HOTMA Resident Fact Sheet

Important Note: The Housing Opportunity Through Modernization Act of 2016 (HOTMA) policies in this notice are based on the U.S. Department of Housing and Urban Development's (HUD) current plan for certifications starting January 1, 2027. ***This date may change.*** If HUD updates the start date, HACSD will inform all participants and the new policies will not begin until HUD sets a new date.

HOTMA changes how Public Housing and Section 8 (HCV/PBV) programs count **income**, **assets**, and certain **deductions**. These rules affect who qualifies and how rent is calculated. For more information regarding HOTMA, please visit www.sdhcd.org.

ASSETS

Assets are things you own with value such as jewelry, vehicles, stocks, tools, artwork and real estate. "Net family assets" means the amount of money you would get if you sold those items after subtracting any debts or costs.

Asset Limit -24 CFR 5.618(a):

You cannot receive assistance if your net assets are more than $109,797 (adjusted every year) **or** you own a home that your family can live in.

- This rule applies to **new applicants**.
- **Current participants who are over the limit or have a home they can live in** will be given **6 months to be in compliance**. For example, families can move the money into a retirement account or sell the property.

Real Property Restriction – 24 CFR 5.618(a)(ii):

You cannot receive assistance if you own a home your family can live in, unless:

- You receive voucher assistance for that specific home under the Manufactured Home or the Homeownership Program.
- You co-own the home with someone who lives there, and they are not part of your assisted family.
- You are actively selling the home.
- You are fleeing domestic violence, dating violence, sexual assault, or stalking.

A home might *not be suitable to live in* if it is unsafe, does not meet your family's disability needs, is in a location that creates hardship, is too small for your family, or you are not legally allowed to live in it.

Excluded Assets – 24 CFR 5.603(b)(3):

HOTMA does not count:

- **Necessary items** (Items needed for home, work, school or health).
- **Non-necessary** items such as recreational vehicle, coin collection, or antique jewelry worth up to **$54,898** (adjusted each year).
- **Retirement accounts** (IRA, 401(k), 403(b)).
- **Property you cannot legally sell**.

INCOME

Income includes:

- Earned: wages, self-employment, seasonal work or contract work (for family members 18+).
- Unearned: benefits, pensions, child support, and income from assets (including those under 18 years old).

Income NOT counted:

Tax refunds, holiday gifts, donations (food/clothing), certain student financial aid, and foster care payments.

Interim Reviews

You must report changes in household members and income.

- **If your income goes down:** An interim review will always be done.
- **If your income goes up:**
  - A review will be done if your **unearned** income goes up by 10% or more.
  - A 10% or higher increase in **earned** income will not change your rent unless you have had a rent decrease earlier in the same review cycle.
  - Income increases reported within the last three months of the annual review will not be counted right away but may lead to rent increases later if the change wasn't reported on time.

Income Determination Options

- **Safe Harbor**: HACSD can use income information from programs like CalWORKS or Medi-Cal if it was verified within the last 12 months.
- **Streamlined determinations for elderly/disabled households with 100% fixed income:** If all income is fixed, HACSD will use the standard cost-of-living adjustment instead of having the family provide new documents.

DEDUCTIONS

You generally pay 30% of adjusted income toward rent. HOTMA updates how deductions work.

Mandatory Deductions

Deductions for dependents and elderly/disabled families are now adjusted for inflation each year (no longer fixed at $480 and $400). HUD will publish updates every year.

Childcare Deduction

HOTMA allows families to get a childcare deduction for a child under 13 years old even if a household member is not working or going to school, when there is a verified hardship.

However, HACSD does not assess childcare expenses for hardship exemption purposes. Since HACSD does not have a minimum rent requirement and processes interims for any income decreases (no threshold amount) there are no circumstances under which a hardship exemption would be considered.

Health & Medical Expense Deduction

New rule raises the medical deduction threshold from **3% to 10%** of your annual income for:

- Unreimbursed medical expenses for elderly or disabled families.
- Disability-related attendant care or equipment that helps someone work (up to the amount that person earns).

Hardship Exemptions (Two Types)

Phase-in relief (2 years) for families who used the old 3% rule:

- Year 1: Deduct expenses over 5%.
- Year 2: Deduct expenses over 7.5%.
- Year 3: Deduct over 10%.
- Phase-in relief starts at the next annual or interim reexamination on or after January 1, 2027.

General hardship exemption:

Families can deduct expenses that are more than 5% of their income if they experience a hardship, like a sudden drop in income, unexpected family changes or higher medical costs.

- Lasts up to 90 days and can be extended.
- Families can request it during the phase-in period.