

# INCOME CALCULATION: PART 5 ANNUAL INCOME

Presented by:  
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Wisconsin Housing and  
Economic Development Authority (WHEDA)

Wisconsin  
Division of  
Housing



WISCONSIN DEPARTMENT OF  
ADMINISTRATION



7/1/2014

- Overview
- Calculating Income
- Wages
- Assets
- Verifying Income
- Qualifying tenants
- Your turn 😊
- Q & A



**Type questions at any time during the PowerPoint!**

# OVERVIEW

For detailed guidance:

- ***Technical Guide for Determining Income and Allowances for the HOME Program, Third Edition January 2005***  
*U.S. Department of Housing and Urban Development Community Planning and Development Office of Affordable Housing Programs HOME Model Series*
- ***HUD HOME Front - Interactive Technical Support for the HOME Program, Calculating Income Eligibility***  
*[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordab lehousing/training/web/calculator/definitions](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordab lehousing/training/web/calculator/definitions)*
- ***Contact Division of Housing staff for questions!***

# OVERVIEW

## Definitions

- “Part 5” (“HUD definition”)

*24 CFR 5.609 = Code of Federal Regulations, Part 5- General HUD Program Requirements; Waivers, Annual Income*

- Annual income is the **gross** amount of income of all adult household members that is **anticipated** to be received during the coming 12-month period.

# OVERVIEW

## Programs that Use Part 5

State of Wisconsin,

Division of Housing Programs:

- HOME: Rental Housing (RHD), Homebuyer and Homeowner Rehab (HHR), and Tenant-based assistance (TBRA)
- CDBG Small Cities Housing and RLF
- CDBG Emergency Assistance Program (EAP)

*Non-DOH programs: Section 8, public housing, Low-Income Housing Tax Credit Program/WHEDA financed tax-exempt, USDA RD*

# CALCULATING INCOME

## TENANT INCOME CERTIFICATION

Initial Certification    Recertification    Other \_\_\_\_\_

Effective Date: \_\_\_\_\_  
 Move-In Date: \_\_\_\_\_  
 (MM-DD-YYYY)

### PART I - DEVELOPMENT DATA

Property Name: \_\_\_\_\_ County: \_\_\_\_\_ TCAC# WI- \_\_\_\_\_ BIN #: \_\_\_\_\_  
 Address: \_\_\_\_\_ Unit Number: \_\_\_\_\_ # Bedrooms: \_\_\_\_\_ Square Footage: \_\_\_\_\_

### PART II. HOUSEHOLD COMPOSITION

Vacant (Check if unit was vacant on December 31 of the Effective Date Year)

HH Mbr #	Last Name	First Name	Middle Initial	Relationship to Head of Household	Date of Birth (MM/DD/YYYY)	F/T Student (Y or N)	Last 4 digits of Social Security #
1				HEAD			
2							
3							
4							
5							
6							
7							

### PART III. GROSS ANNUAL INCOME (USE ANNUAL AMOUNTS)

HH Mbr #	(A) Employment or Wages	(B) Soc. Security/Pensions	(C) Public Assistance	(D) Other Income

# CALCULATING INCOME

## FORMAT FOR CALCULATING PART 5 ANNUAL INCOME

- HUD sample form
- TIC
- CPD Online calculator
- Other forms  
*must include date and signature, statement certifying income amounts*



Part 5 Annual Income Calculation Form

1. Name		2. Identification			
<b>ASSETS</b>					
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets		
3. Net Cash Value of Assets.....		3.			
4. Total Actual Income from Assets.....			4.		
5. If line 3 is greater than \$5,000, multiply line by _____ (Passbook Rate) and enter results here; otherwise, leave blank			5.		
<b>ANTICIPATED ANNUAL INCOME</b>					
Household Members	a. Wages/Salaries	b. Benefits/Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items from 6a. through 6e. This is Annual Income.....					7.

# CALCULATING INCOME

CPD Online calculator

<https://www.onecpd.info/incomecalculator>

The screenshot shows the OneCPD Resource Exchange website. The header includes the US Department of Housing and Urban Development logo, the Community Planning Development logo, and the text "OneCPD Resource Exchange". There are navigation links for "Contact Us" and a home icon. The main navigation menu includes "RESOURCE LIBRARY", "NEWS", "TRAINING & EVENTS", "ASK A QUESTION", "TECHNICAL ASSISTANCE", and "ABOUT GRANTEES". The main content area features a calculator icon and the title "CPD Income Eligibility Calculator". Below the title is a welcome message and a list of HUD CPD programs. On the right side, there are two call-to-action boxes: "Already Registered? Sign in now and complete a previous calculation or start a new one." with a "Sign In" button, and "Need to Register for the CPD Income Eligibility Calculator?" with a "Register Now" button.

 [RESOURCE LIBRARY](#) ▾ [NEWS](#) [TRAINING & EVENTS](#) ▾ [ASK A QUESTION](#) [TECHNICAL ASSISTANCE](#) [ABOUT GRANTEES](#)

## CPD Income Eligibility Calculator

Welcome to CPD's Income Eligibility Calculator, an interactive tool that makes determining the income eligibility and assistance amounts for beneficiaries of CPD programs as easy as 1-2-3. Simply enter the requested data and this calculator will work behind the scenes to generate a summary of results for each beneficiary. You should then print out the summary and include it as part of the beneficiary's file.

The calculator currently performs income eligibility and assistance amount calculations for the following HUD CPD programs:

- Brownfield Economic Development Initiative (BEDI)
- Community Development Block Grant Program (CDBG)
- CDBG Disaster Recovery Assistance
- HOME Investment Partnerships Program (HOME)

Already Registered?  
Sign in now and complete a previous calculation or start a new one.

[Sign In](#) ▶

Need to Register for the CPD Income Eligibility Calculator?

[Register Now](#) ▶

# CALCULATING INCOME

Yes	No
Income from wages, salaries, tips, etc.	Income of Children (under 18)
Business Income (Self-employed, farm, etc)	Foster Care Payments
Interest & Dividend Income	Food assistance
Retirement & Insurance Income	Student Financial Aid
Unemployment & Disability Income	Income from Full-time Students (not heads of household) - after \$480 annually
Alimony, Child Support, & Gift Income	One-time gifts

# WAGES



# WAGES

- Assume current wage situation will continue  
(unless documentation proves otherwise e.g. a scheduled raise)
- Current wages \* hours/weeks/months = yearly earnings

\$7.00/hour, 40 hours/ week →

\$7.00/hour \* 2,080 hours/year  
= \$14,560 per year

HOME: If hourly range given, use average

30-40 hours → 35 hours

WHEDA: Use highest

30-40 hours → 40 hours

Regular hours?  
Tips?  
Seasonal?  
Overtime?

# WAGES

- Unemployment wages can be used to calculate income even if the unemployment wages will likely end
- Seasonal laborers (construction workers, farm workers, etc), verify income documentation that covers the entire previous twelve-month period
- Variable bonuses- use average of last 3 years

# WAGES

## Example #1: Tips

Christopher is a waiter who gets an hourly wage + tips. He earns \$5.00/hour plus tips and works 6 hours/night, 4 nights a week.

*To calculate, use current hourly wage and 3 month average tips*

\$5.00/hour x 6 hours/night x 4 nights/week x 52 weeks/year

His wage income is \$6,240 annually

\$55/night x 4 nights/week x 52 weeks/year

Tip income is \$11,440 annually

$\$6,240 + \$11,440 = \$17,680$  gross annual income



# WAGES

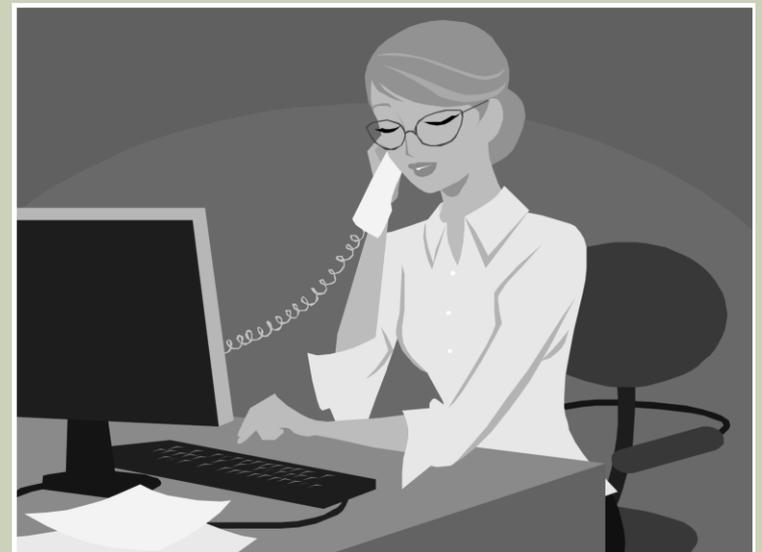
## Example #2: Variation in wages

Genna Smith works for a temp agency in Appleton. The hourly wage she receives and number of hours per week she works varies.

*To calculate, use the average monthly wage over the past 12 months x months in the year.*

*e.g. \$2,003/month x 12 months =*

*\$24,036 = gross annual income*



# WAGES

## Example #3: Seasonal work

Jeremy works at a local strawberry and pumpkin farm. He works from April through November but not when it rains.

The farm manager provides the total number of regular and overtime hours Jeremy worked during the past three years.

*To calculate Jeremy's anticipated gross annual wages, can either*

*A) Calculate the average number of regular hours over the past 12 months times his current regular pay rate, and the average overtime hours times his current overtime rate or*

*B) Use the gross annual wage as given by the employer*

*Note: Use the best information you can reasonably obtain*



# WAGES

## Example #4: Overtime + checking

Jose is a factory worker in Superior. He works 40 hours a week at \$12/hour and averages 15 hours a week overtime at \$18/hour (3 month average).

$\$12/\text{hour} \times 2,080 \text{ hours/year}$   
His wage income is \$ 24960 annually

$\$18/\text{hour} \times 15 \text{ hours} \times 52 \text{ weeks/year}$   
Overtime income is \$14,040 annually

= \$39,000 gross annual income



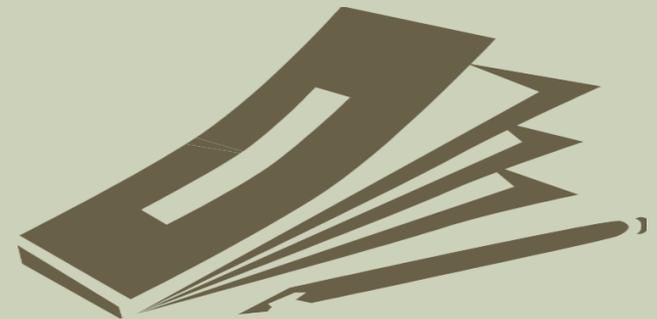
# ASSETS



# ASSETS

Generally....

- **Cash or item that can be converted to cash**  
Cash: savings accounts (balance), checking accounts (6 month average balance), cash on-hand.
- **Value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.**



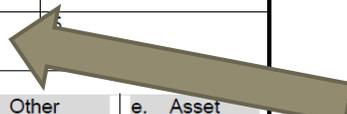
# ASSETS

Inclusions	Exclusions
Cash value of revocable trusts available to the applicant. (Living trust)	Necessary personal property, except as noted in number 8 of Inclusions, such as clothing, furniture, cars and vehicles specially equipped for persons with disabilities.
Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.	Interest in Indian trust lands.
Cash value of stocks, bonds, Treasury bills, certificates of deposit and money market accounts.	Assets not effectively owned by the applicant. That is, when assets are held in an individual's name, but the assets and any income they earn accrue to the benefit of someone else who is not a member of the household and that other person is responsible for income taxes incurred on income generated by the asset.
Individual retirement and Keogh accounts (even though withdrawal would result in a penalty).	Equity in cooperatives in which the family lives.
Retirement and pension funds. (Accessible and/ or drawing interest)	Assets not accessible to and that provide no income for the applicant.
Cash value of life insurance policies available to the individual before death (e.g., surrender value of a whole life or universal life policy).	Term life insurance policies (i.e., where there is no cash value).
Personal property held as an investment (gems, jewelry, coin collections, antique cars, etc.)	Assets that are part of an active business. "Business" does not include rental of properties that are held as an investment and not a main occupation.
Lump sum or one-time receipts, such as inheritances, capital gains, lottery winnings, victim's restitution, insurance settlements and other amounts not intended as periodic payments.	
Deeds of trust held by an applicant.	

# ASSETS

Exhibit 3.3 – Sample Format for Computing Part 5 Annual Income

1. Name:		2. Identification No.:			
ASSETS					
Family Member	Asset Description	Current Cash Value of Assets	Actual Income from Assets		
3. Net Cash Value of Assets.....		3.			
4. Total Actual Income from Assets.....		4.		5.	
5. If line 3 is greater than \$5,000, multiply line by ____ (Passbook Rate) and enter results here; otherwise, leave blank.					
ANTICIPATED ANNUAL INCOME					
Family Members	a. Wages/Salaries	b. Benefits/Pensions	c. Public Assistance	d. Other Income	e. Asset Income
					Enter the greater of lines 4 or 5 from above in e.
6. Totals	a.	b.	c.	d.	e.
7. Enter total of items from 6a. through 6e. This is Annual Income .....					7.



Income from assets = greater of:

- Interest rate from assets → or
- Total assets \* passbook rate (“HUD imputed rate”)

Note: Passbook rate set by HUD = 2%

## “Sample Format for Calculating Part 5 Annual Income”

Available at:  
[http://portal.hud.gov/hudportal/HUD?src=/program\\_offices/comm\\_planning/affordable\\_housing/library/forms](http://portal.hud.gov/hudportal/HUD?src=/program_offices/comm_planning/affordable_housing/library/forms)

X \_\_\_\_\_  
Signature

For Office Use Only

\$ 7/1/2014 Income Limit  
 \$ \_\_\_\_\_ Income Limit of Household

# VERIFYING INCOME



# VERIFYING INCOME

For HOME, third-party verification required:

- Initial application
- Every 6 years thereafter

Recertification: Every year

Years w no 3<sup>rd</sup>  
party verification  
required, tenants  
may provide  
signed income  
statement

- Must verify income every year
- OK to third-party verify every year

# VERIFYING INCOME

With signed release,  
can contact



## Third-party Verification

Examples:

- Wage statements (at least 2 months)
- Interest statements
- Social Security payments
- Unemployment compensation statements

# VERIFYING INCOME

- Information must be less than 6 months old
- Must obtain a written release from the household that authorizes the third party to release required information

# VERIFYING INCOME

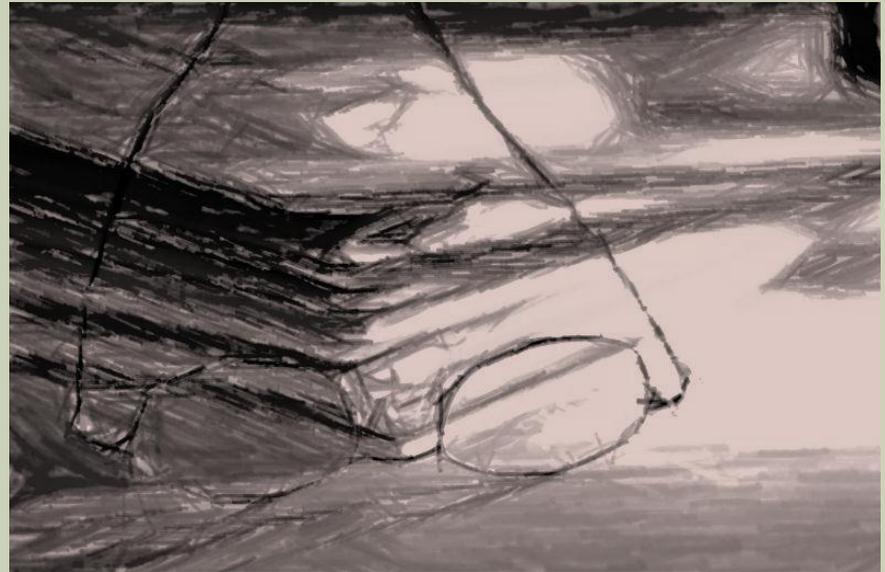
- If third-party verification is impossible/ has fees, alternatives may be used. Alternatives = bank statements, wage stubs, SSA award benefit letters, W2s, etc.
- If fees and no alternative documentation, fees are considered eligible expenses under the HOME Program.
- Do not pass on verification fees to the HOME program applicant



# VERIFYING INCOME

During HOME monitoring:  
DOH staff will look for...

- Tenant income documentation (most recent recertification)
- Income calculations for tenant qualification (original and most recent recertification)



# VERIFYING INCOME

For third-party verification, written verification and correspondence is preferred

Conversations with third parties are OK if documented for the file. Record:

- contact person
- information conveyed
- date of the conversation
- signature + date from staff verifying information



# QUALIFYING TENANTS

HOME: After initial qualification, income can increase up to 80% CMI

>80% CMI =

HOME over income



Over-income tenant pays 30% adjusted annual income

Exception: When additional LIHTC, RD, Project-based Section 8 funding

USDA RD, Project-based Section 8 follow own income guidelines

Tax credit properties- tenant can reach 140% CMI

# QUALIFYING TENANTS

Household size = Number of adults and children  
Count

## Not

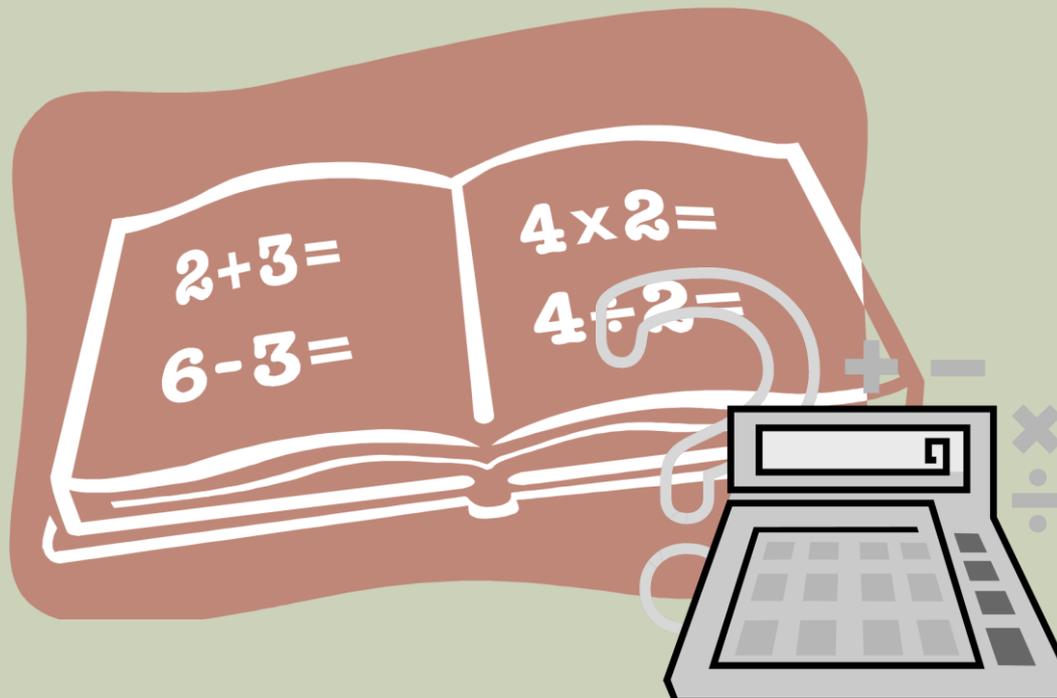
- Foster children
- Foster adults
- Live-in aides
- Children of live-in aides

Shared-custody of child: Count when child resides with the household at least 50% of the time.

Pregnant women = 1 person until child born

# YOUR TURN 😊

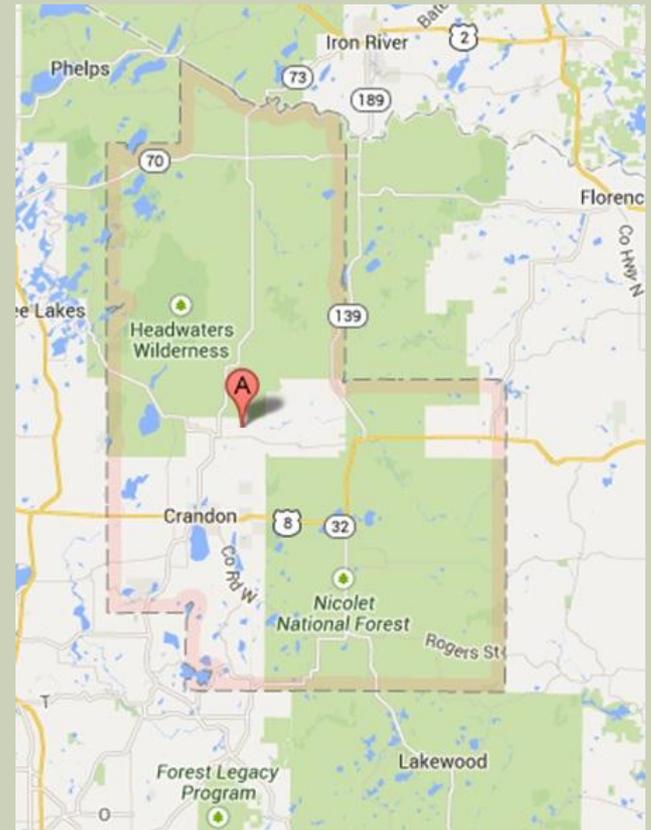
Answer the following income questions using a calculator or your computer!



# YOUR TURN 😊

Tom and Sally retired 3 years ago and now are applying for a senior apartment unit. They'd like a 50% ("low") 2 bedroom apartment in Forest County but aren't sure if they'd qualify.

- Tom has a retirement account and receives \$530/month
- Sally receives Social Security of \$293/month
- Sally is a substitute teacher and works on average 1 day a week for the 40 weeks school is in session. She earns \$100/day
- They own a cabin with a fair market value of \$34,000. There is no mortgage on this property. (Assume 8% for closing costs)
- They have a mutual fund account - \$15,000 w/ interest rate 5.2%
- Checking six month average = \$3400 with interest rate of 1.2%



- Tom has a retirement account and receives \$530/month
- \$530/month x 12

**Part 5 Annual Income Calculation Form**

1. Name: Tom and Sally		2. Identification: SWI-001			
ASSETS					
Family Member	Asset Description	Current Cash Value of Assets		Actual Income from Assets	
	Cabin	31,280			
	Mutual Fund	15,000		780	
	Checking	3400		40.80	
3. Net Cash Value of Assets.....		3. 49,680			
4. Total Actual Income from Assets.....				4. 820.80	
5. If line 3 is greater than \$5,000, multiply line by _____ (Passbook Rate) and enter results here; otherwise, leave blank:				5. 993.60	
ANTICIPATED ANNUAL INCOME					
Household Members	a. Wages/Salaries	b. Benefits/Pensions	c. Public Assistance	d. Other Income	e. Asset Income
Tom		6360			Enter the greater of lines 4 or 5 from above in e.
Sally	4000	3516			
6. Totals	a.4000	b.9876	c.	d.	e. 993.60
7. Enter total of items from 6a. through 6e. This is <i>Annual Income</i> .....					7. 14,869.60

- Sally receives Social Security of \$293/month
- \$293/month x 12

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- Sally is a substitute teacher and works on average 1 day a week for the 40 weeks school is in session. She earns \$100/day

$$\$100 \times 40$$

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- They own a cabin with a fair market value of \$34,000. There is no mortgage on this property. (Assume 8% for closing costs)

\$34,000 -  
(\$34,000 x.08)

### Remember...

Equity in rental property or other capital investments. Equity is the estimated current market value of the asset less the unpaid balance on all loans secured by the asset and all reasonable costs (e.g., broker fees) that would be incurred in selling the asset. Under HOME, equity in the family's primary residence is not considered in the calculation of assets for owner-occupied rehabilitation projects.

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- They have a mutual fund account - \$15,000 w/ interest rate 5.2%

$$\$15,000 \times .052$$

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- Checking six month average = \$3400 with interest rate of 1.2%  
\$3400 x .012

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# Gross annual wages

## Part 5 Annual Income Calculation Form

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# YOUR TURN 😊

Tom and Sally retired 3 years ago and now are applying for a senior apartment unit. They'd like a 2 bedroom apartment in Forest County but aren't sure if they'd qualify. The apartment they'd like has a 50% CMI limit. Can they rent the apartment?

Gross income = \$14,869.60

**Yes!**

U.S. DEPARTMENT OF HUD 01/22/2014  
STATE: WISCONSIN

----- 2014 ADJUSTED HOME INCOME LIMITS -----

PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Dunn County, WI								
30% LIMITS	13450	15350	17250	19150	20700	22250	23750	25300
VERY LOW INCOME	22400	25600	28800	31950	34550	37100	39650	42200
60% LIMITS	26880	30720	34560	38340	41460	44520	47580	50640
LOW INCOME	35800	40900	46000	51100	55200	59300	63400	67500
Florence County, WI								
30% LIMITS	12400	14150	15900	17650	19100	20500	21900	23300
VERY LOW INCOME	20650	23600	26550	29450	31850	34200	36550	38900
60% LIMITS	24780	28320	31860	35340	38220	41040	43860	46680
LOW INCOME	33000	37700	42400	47100	50900	54650	58450	62200
Forest County, WI								
30% LIMITS	12400	14150	15900	17650	19100	20500	21900	23300
VERY LOW INCOME	20650	23600	26550	29450	31850	34200	36550	38900
60% LIMITS	24780	28320	31860	35340	38220	41040	43860	46680
LOW INCOME	33000	37700	42400	47100	50900	54650	58450	62200

7/1/2014

# YOUR TURN 😊

Cody is lives with his girlfriend Kayla along with their 2 children. Cody's 7-year-old son also lives with them every other weekend. Kayla is currently pregnant. They would like to rent a 3 bedroom apartment in Dunn County that has a 30% CMI ("sub") income restriction. Can they rent this apartment?



# YOUR TURN 😊

- Cody works full time at a school as a janitor when school is in session (39 weeks/yr).
- Cody's hourly wage is \$11/hr at the school
- Cody pays child support of \$200/month for his son
  
- Kayla is a waitress at a local bar and grill. She works 6 hrs/night, 5 nights/week at \$5/hr and earns an average of \$40/night in tips.
- Kayla also receives child support for her 2 children at \$450/month.
- The household receives \$60/week in food stamps.

*What is the household's income?*

# YOUR TURN 😊

- Cody works full time at a school as a janitor when school is in session (39 weeks/yr).
- Cody's hourly wage is \$11/hr at the school
- Cody pays child support of \$200/month for his son

$\$11/\text{hr} \times 40 \text{ hours/week} \times 39 \text{ weeks/year} =$

$\$17,160$  gross annual income



# YOUR TURN ☺

- Kayla is a waitress at a local bar and grill. She works 6 hrs/night, 5 nights/week at \$5/hr and earns an average of \$40/night in tips.
- Kayla also receives child support for her 2 children at \$450/month.
- The household receives \$60/week in food stamps.

\$150	Weekly hourly wages
\$200	Weekly tips
\$350	Total wages a week

$\$350/\text{week} \times 52 \text{ weeks/year} = \$18,200$

$\$450/\text{month} \times 12 \text{ months} = \$5,400$

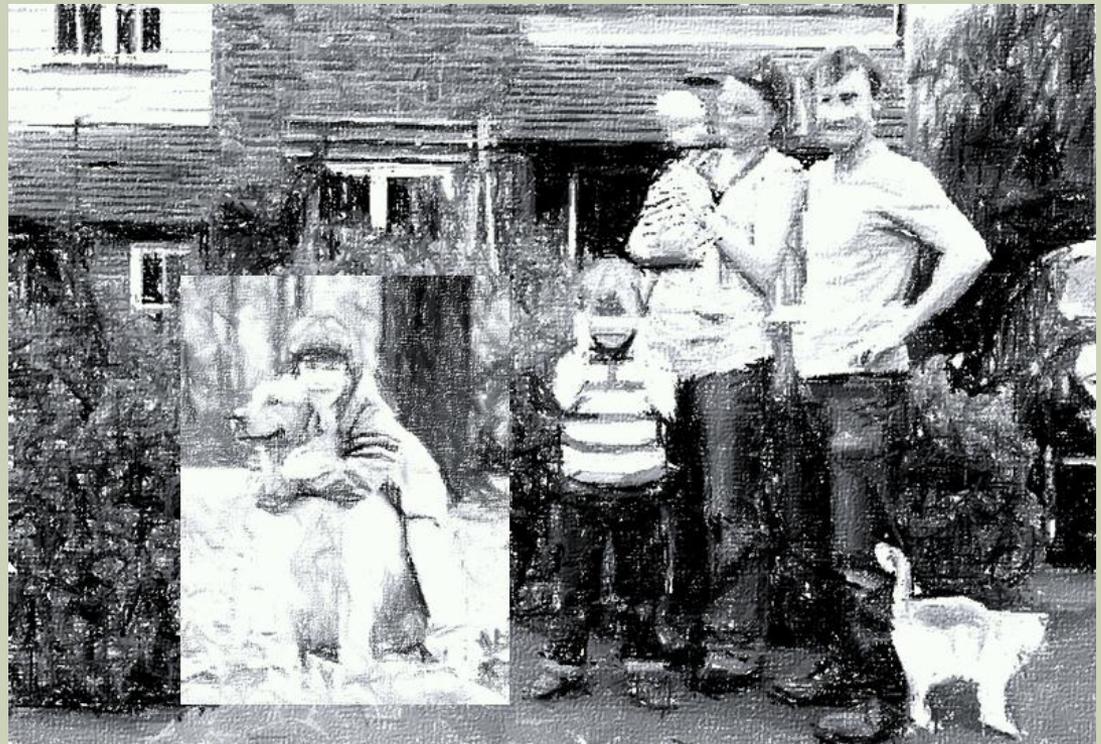
**\$23,600 gross monthly income**



# YOUR TURN 😊

*What is the household's income?*

$$\$17,160 + 23,600 = \$40,760$$



# YOUR TURN

Cody lives with his girlfriend Kayla along with their 2 children. Cody's 7-year-old son also lives with them every other weekend. Kayla is currently pregnant.

*How many people are in this household?*

U.S. DEPARTMENT OF HUD 01/22/2014  
STATE: WISCONSIN

	----- 2014 ADJUSTED HOME INCOME LIMITS -----							
PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON
Dunn County, WI								
30% LIMITS	13450	15350	17250	19150	20700	22250	23750	25300
VERY LOW INCOME	22400	25600	28800	31950	34550	37100	39650	42200
60% LIMITS	26880	30720	34560	38340	41460	44520	47580	50640
LOW INCOME	35800	40900	46000	51100	55200	59300	63400	67500

# YOUR TURN

*Does this family qualify for the apartment?* **No**

\$40,760 gross annual household income  
4 person household

U.S. DEPARTMENT OF HUD 01/22/2014  
STATE: WISCONSIN

	----- 2014 ADJUSTED HOME INCOME LIMITS -----							
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# Q & A

- Wages?
- Assets?
- Verification?
- Income qualification?

Next webinar:  
Mixed financing



# CONTACT US

Please send us any questions!

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