

HUD Asset & Income from Asset Calculations Current Guidance

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Asset Type	4350.3, R 1, Change 4 & Current HUD Guidance	
Checking Account	<ul style="list-style-type: none"> • Asset value equals the cash value of the asset (average 6 month balance) • Income from asset equals interest earned • Do not include withdrawals as income 	
Example – Checking Account	Verified Information Certification Effective date 9/1 Monthly Balance Equals October - \$67.00 November - \$52.00 December - \$18.00 January - \$120.00 February - \$225.00 March - \$212.00– Average six month balance (October – March) - \$116.00 April - \$180.00 – Average six month balance (November – April) - \$135.00 May - \$160.00– Average six month balance (December – May) - \$153.00 June - \$28.00– Average six month balance (January – June) - \$154.00 July - \$60.00– Average six month balance (February – July) - \$144.00 August - \$73.00 – Average six month balance (March – August) - \$119.00 September – \$118.00 November - \$25.00 December - \$97.00	How to Determine the Six Month Average <i>Use Average monthly balance from bank statement If the statement does not include an average monthly balance, you should develop a policy to use the beginning balance or the ending balance. Apply this policy consistently.</i> <ul style="list-style-type: none"> • Owner/agent meets with the resident on June 18. • Resident provides bank statements for December through May. • Average six months balance = \$153.00 • This verification of the six month average is one month old (less than 120 days old since <u>average</u> was derived in May) • The owner/agent can use that verification of the average monthly balance for 120 days from June 18

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Savings Account	<ul style="list-style-type: none"> • Asset value equals the cash value of the asset (current balance) • Income from asset equals interest earned • Do not include withdrawals as income
Money Market	<ul style="list-style-type: none"> • Asset value equals the cash value of the asset if the asset can be converted to cash (current balance) • Income from asset equals interest earned • Since money markets are often treated as a savings account, do not include withdrawals as income
Lump sum Inheritances; Capital gains; Lottery winnings Cash from the sale of assets; Insurance settlements	<ul style="list-style-type: none"> • If the payment is made in a lump sum, the lump sum is considered an asset if the resident still has the asset at the time of certification • If the income that the asset earns (usually interest income) will create a cumulative annual income increase of \$2400.00 or more (\$2400.00/12 = \$200.00 per month), the owner/agent will create an interim. If not, wait until the next certification. • At the next AR, the owner/agent will consider the current cash value of the asset if the resident still has the asset.
Example – Lottery winnings, insurance settlements, inheritance	<ul style="list-style-type: none"> • 6/21 - Resident wins \$21,000.00 playing slot machines • (Estimate income using annual imputed income – .06% - = \$13.00/12=\$1.00 monthly income increase – no need for interim) • 12/1 – Effective date of next AR • Resident completes certification form and states that there are no assets disposed for less than fair market value • Resident has a savings account – cash value \$12,000 (includes amount remaining from slot machine winnings) • Cash value of asset equals \$12,000.00 • Income From Asset equals interest earned
Assets Disposed - for less than fair market value	<ul style="list-style-type: none"> • Asset value equals the difference between the cash value and the amount received. • This amount is included on the 50059 for two years from the date of divestiture. • Do not count assets disposed via divorce, foreclosure, short sale, etc.

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Note about assets disposed of for less than fair market value	<i>In some cases, an asset may appear on a 50059 and then the asset is no longer owned by the resident when a subsequent certification is created. (e.g. Life insurance policy is valued at \$5000.00 one year, but the resident opts to cash out the policy during the certification cycle – resident no longer owns or has access to the asset). There is no requirement for an owner/agent to document what the resident did with the asset/money other than to ask if the asset was disposed for less than fair market value. Residents are allowed to spend money for personal use without penalty.</i>	
Example - Asset Disposed for less than fair market value	<p style="text-align: center;">Verified Information</p> <p>Home fair market value equals \$100,000.00</p> <p>Outstanding mortgage = \$45,000.00 Estimated broker/realtor fees to sell 7% = \$7000.00 Estimated other costs to sell (closing, inspections, etc.) 1% = \$1,000.00</p> <p>Cash Value of the Home \$47,000.00</p> <p>Applicant's/Resident's son takes possession of the house Quit Claim Amount (amount paid by son) equals \$5,000.00</p>	<p style="text-align: center;">How to Treat the Asset</p> <p>Include Asset Disposed Of For Less Than Fair Market Value for two years from the date of divestiture - \$42,000.00 (\$47,000.00 -\$5,000.00)</p> <p>Income From Asset equals \$0.00 <i>Note: Do not enter .06% imputed income for individual assets. Calculation of imputed income is done using the <u>Total Cash Value of Assets</u>. See HH 4350.3 R1, C4, Paragraph 5-7 for additional information.</i></p>
Home or Real Property	<ul style="list-style-type: none"> • Asset value equals the cash value of the asset unless cost to sell (convert to cash) would exceed the value of the home/property • Include any income from the asset 	
Notes about Houses or Other Real Property	<i>To verify the fair market value of the property, use copies of real estate tax statements, if tax authority uses approximate market value. You may also use copies of real estate closing documents that indicate distribution of sales proceeds and settlement costs. Use other credible verification documents as established by owner/agent policy.</i>	

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<p>Example 1 – Home or Real Property – no rental income</p>	<p style="text-align: center;">Verified Information</p> <p>Home fair market value equals \$92,000.00 Outstanding mortgage - \$53,000.00 Cost to sell 7% broker fee - \$6,440.00 Other costs to sell (closing fees, inspections, etc.) 2% - \$1840.00</p> <p>Cash value - \$30,720.00</p>	<p style="text-align: center;">How to Treat the Asset</p> <p>Cash Value Of The Asset equals \$30,720.00</p> <p>Income From Asset equals \$0.00 <i>Note: Do not enter .06% imputed income for individual assets. Calculation of imputed income is done using the Total Cash Value of Assets. See HH 4350.3 R1, C4, Paragraph 5-7 for additional information.</i></p>
<p>Example 2 – Home or Real Property with Rental Income</p>	<p style="text-align: center;">Verified Information</p> <p>Home fair market value equals \$92,000.00 Outstanding mortgage - \$53,000.00 Cost to sell 7% broker fee - \$6,440.00 Other costs to sell (closing fees, inspections, etc.) 2% - \$1840.00</p> <p>Cash value - \$30,720.00</p> <p>Home rents for \$800.00 per month Annual Expenses = \$3000.00</p> <p><i>The documents indicated in Appendix 6 will provide verification of income for the prior year. Owners must consult with tenants and use this data to estimate income for the next 12 months.</i></p>	<p style="text-align: center;">How to Treat the Asset</p> <p>Cash Value Of The Asset equals \$30,720.00</p> <p>\$800.00 rental income x 12 = \$9600.00 \$9,600.00 - \$3000.00 expenses = \$6600.00</p> <p>Income From Asset equals net rental income \$6600.00</p>

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Asset Type	4350.3, R 1, Change 4 & Current HUD Guidance
IRA or other Retirement Account	<ul style="list-style-type: none"> • Verify the cash value of the IRA or retirement account • Verify interest and other earnings • Verify amount of regular periodic payment and regular withdrawals including RMD • Verify the frequency of periodic payments and regular withdrawals <p style="text-align: center;">If There Are No Regular Periodic Payments And No Regular Withdrawals <i>(including an annual Required Minimum Distribution RMD):</i></p> <ul style="list-style-type: none"> • Asset value equals the cash value of the asset if the asset can be converted to cash <ul style="list-style-type: none"> ○ Income from asset equals interest earned and other earnings (dividends, etc.) • If the asset cannot be converted to cash, asset value is \$0.00 <ul style="list-style-type: none"> ○ If resident has access to the earnings, income from asset equals interest earned and other earnings (dividends, etc.) ○ If resident does not have access to the earnings, income from asset equals \$0.00 <p style="text-align: center;">If There Are Regular Periodic Payments And/or Regular Withdrawals <i>(including an annual Required Minimum Distribution RMD):</i></p> <ul style="list-style-type: none"> • Asset value equal \$0.00 • Do not include interest or other earnings (dividends, etc.) • Include, as income from assets <ul style="list-style-type: none"> ○ Regular periodic payments ○ Regular withdrawals ○ Do not include, as income, withdrawals that are not regular

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Asset Type	4350.3, R 1, Change 4 & Current HUD Guidance	
Example 1 – Retirement Account	Verified Information	How To Treat The Asset
	<p>Retirement account value: \$81,000.00</p> <p>Annual Interest guarantee 2% = \$1620.00</p> <p>Other income (dividends, etc.) = \$0.00</p> <p>Can the retirement account be converted to cash (cashed out)? Yes</p> <p>Estimated broker penalties to covert to cash = \$2,400.00</p> <p>Estimated tax penalty 40% = \$32,400.00</p> <p>Cash value of retirement account equals \$46,200.00</p> <p>Monthly periodic payment: \$550.00</p> <p>Amount of regular monthly withdrawals: \$150.00</p>	<ul style="list-style-type: none"> • Cash Value Of The Asset equals \$0.00 • Income from Asset equals total of regular periodic payment and regular withdrawals. \$8,400.00 <ul style="list-style-type: none"> ○ \$550.00 x 12 = \$6600.00 ○ \$150.00 x 12 = \$1800.00 ○ \$6600.00 + \$1800.00 = \$8,400.00 <p style="text-align: center;">Note: Due to a TRACS design change, you will be unable to enter income for a zero value asset until the update scheduled for June 2015 is released. In the interim, this income will be entered as N= Other Non-Wage Source</p>

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Asset Type	4350.3, R 1, Change 4 & Current HUD Guidance	
Example 2 – Retirement Account	Verified Information Retirement account value: \$21,000.00 Annual Interest estimate 3.5% = \$735.00 Other income (dividends, etc.) = \$67.00 Can the retirement account be converted to cash (cashed out)? Yes Estimated penalties to covert to cash = \$1400.00 Estimated tax penalty 40% = \$8400.00 Cash value of IRA equals \$11,200.00 Monthly periodic payment: \$0.00 Amount of regular monthly withdrawals: \$0.00 Resident withdrew \$5,000.00 in January. Resident withdrew \$2,500.00 in June.	How To Treat The Asset <ul style="list-style-type: none"> • Cash Value Of The Asset equals \$11,200.00 • Because there are no regular periodic payments and no regular withdrawals, Income From Asset equals interest earned and other earnings (dividends, etc.) \$802.00 (\$735.00 + \$67.00 = 802.00) <p><i>Note: Do not consider occasional withdrawals.</i></p> <p><i>Note: Be sure to ask if money is used as/for an asset disposed of for less than fair market value.</i></p> <p><i>Note: HUD does not require that owner/agents provide detailed documentation showing how money was used.</i></p>

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Asset Type	4350.3, R 1, Change 4 & Current HUD Guidance	
Example 3 – Retirement Account	Verified Information	How To Treat The Asset
	<p>Retirement account value: \$21,000.00</p> <p>Annual Interest estimate 3.5% = \$735.00</p> <p>Other income (dividends, etc.) = \$\$67.00</p> <p>Can the retirement account be converted to cash (cashed out)? Yes</p> <p>Estimated penalties to covert to cash = \$1400.00</p> <p>Estimated tax penalty 40% = \$8400.00</p> <p>Cash value of IRA equals \$11,200.00</p> <p>Monthly periodic payment: \$0.00</p> <p>Amount of regular monthly withdrawals: \$0.00</p> <p>Required minimum distribution (resident is 85 years old) \$1418.92</p>	<ul style="list-style-type: none"> • Cash Value Of The Asset equals \$0.00 • Income from Asset equals total of regular periodic payment and regular withdrawals. \$1419.00 <p><i>Note: Due to a TRACS design change, you will be unable to enter income for a zero value asset until the update scheduled for June 2015 is released. In the interim, this income will be entered as N= Other Non-Wage Source</i></p>

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Asset Type	4350.3, R 1, Change 4 & Current HUD Guidance
Annuity	<ul style="list-style-type: none"> • Verify the cash value of the annuity • Verify interest and other earnings • Verify amount of regular periodic payment and regular withdrawals • Verify the frequency of periodic payments and regular withdrawals <p style="text-align: center;">If There Are No Regular Periodic Payments And No Regular Withdrawals</p> <ul style="list-style-type: none"> • Include the cash value of the asset if the asset can be converted to cash • Income from asset equals interest earned and other earnings (dividends, etc.) • If the asset cannot be converted to cash, asset value is \$0.00 • If resident does not have access to the earnings, income from asset equals \$0.00 • If resident has access to the earnings, income from asset equals interest earned and other earnings (dividends, etc.) <p style="text-align: center;">If There Are Regular Periodic Payments And/or Regular Withdrawals</p> <ul style="list-style-type: none"> • Asset value equal \$0.00 • Do not include interest or other earnings (dividends, etc.) • Include, as income from assets <ul style="list-style-type: none"> ○ Regular periodic payments ○ Regular withdrawals ○ Do not include withdrawals that are not regular

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Asset Type	4350.3, R 1, Change 4 & Current HUD Guidance	
Example 1 – Annuity	<p style="text-align: center;">Verified Information</p> <p>Annuity value equals \$210,000.00</p> <p>Annual Interest guarantee 5% = \$10,500.00 Other income (dividends, etc.) = \$0.00</p> <p>Can the annuity be converted to cash (cashed out)? YES</p> <p>Estimated penalties to covert to cash - 10% = \$21000.00 Estimated tax penalty = \$18,000.00</p> <p>Cash value of annuity equals \$171,000.00</p> <p>Monthly periodic payment: \$850.00</p> <p>Amount of regular monthly withdrawals: \$200.00</p>	<p style="text-align: center;">How to Treat the Asset</p> <p>Cash Value Of The Asset equals \$0.00</p> <p>Income From Asset equals total of regular periodic payment and regular withdrawals. \$12,600.00</p> <ul style="list-style-type: none"> ○ \$850.00 x 12 = \$10,200.00 ○ \$200.00 x 12 = \$2400.00 ○ \$10,200.00 + \$2400.00 = \$12,600.00 <p>Note: Due to a TRACS design change, you will be unable to enter income for a zero value asset until the update scheduled for June 2015 is released. In the interim, this income will be entered as N= Other Non-Wage Source</p>
Example 2 – Annuity	<p style="text-align: center;">Verified Information</p> <p>Annuity value equals \$210,000.00</p> <p>Annual Interest guarantee 5% = \$10,500.00 Other income (dividends, etc.) = \$0.00</p> <p>Can the annuity be converted to cash (cashed out)? NO</p> <p>Monthly periodic payment: \$850.00 Amount of regular monthly withdrawals: \$200.00</p>	<p style="text-align: center;">How to Treat the Asset</p> <p>Cash Value Of The Asset equals \$0.00</p> <p>Income From Asset equals total of regular periodic payment and regular withdrawals. \$12,600.00</p> <ul style="list-style-type: none"> ○ \$850.00 x 12 = \$10,200.00 ○ \$150.00 x 12 = \$2400.00 ○ \$10,200.00 + \$2400.00 = \$12,600.00 <p>Note: Due to a TRACS design change, you will be unable to enter income for a zero value asset until the update scheduled for June 2015 is released. In the interim, this income will be entered as N= Other Non-Wage Source</p>

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Asset Type	4350.3, R 1, Change 4 & Current HUD Guidance	
Example 3 – Annuity	<p style="text-align: center;">Verified Information</p> <p>Annuity value equals \$210,000.00</p> <p>Annual Interest guarantee 5% = \$10,500.00</p> <p>Other income (dividends, etc.) = \$0.00</p> <p>Can the annuity be converted to cash (cashed out)? NO</p> <p>Monthly periodic payment: \$0.00</p> <p>Amount of regular monthly withdrawals: \$0.00</p>	<p style="text-align: center;">How to Treat the Asset</p> <p>Cash Value Of The Asset equals \$0.00</p> <p>Because there are no regular periodic payments and no regular withdrawals, Income From Asset equals interest earned and other earnings (dividends, etc.) \$10,500.00</p> <p style="text-align: center;"><i>Note: Due to a TRACS design change, you will be unable to enter income for a zero value asset until the update scheduled for June 2015 is released. In the interim, this income will be entered as N= Other Non-Wage Source</i></p>
Example 4 – Annuity	<p style="text-align: center;">Verified Information</p> <p>Annuity value equals \$57,000.00</p> <p>Annual Interest guarantee 7% = \$3990.00</p> <p>Other income (dividends, etc.) = \$0.00</p> <p>Can the annuity be converted to cash (cashed out)? YES</p> <p>Estimated penalties to covert to cash - 10% = \$5700.00</p> <p>Estimated tax penalty = \$18,810.00</p> <p>Cash value of annuity equals \$32,490.00</p> <p>Resident AR effective date is 7/1</p> <p>Periodic payment is \$0.00 at the time of certification</p> <p>Resident will begin receiving a periodic monthly payment of \$950.00 starting on 12/1.</p> <p>Resident notifies owner/agent of this change on 12/4. This is required because annual income increases by \$2400.00 or more. (\$2400/12 = \$200 month)</p>	<p>AR effective 7/1</p> <p>Cash Value Of Asset equals \$32,490.00</p> <p>Income From Asset equals \$3990.00</p> <p>IR effective 2/1 (effective date is based on timely reporting and provision of a 30 day notice – See Paragraph 7-13 for guidance)</p> <p>Cash Value Of Asset equals \$0.00</p> <p>Income From Asset equals \$11,400</p> <p>Monthly periodic payment \$950.00 x 12</p>

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Asset Type	4350.3, R 1, Change 4 & Current HUD Guidance
Trust	<ul style="list-style-type: none"> • Verify the cash value of the trust • Verify interest and other earnings • Verify amount of regular periodic payment and regular withdrawals • Verify the frequency of periodic payments and regular withdrawals <p style="text-align: center;">If There Are No Regular Periodic Payments And No Regular Withdrawals</p> <ul style="list-style-type: none"> • Include the cash value of the asset if the asset can be converted to cash • Income from asset equals interest earned and other earnings (dividends, etc.) • If the asset cannot be converted to cash, asset value is \$0.00 • If resident does not have access to the earnings, income from asset equals \$0.00 • If resident has access to the earnings, income from asset equals interest earned and other earnings (dividends, etc.) <p style="text-align: center;">If There Are Regular Periodic Payments And/or Regular Withdrawals</p> <ul style="list-style-type: none"> • Asset value equal \$0.00 • Do not include interest or other earnings (dividends, etc.) • Include, as income from assets <ul style="list-style-type: none"> ○ Regular periodic payments ○ Regular withdrawals ○ Do not include withdrawals that are not regular

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Notes about Trusts	<p><i>Trusts are often part of an estate distributed after death. In some cases, trusts are established to care for a disabled person.</i></p> <p><i>If the owner/agent is considering whether to count regular periodic payments from a trust, the owner/agent must know if the investment was made by a family member. Do not consider the invested amount, if that money was not provided by a family member (person living in the unit whose income is counted for calculation purposes).</i></p> <p><i>In some cases, the trust cannot be converted to cash and any interest/dividend income is automatically reinvested in the trust. The grantee does not have the ability to control the interest/dividend income.</i></p> <p><i>Information about the trust should be in the resident file, but the asset will not appear on the 50059 when:</i></p> <ul style="list-style-type: none"> • <i>The asset cannot be converted to cash, AND</i> • <i>All interest/dividend income from the trust is automatically reinvested in the trust, AND</i> • <i>There are no regular periodic payments/withdrawals</i> 	
Example 1 – Trust	<p>Verified Information</p> <p>Trust value equals \$110,000.00</p> <p>Annual growth 2% = \$2200.00 (disbursed to family) Other income (dividends, etc.) = \$0.00</p> <p>Can the trust be converted to cash (cashed out)? YES Estimated penalties to covert to cash - 10% = \$11,000.00 Estimated tax penalty = \$8,000.00</p> <p>Cash value of trust equals \$91,000.00</p> <p>Monthly periodic payment: \$450.00</p> <p>Amount of regular monthly withdrawals: \$0.00</p>	<p>How to Treat the Asset</p> <p>Cash Value Of The Asset equals \$0.00</p> <p>Income From Asset equals total of regular periodic payment and regular withdrawals. \$5400.00</p> <p>Monthly periodic payment \$450.00 x 12</p> <p>Note: Due to a TRACS design change, you will be unable to enter income for a zero value asset until the update scheduled for June 2015 is released. In the interim, this income will be entered as N= Other Non-Wage Source</p>

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<p>Example 2 – Trust</p>	<p style="text-align: center;">Verified Information</p> <p>Trust value equals \$140,000.00</p> <p><i>This example represents a Special Needs Trust established by someone who does not live in the unit. No current household member participated in the investment. The HOH is disabled and is the recipient of the monthly periodic payment but has no access to the Trust and no access to the proceeds from the trust – other than the regular periodic payment.</i></p> <p>Annual growth 6% = \$8400.00 Other income (dividends, etc.) = \$0.00</p> <p>Can the trust be converted to cash (cashed out)? NO</p> <p>Monthly periodic payment: \$650.00</p> <p>Amount of regular monthly withdrawals: \$0.00</p>	<p style="text-align: center;">How to Treat the Asset</p> <p>Cash Value Of The Asset equals \$0.00</p> <p>Income From Asset equals \$7800.00</p> <p>Monthly periodic payment \$650.00 x 12</p> <p>Note: Due to a TRACS design change, you will be unable to enter income for a zero value asset until the update scheduled for June 2015 is released. In the interim, this income will be entered as N= Other Non-Wage Source</p>

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	<ul style="list-style-type: none"> • Verify the cash value of the stock portfolio • Verify interest and other earnings <p><i>Note: It is often difficult to project growth (or loss) of individual stock value. Income from stock is usually based on dividend distribution to be made in the next 12 months. In some cases, the stock portfolio may lose value. However, dividends tend to remain the same. If stocks lose value loss is NOT considered an asset disposed of for less than fair market value.</i></p> <ul style="list-style-type: none"> • Verify amount of regular periodic payment and regular withdrawals • Verify the frequency of periodic payments and regular withdrawals <p><i>Note: It is unusual for a stock portfolio to distribute a regular periodic payment. While dividends are disbursed, amounts are not considered “regular periodic payments”. Dividends are part of asset earnings.</i></p> <p style="text-align: center;">If There Are No Regular Periodic Payments And No Regular Withdrawals</p> <ul style="list-style-type: none"> • Include the cash value of the asset if the asset can be converted to cash • Income from asset equals interest earned and other earnings (dividends, etc.) • If the asset cannot be converted to cash, asset value is \$0.00 • If resident does not have access to the earnings, income from asset equals \$0.00 • If resident has access to the earnings, income from asset equals interest earned and other earnings (dividends, etc.) <p style="text-align: center;">If There Are Regular Periodic Payments And/or Regular Withdrawals</p> <ul style="list-style-type: none"> • Asset value equal \$0.00 • Do not include interest or other earnings (dividends, etc.) • Include, as income from assets <ul style="list-style-type: none"> ○ Regular periodic payments ○ Regular withdrawals ○ Do not include withdrawals that are not regular ○ Do not consider withdrawals that are used to liquidate one stock type and purchase another stock type

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Other Example – Asset to Asset Conversion	Verified Information	How to Treat the Asset
	<p>AR effective date 5/1</p> <p>Stock portfolio value equals \$28,000.00</p> <p>Can the stock portfolio be converted to cash: YES</p> <p>Penalties and fees \$3640.00</p> <p>Cash value of portfolio equals \$24,360.00</p> <p>Expected annual growth 6% = \$1680.00</p> <p>Other income (dividends, etc.) = \$820.00</p> <p>Resident sells stock 11/6 Stock loses value and resident sells for \$20,000.00</p> <p>Converts \$12,000 to Whole Life Insurance Policy</p> <p>Can the life insurance policy be converted to cash: YES</p> <p>First year penalty 20% - \$2400</p> <p>Cash value of whole life policy equals \$9600.00</p> <p>Interest earnings equal 8% - \$960.00</p> <p>Converts \$8,000.00 to Personal Burial Policy</p> <p>Can the burial policy be converted to cash: NO</p> <p>Interest earnings equals 5% - \$400.00</p>	<p>AR effective date 5/1</p> <p>Cash Value Of The Asset equals \$24,360.00</p> <p>Because there are no regular periodic payments and no regular withdrawals, Income From Asset equals interest earned and other earnings (dividends, etc.) \$2500.00</p> <p>IR effective date 12/1</p> <p><i>Effective date of IR is based on instruction provided in paragraph 7-13. Resident is not required to report because total income from assets is lower. However, in this example, resident requested interim certification.</i></p> <p>Cash Value of the whole life policy equals \$9600.00</p> <p>Because there are no regular periodic payments and no regular withdrawals, Income From Asset equals interest earned and other earnings (dividends, etc.) \$960.00</p> <p>Cash Value of the burial policy equals \$0.00</p> <p>Because there are no regular periodic payments and no regular withdrawals, Income From Asset equals interest earned and other earnings (dividends, etc.) \$400.00</p>

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Other Example Asset Value Drops	Verified Information	How to Treat the Asset
	<p>AR effective date 11/1/2014</p> <p>Home fair market value equals \$102,000.00 <i>(based on county tax records)</i></p> <p>Outstanding mortgage - \$53,000.00 Cost to sell 7% broker fee - \$6,440.00 Other costs to sell (closing fees, inspections, etc.) 2% - \$1840.00</p> <p>Cash value equals - \$40,720.00</p> <p>On 7/9/2015, resident sells home for \$85,000.00. Housing market or other factors has caused reduction in home price. This is not an asset sold for less than FMV. Broker fees 7% - \$5950.00 Other costs 2% - \$1700.00 Mortgage - \$53,000.00</p> <p>Resident deposits net amount in to Money Market paying .85% Total deposit – 24,350.00</p> <p>Actual income from asset \$206.98</p> <p>Remaining balance at the time of certification is 7600.00</p> <p>Resident has not given away any portion of the proceeds from the sale.</p>	<p>AR effective date 11/1/2014</p> <p>Cash Value Of The Asset equals \$40,720.00</p> <p>Income From Asset equals \$0.00</p> <p><i>Note: Do not enter .06% imputed income for individual assets. Calculation of imputed income is done using the Total Cash Value of Assets. See HH 4350.3 R1, C4, Paragraph 5-7 for additional information.</i></p> <p><i>However, as a comparison, the .06% imputed income equals \$24.43</i></p> <p>AR effective date 8/1/2015</p> <p><i>Effective date of IR is based on instruction provided in paragraph 7-13. Resident is not required to report because Total Income From Assets is lower. However, in this example, <u>resident requested</u> interim certification</i></p> <p>Cash Value of the Home is Removed</p> <p>Cash Value Of The Asset (Money Market) equals \$7600.00</p> <p>Income From Asset equals \$64.60</p>

HUD Asset & Income from Asset Calculations Current Guidance

You may be asking why I recommend inclusion of an asset with a cash value of \$0.00, rather than include any income from a \$0.00 value asset as Other Income. We want to make sure that the resident's income from assets is calculated correctly. Let me give you an example of how this may create an error in the calculation.

Asset Description	Correct Method	Incorrect Method
<p>Asset 1</p> <p>Trust is valued at \$250,000.00 Regular monthly periodic payment from the trust equals \$450.00</p> <p>Cash Value Of the Trust equals \$0.00 (since there is a regular periodic payment)</p> <p>Income From the Trust equals total of regular periodic payment and regular withdrawals. \$5400.00 (Monthly periodic payment \$450.00 x 12)</p> <p>Asset 2</p> <p>Cash Value of a Money Market equals \$6500.00</p> <p>Income from the Money Market equals \$55.25 (.85%)</p>	<p>Cash Value of Asset 1 = 0.00 Income from Asset = \$5400.00</p> <p>Cash Value of Asset 2 = \$6500.00 Income from Asset = \$55.00</p> <p>Total Cash Value of Assets = \$6500.00 Actual Income from Assets = \$5455.00 .06% Imputed Income = \$3.90</p> <p>Total Income from Assets = \$5455.00</p> <p>No "other income".</p> <p><i>Note: Due to a TRACS design change, you will be unable to enter income for a zero value asset until the update scheduled for June 2015 is released. In the interim, this income will be entered as N= Other Non-Wage Source</i></p>	<p>Cash Value of Asset 1 = 0.00 so owner/agent includes \$5400.00 as Other Income instead of Income from Asset</p> <p>Cash Value of Asset 2 = \$6500.00 Income from Asset = \$55.00</p> <p>Total Cash Value of Assets = \$6500.00 Actual Income from Assets = \$55.00 .06% Imputed Income = \$3.90</p> <p>Total Income from Assets = \$55.00 (higher of actual income or imputed income)</p> <p>Other Income = \$5400.00</p> <p>If you list the income this way on the 50059, the total income that the assets provide to the resident would equal \$5455.00 (\$55.00 income from assets and \$5400.00 other income)</p> <p>This creates a \$75.00 error in the income calculation.</p> <p>This creates a \$2.00/month assistance payment error (resident is entitled to an additional \$24.00 per year)</p>

HUD Asset & Income from Asset Calculations
Current Guidance

Asset Type	4350.3, R 1, Change 4 & Current HUD Guidance																																																												
Loan, Mortgage or Deed of Trust	<ul style="list-style-type: none"> • Verify the full amount of the loan • Verify the current balance • Verify the agreed upon interest • Verify the payment amount • Determine how much of the payment reduces the principal and how much of the payment is interest • The interest amount is income 																																																												
Example - Loan	<p style="text-align: center;">Verified Information</p> <p>Original Loan value equals \$25,000.00 Interest equals 3% annual interest Term of loan equals 3 years</p> <p>The monthly payment for a \$25,000.00 loan at 3.00% annual interest rate will be \$727.03 per payment. This amount should be paid to the lender, for 3 years. The loan amortization table below shows the monthly payment divided into two portions. One portion is put towards interest (interest paid), while the other portion goes towards principal (principal paid).</p> <p>Current balance equals \$25,000.00</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">period:</th> <th style="text-align: left;">date:</th> <th style="text-align: left;">interest paid:</th> <th style="text-align: left;">principal paid:</th> <th style="text-align: left;">remaining balance:</th> </tr> </thead> <tbody> <tr> <td>1</td> <td>10/30/2016</td> <td>\$62.50</td> <td>\$664.53</td> <td>\$24,335.47</td> </tr> <tr> <td>2</td> <td>11/30/2016</td> <td>\$60.84</td> <td>\$666.19</td> <td>\$23,669.28</td> </tr> <tr> <td>3</td> <td>12/30/2016</td> <td>\$59.17</td> <td>\$667.86</td> <td>\$23,001.42</td> </tr> </tbody> </table> <p>Loan amortization schedule for year 1 (2016): You will spend \$182.51 on interest and \$1,998.58 on principal.</p>	period:	date:	interest paid:	principal paid:	remaining balance:	1	10/30/2016	\$62.50	\$664.53	\$24,335.47	2	11/30/2016	\$60.84	\$666.19	\$23,669.28	3	12/30/2016	\$59.17	\$667.86	\$23,001.42	<p style="text-align: center;">How to Treat the Asset</p> <p>Year 1 Cash Value Of The Asset equals \$25000.00</p> <p>Interest Income Year 1= \$693.43</p> <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Month</th> <th style="text-align: left;">Interest</th> <th style="text-align: left;">Principal</th> </tr> </thead> <tbody> <tr><td>10/30/2016</td><td>\$62.50</td><td>\$664.53</td></tr> <tr><td>11/30/2016</td><td>\$60.84</td><td>\$666.19</td></tr> <tr><td>12/30/2016</td><td>\$59.17</td><td>\$667.86</td></tr> <tr><td>01/30/2017</td><td>\$57.50</td><td>\$669.53</td></tr> <tr><td>02/28/2017</td><td>\$55.83</td><td>\$671.20</td></tr> <tr><td>03/30/2017</td><td>\$54.15</td><td>\$672.88</td></tr> <tr><td>04/30/2017</td><td>\$52.47</td><td>\$674.56</td></tr> <tr><td>05/30/2017</td><td>\$50.78</td><td>\$676.25</td></tr> <tr><td>06/30/2017</td><td>\$49.09</td><td>\$677.94</td></tr> <tr><td>07/30/2017</td><td>\$47.40</td><td>\$679.63</td></tr> <tr><td>08/30/2017</td><td>\$45.70</td><td>\$681.33</td></tr> <tr><td>09/30/2017</td><td>\$44.00</td><td>\$683.03</td></tr> </tbody> </table>	Month	Interest	Principal	10/30/2016	\$62.50	\$664.53	11/30/2016	\$60.84	\$666.19	12/30/2016	\$59.17	\$667.86	01/30/2017	\$57.50	\$669.53	02/28/2017	\$55.83	\$671.20	03/30/2017	\$54.15	\$672.88	04/30/2017	\$52.47	\$674.56	05/30/2017	\$50.78	\$676.25	06/30/2017	\$49.09	\$677.94	07/30/2017	\$47.40	\$679.63	08/30/2017	\$45.70	\$681.33	09/30/2017	\$44.00	\$683.03
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HUD Asset & Income from Asset Calculations
Current Guidance

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4	01/30/2017	\$57.50	\$669.53	\$22,331.89	Year 2 Cash Value Of The Asset equals \$25000.00 less amount of principal paid in the prior year. \$25000.00 – 8084.93 = \$16915.07 Interest Income Year 2= \$693.43 <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: left;">Month</th> <th style="text-align: left;">Interest</th> <th style="text-align: left;">Principal</th> </tr> </thead> <tbody> <tr><td>11/30/2017</td><td>\$40.58</td><td>\$686.45</td></tr> <tr><td>12/30/2017</td><td>\$38.86</td><td>\$688.17</td></tr> <tr><td>01/30/2018</td><td>\$37.14</td><td>\$689.89</td></tr> <tr><td>02/28/2018</td><td>\$35.41</td><td>\$691.62</td></tr> <tr><td>03/30/2018</td><td>\$33.69</td><td>\$693.34</td></tr> <tr><td>04/30/2018</td><td>\$31.95</td><td>\$695.08</td></tr> <tr><td>05/30/2018</td><td>\$30.21</td><td>\$696.82</td></tr> <tr><td>06/30/2018</td><td>\$28.47</td><td>\$698.56</td></tr> <tr><td>07/30/2018</td><td>\$26.73</td><td>\$700.30</td></tr> <tr><td>08/30/2018</td><td>\$24.98</td><td>\$702.05</td></tr> <tr><td>09/30/2018</td><td>\$23.22</td><td>\$703.81</td></tr> </tbody> </table>	Month	Interest	Principal	11/30/2017	\$40.58	\$686.45	12/30/2017	\$38.86	\$688.17	01/30/2018	\$37.14	\$689.89	02/28/2018	\$35.41	\$691.62	03/30/2018	\$33.69	\$693.34	04/30/2018	\$31.95	\$695.08	05/30/2018	\$30.21	\$696.82	06/30/2018	\$28.47	\$698.56	07/30/2018	\$26.73	\$700.30	08/30/2018	\$24.98	\$702.05	09/30/2018	\$23.22	\$703.81
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16	01/30/2018	\$37.14	\$689.89	\$14,165.82																																					
17	02/28/2018	\$35.41	\$691.62	\$13,474.20																																					
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