitoring (TBRA #41) or the Supplemental Information form (TBRA #31).

NOTE: Skipping this step is rare.

Fee Requests from TPV Source: MSHDA does not require the TBRA Administrator or tenants to pay a fee for verifications to the Third Party Verification (TPV) source. If a service request fee is charged by the TPV source to complete a verification form, keep a copy of the fee request document or an e-mail from the source identifying the source name, address, phone number, and fee amount. Place a copy of the fee request/E-mail in the file. Note on the Third Party Verification Monitoring (TBRA #41) or Supplemental Information form (TBRA #31) that MSHDA will not pay fees for such requested information. Go to the next level of TPV hierarchy.

Letters of Refusal to Provide Verification from TPV Source: When a Third Party Verification (TPV) source refuses to provide requested information and states the reason for refusal on a permanent basis, the approved exception letter must be included with each affected tenant file, when skipping written and/or oral TPV. Document on the TBRA #41 under written and oral TPV Remarks column, “refer to attached approved exception letter.”

Third Party Verification (TPV) Monitoring (TBRA #41)

In order to monitor the Third Party Verification (TPV) process and improve our TPV quality, the Third Party Monitoring Form (TBRA #41) is required for all TPV. A well-documented Third Party Verification Form (TBRA #41) verifies the TPV process. It does not excuse inadequate verification(s).

- Write the specific family member’s name for which the consequent letter and number is being monitored. (Example: Head of Household’s spouse has bank account. Document the spouses name on TBRA #41 for E-1 which asks if any family members have a bank account.) You may record more than one family member’s name on the form.

Additional information can be made on a TBRA #31 if necessary to further document attempts.

TBRA Administrator’s Initials Column – Persons completing the form may use their initials.

If you skip a method, you must document the reason on the Third Party Verification Monitoring Form (TBRA #41).

Example: *Skipping UIV and Written TPV and using Oral TPV.*

- In the case of joint bank accounts, both names may appear on the same line of the TBRA #41.
- If there is more than one source for any one item on the Household, Income, Asset, And Expense Declaration, complete as separate entries on the TBRA #41. Example D-2.1, D-2.2.
- Unearned income of minors must be listed separately on the TBRA #41; e.g. Social Security, SSI.
- Federal and State SSI must be entered on separate lines.
- Medicare premiums are generally verified on the Social Security verification and do not require a separate entry.
- Zero income households with no assets and no deductions do not require the completion of the TBRA #41.
- Calculations should be notated on the applicable verification form and not in the remarks column on the TBRA #41.

Method 1: UIV

UIVDate/Method Column:

- If UIV is received, write the date it is received and appropriate UIV method used by selecting a code from the appropriate key to complete the box.
- NA is used when there is no UIV method for that particular type of verification.
- DNR is used when you did not receive UIV from an available UIV source.

Method 2: Written TPV

Written TPV – Written Req. Sent column:

- Write date of initial request to Third Party source.
- Use Written TPV Key for method.

Written TPV – Follow-up Sent column:

- Write date of second request to Third Party source. *This should be at least 14 days from date of first TPV attempt.*

Written TPV – Received column:

- If received by third party source, write date and method of receipt. For example, if TPV is received in the mail, you enter “M”.
- If no response, write NR and explain in Remarks section.

Written TPV – Remarks column:

- Enter the date you are writing remark. *This must be at least 21 days from first TPV written attempt.*
- Write explanation. If using a Supplemental Information Form (TBRA #31), write “see TBRA #31.”

Method 3: Oral TPV

Oral TPV column:

- Write the date, time and person’s name that was contacted or attempted to contact and explain in the Remarks section or use the TBRA #31.
- Leave blank if unable to attempt the contact and explain in the Remarks section or use Supplemental Information Form (TBRA #31).

Remarks column:

- If an Oral TPV was completed, write, “See Supplemental Information Form (TBRA #31)”
- If an Oral TPV was not completed, write an explanation.

Method 4: Document Review

Document Review column:

- Write the date that the tenant-supplied document was reviewed.
- Tenant supplied documents dated within 60 days of the effective date are acceptable.

Method 5: Tenant Declaration

Tenant Declaration column:

- Write the date that the tenant affidavit or notarized statement was received.

NOTE: Once verification is received, no further notations are needed for that item. Notations must be present for each method taken. Example: If the verification came from the review of a Tenant supplied document (Column #4, *Document Review*) each column up to and including #4 would have notations, and column #5 would be blank.

Examples of acceptable notations to be written in the remarks column:

- “NR (no response) from either attempt at written TPV resulted in the attempt of oral TPV” and *date*.
- “See attached TBRA #31.” (Attach Supplemental Information Form (TBRA #31) that was used to provide more clarification to the Third Party Verification Monitoring Form (TBRA #41).
- “See attached approved exception letter.” (Attach exception letter to Third Party Verification Form (TBRA #41).
- “Source (write source name) refused to give info over the phone, which resulted in the use of tenant supplied verification.”
- On Oral TPV in the Remark sections write – “See Verification of Earnings (TBRA #8)”

Calculating Annual Income

Annual Income

Annual income is determined by calculating a household’s anticipated total or gross income minus allowable deductions.

Use the family’s current income and expenses to *predict* the families expected annual income for the next year.

Sporadically received income, or income where the amount received is not consistent must be treated as irregular income, and the procedures described below for annualizing irregular income must be used to anticipate annual income for the next year.

Use averages and estimated amounts when necessary.

Use gross income: include holiday pay in determining gross income. *Do not* deduct taxes or other payroll deductions from gross income.

Include all tips, bonuses, scheduled pay increases or other additional amounts. If TPV, indicate an expected change in income (i.e. pay increase), include the change in calculations to obtain the closest possible estimate. Example: a participant starts a new job and the employer indicates an anticipated increase after six months. Calculate and enter six months at one wage and six months at the increased wage to get the best estimate of the next twelve month's earnings.

If verifications provided are not clear, the TBRA Administrator must obtain additional information before determining the tenant rent portion. HUD stresses the importance of avoiding errors made in calculating the tenant's portion of the rent. Consistent errors of this type may cause problems in future audits by HUD.

Convert all income (and allowable expenses) to an annual figure by multiplying the pay rate by the frequency of payment.

- Multiply hourly wages by the number of hours worked per year. Full-time employment (40 hours a week and no overtime) is 2,080 hours (40 hrs X 52 weeks = 2080 hours). (10 hours a week X 52 weeks = 520 hrs per year).
- Multiply weekly wages by 52.
- Multiply bi-weekly wages by 26.
- Multiply semi-monthly wages by 24.
- Multiply monthly wages by 12.
- Multiply daily wages by 260 (full time/no overtime).
- To convert monthly amount to weekly, divide by 4.3.
- Round up to the nearest dollar at .50 and above (except SS payments, which are always rounded down).

NOTE: Federal and State wage laws require employers to pay time and a half in excess of 40 hours for most occupations. If earnings verification shows more than 40 hours worked but does not indicate overtime paid, verify with the employer if overtime is paid or not. Document this on the Supplemental Information Form (TBRA #31).

Irregular Income

Irregular income is defined as income received in an unpredictable or sporadic manner, such as income from seasonal employment, temporary work agencies, child support, or alimony. If the family has a history of irregular income, you may use the family's past income history to determine how to project such income forward.

When determining such income, use the most recent verification providing the required information available. Divide the year-to-date (YTD) total provided on the verification by

the amount of actual weeks the total covers to receive an average weekly income. Multiply the weekly income amount by 52 (weeks).

Types of TPV vary, and it is often difficult to determine annual income based on the information provided. When such cases occur, it is necessary to contact the source of the income (i.e. employer for wages, or Friend of the Court for child support or alimony) to clarify information provided, then document the information received on a Third Party Verification Monitoring Form (TBRA #41) or a Supplemental Information Form (TBRA #31) as appropriate.

Convert the following irregular income to an annual figure to complete rent calculations as follows:

- School Employment – Most schools are in session 37 weeks a year: calculate at 37 weeks worked and 15 weeks off unless verification documents specifically note otherwise. School employees usually have a choice of being paid their yearly salary spread out over 37 weeks or 52 weeks. Once an annual income figure is determined using either 37 weeks or 52 weeks as the basis of calculation, interim revisions for “zero income” during summer months are not an option. If not using 37 weeks worked and 15 not worked, write an explanation for using a different time period on the verification.
- Unemployment Benefits – Multiply the gross weekly benefit by 52 weeks, regardless of the number of weeks they remain eligible to receive benefits. When the family reports the benefits have ceased, complete an Interim Re-examination to adjust annual income.
- Irregular Income (including wages, child support, etc.) – Use the most recent verification available. Divide the YTD amount by the number of actual weeks to receive an average weekly amount. Multiply the average weekly amount by 52 weeks.

Example:

Child Support check stub dated June 1, 2006 (22 weeks)

Total received (YTD total): \$ 814.00

YTD divided by 22 weeks equals weekly average: $814/22 = \$ 37.00$

Weekly average x 52 weeks equals Annual average: $37 \times 52 = \$ 1924.00$

(Round off to whole dollar amount)

Zero Housing Assistance Payments

- If initial calculations result in no benefit to the household, a contract cannot be executed.

Zero Income

- A zero income household is one in which an entire household claims no earned nor unearned income. A household with benefits or non-earned income (i.e. Social Security, child support, DHS, etc.) to minors (family members age 17 and under) is not considered a zero-income household.
- Zero income households with no assets and no deductions do not require the completion of the Third Party Verification Monitoring (TBRA #41) form.

Any reported changes must be processed as an interim re-examination. Process all increases in income for zero-income households, regardless of the amount.

If the entire household continues to have no income, the Head of Household should then sign a new Verification of No Income (TBRA #44) with the TBRA Administrator if they claim no income again. The household has 14 days to complete and return this form.

- The TBRA Administrator forwards one copy of the Verification of No Household Income (TBRA #44) form to the participant.