MULTIFAMILY HOUSING UPDATES

Multifamily Housing Notice 24-01

March 20, 2024

To: Developers, Sponsors and Local Housing Contacts

From: Pat Gill, Director of Tax Credit Compliance

Re: HOTMA Interim Guidance for LIHTC Properties

Final implementation of the Housing Opportunity Through Modernization Act (HOTMA) has been delayed for Maryland LIHTC properties and will now be effective on January 1, 2025. However, owners, sponsors, and property management companies have asked CDA to accept interim guidelines for LIHTC properties who prefer to follow HOTMA prior to January 1, 2025. CDA agrees to provide flexibility for properties that are ready for HOTMA standards while accepting that other properties will not be required to meet these standards until 2025. The following language from HUD provides a backdrop for Maryland's approach to HOTMA implementation:

> The final rule's effective date is January 1, 2024. HUD recognizes that HOTMA includes significant program and system changes and that owners and families need time to understand the changes and implement them.
> HUD understands that the system development time frame to make full implementation and compliance with HOTMA by the January 1, 2024, deadline is unlikely. Additionally, because these HOTMA changes apply to all current participants and new admissions, implementation of the final rule cannot be achieved immediately on a universal basis but rather as an ongoing process that will happen over the course of a year as routine program activities occur and the multifamily housing owner software becomes compliant.

Maryland LIHTC properties may elect to follow pre-HOTMA standards during 2024. Properties may adopt HOTMA within sixty (60) days of the property's software being ready for implementation. The election does not require any documentation. Simply adjust your property files to HOTMA standards consistently for move-ins. HOTMA standards can be followed for move-ins throughout 2024.

The following outline of HOTMA issues will be helpful for move-ins during 2024.

A. Asset Changes.

1. $50,000 in Assets without third-party verification.

2. Checking account balances for one month are acceptable.

3. Income resulting from Assets are all accepted per HOTMA - to include the 0.40% passbook rate change.

4. Retirement accounts, including 401(k)s, are not counted as Assets. However, distribution of retirement funds is still income.

B. Income Changes and other.

1. For steady workers, two (2) most recent consecutive pay stubs are acceptable (see below). However, if the two (2) pay stubs include only seven (7) days per pay period, then use four (4) pay stubs.

2. For day laborers, independent contractors and seasonal workers, the best evidence of income is the income for the previous year, unless there is an underlying reason to suggest that income is likely to change during the forthcoming year.

3. The HOTMA "Verification Hierarchy" is required. The hierarchy preference, from best to acceptable, is in this order: a) The Work Number, or equal; b) pay stubs; and c) third-party employer's verification. Utilize affidavits from household members or management if third-party employer's verification is used in lieu of pay stubs. Costs for The Work Number is an acceptable reason to move down the hierarchy to pay stubs. Then, use affidavits if pay stubs are not available. If employer verifications are used, determine the average of hours in the form of the verification rather than the highest number of hours in the range(s).

4. A caretaker's income is excluded if: a) the caretaker is caring for a family member living in the household; and b) the caretaker's services prevent the need for the family member to move into a nursing facility.

5. Income related to foster children in the household is not included. The foster child is not included in the number of members of the household for purposes of income limitations.

6. The Tenant Income Certificate (TIC) will list the foster child under the Relationship to Head of Household as "F". If a foster person between the age of 18-24 leaves foster care, or is within 90 days of ending foster care, AND is at risk of becoming homeless, then the foster person will be included in the household.

7. There is no change in the approach to income for students in the household if the student is: a) the head of household; b) the spouse of the head of household; c) the co-head of the household; or d) age 23, or older, and household member has a dependent child. For all other students with income, calculate Education Expenses (all books, supplies, room and board, tuition and fees). Then, add the following categories of the student's income: a) work-study income; and b) gift income (referred to collectively as Education Income). The difference between Education Expenses and Education Income is the income for the student on the TIC.

8. Changes in the form of TICs and Applications generated by HOTMA are not required for 2024, however, applications are required and must be completed and signed by every adult in the household.

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