

INCOME POLICIES

May 1, 2007

NOTE: The Affordable Compensation Loan (ACL) is now called the Additional Compensation Grant (ACG) and throughout the document, all references to the Affordable Compensation Loan have been replaced with Additional Compensation Grant. The eligibility determination for this form of assistance and the award calculation for this assistance have NOT changed. The name has been changed to reflect the fact that the award is no longer tied to 5 year owner occupancy requirement and is now considered additional compensation for eligible and qualifying lower income applicants.

The changes between this version of the Income Policies (dated May 1, 2007) and the previous version of the Income Policies (titled "Income Policies_withclarification_10April07") are as follows:

- **2 consecutive pay stubs** from within the past 6 months that show gross income for the pay period on the stub are sufficient documentation of earned income. 3 consecutive pay stubs is ideal but 2 consecutive pay stubs is sufficient (in the previous version of the policies, 3 consecutive pay stubs was required). This policy is retroactive and applies to all application files. [SEE PAGE 7 FOR CHANGE]
- Applicants who receive a fixed income from Social Security or retirement pension only need to submit one payment stub as documentation of income (in the previous version of the policies, this was not explicitly stated). This policy is retroactive and applies to all application files. [SEE PAGE 6 FOR CLARIFICATION]

INCOME FORMS

- CDBG Reporting Form (April 1 2007)
- Income Waiver Acknowledgment Form
- Income Verification and Certification Worksheet (April 1 2007)
- Certification of Undocumented Income
- Certification of No Income
- Certification of Current Income

POLICY

A. Why Income Information Is Needed

The Road Home Program needs information about the income of participants because:

- ♦ The use of HUD Community Development Block Grant (CDBG) funds requires the State to demonstrate that at least 50% of the funds are used to benefit lower income households.
- ♦ The Additional Compensation Grant component of the program is available only to lower income homeowners (defined as households with incomes at or below 80% of the area median income).

Income is not considered in the calculation of the Compensation Grant or the Mitigation Allowance components.

B. Income Limits

HUD establishes Lower Income Limits by family size and parish. To determine whether an applicant qualifies as lower income, Total Household Income (defined below) is compared to the income limit for the parish where the damaged home is located, not where the owner may be living temporarily. HUD updates Income Limits annually. HUD updated the Income Limits on March 20, 2007. The new income limits will go into affect for the *Road Home* program on April 1, 2007. Applicants whose income determination was completed by the Road Home prior to April 1, 2007 will be processed using HUD's 2006 income limits. Applicants whose income determination is calculated by the Road Home on or after April 1, 2007 will be processed using the updated income limits published by HUD on March 20, 2007. The new income limits are incorporated in the *CDBG Reporting Form* dated April 1, 2007 and the *Income Verification and Certification Worksheet* dated April 1, 2007.

This policy is effective beginning April 1, 2007, and does not impact application files where income information has already been collected. Previously, applicants who needed to submit additional income documentation to establish eligibility for the Additional Compensation Grant were asked to submit it via a Housing Assistance Center or by mail and were asked to provide documentation representative of their income at the time of their initial advisory meeting. Income documentation dated after the initial advisory meeting was accepted for applicants who were unable to provide income documentation representative of their income at the time of their initial advisory meeting.

Applicants that are being processed under these previous guidelines should move forward with regard to the collection of their documentation. However, the 2007 Income Limits should be utilized if the household income determination had not been documented by the *Road Home* prior to April 1, 2007.

All applicants whose initial advisory meeting is held on or after April 1, 2007 should be processed based on their current income as of the time income information is collected (and NOT as of the date of their initial advisory meeting) and all applicants should be processed using the updated 2007 income limits.

C. Total Household Income

Total household income is defined as the annual income of all adult household members and, if total household assets are equal to or greater than \$500,000, an imputed income from assets equal to 2% of the cash value of household assets, of all persons who will live in the unit assisted through the Homeowner Assistance program. It does not include individuals with whom the applicant is living in a "doubled up" housing situation or individuals who are owners but will not be occupants of the unit assisted by Road Home funds.

Once income information is verified, applicants are not required to provide updated income or asset information.

REPORTING INCOME FOR ALL APPLICANTS

A. Overview

At the time of the Initial Advisory Meeting, all applicants are strongly encouraged to provide an estimate of Total Household Income for statistical purposes. In order to be

considered for the Additional Compensation Grant, lower income applicants must provide an estimate of Total Household Income as well as additional income and asset information. The appointment scheduling letter sent to the applicant describes the documents the applicant should bring to the interview and explains why income information is being collected. Disclosing income and asset information may be difficult for some applicants and the request for information should be handled with sensitivity. Advisors should reassure applicants that information provided will be kept confidential and will be used only for statistical purposes and (for lower income households) to determine eligibility for the Additional Compensation Grant.

B. Completing the Applicant Income Information Form for CDBG Reporting (Attachment 5F)

All applicants are strongly encouraged to complete an *Applicant Income Information Form for CDBG Reporting* (see Attachment 5F). This form asks the applicant to identify the income range in which their household income falls. Income is defined on this form as the "gross income (before taxes or any other deductions) of all adult (18 and over) household members for the last 3 months times 4." The intent of this instruction is to annualize the household's current income. The purpose of using the formula "last 3 months x 4" is to produce a fair average for individuals whose income fluctuates (e.g., someone who had a lot of overtime this month, but generally does not.) Advisors can assist individuals who have a consistent income (e.g. 500/month) to annualize more simply (e.g., 500 x 12).

Note: If it is clear from available information that the applicant is a lower income household and the applicant wishes to be considered for the Additional Compensation Grant, this form may be completed at the conclusion of the Income Verification and Certification process (see below) when more accurate income estimates are available.

In eGrants, the Advisor should enter the high and low income amounts of the income range selected by the applicant on the *CDBG Reporting form*. The Advisor will also need to enter the appropriate code to indicate income level and household size. For example, if the applicant's reported household income is between \$22,801 and \$36,500 and there are 2 members in the household, enter "B2" (see next page) as the "Income Category" and enter "\$22,801" in the "Range Lower End" and "\$36,500" in the "Range Upper End." In this case, the applicant's reported income indicates that they may be eligible for the Additional Compensation Grant. Applicants whose reported and documented income fall into the "B", "C", or "D" categories are eligible for the Additional Compensation Grant.

HOUSEHOLD SIZE	1 Person	2 Person	3 Person	4 Person	5 Person	6 Person	7 Person	8 Person
Group A	31,901 or more	36,501 or more	41,051 or more	45,601 or more	49,251 or more	52,901 or more	56,551 or more	60,201 or more
Group B	19,951 to 31,900	22,801 to 36,500	25,651 to 41,050	28,501 to 45,600	30,801 to 49,250	33,051 to 52,900	35,351 to 56,550	37,601 to 60,200
Group C	11,951 to 19,950	13,701 to 22,800	15,401 to 25,650	17,101 to 28,500	18,451 to 30,800	19,851 to 33,050	21,201 to 35,350	22,551 to 37,600
Group D	11,950 or less	13,700 or less	15,400 or less	17,100 or less	18,450 or less	19,850 or less	21,200 or less	22,550 or less

If the income range indicates that the applicant is not eligible for the Additional Compensation Grant (falls into the “A” category), the Affordable Compensation Loan (now called “Additional Compensation Grant”) eligibility question in eGrants is “No.”

If an applicant refuses to provide income information as requested on the *Applicant Income Information for CDBG Reporting*, ask the applicant to read and sign the *Income Acknowledgment Waiver Form* (Attachment 5H) and inform the applicant that due to their refusal to disclose their income range to the program, they will not be considered for the Additional Compensation Grant. If the applicant signs the *Income Acknowledgment Waiver Form*, the Advisor should select “No” in the Affordable Compensation Loan (now called “Additional Compensation Grant”) eligibility question in eGrants and note the applicant's refusal to disclose income information in the notes section of eGrants.

If the income range indicates that the applicant is eligible for the Additional Compensation Grant, proceed to the next section to collect additional income documentation and complete the income calculation.

ADDITIONAL COMPENSATION GRANT INCOME DOCUMENTATION AND CALCULATION

A. Calculation

The *Income Verification and Certification Worksheet* (Attachment 5G) is used ONLY for applicants who appear to be lower income based upon the income information provided on the *Applicant Income Information Form for CDBG Reporting*. It is used to collect more detailed information about income and assets and to make a final determination of the applicant's low income status. This worksheet:

- (1) Requires the applicant to state whether the household does or does not have certain types of income or assets. Income information is reported for each adult household member. If the applicant household has assets totaling \$500,000 or more, asset information is also reported for each adult household member. Additional sheets are provided if the applicant cannot fit all reported income or assets on the main calculation form.
- (2) Assists the Advisor to annualize income from documentation provided by the applicant. For example:
 - Individuals who have a consistent GROSS income (e.g. 500/month) can simply annualize (e.g., $500 \times 12 = 6,000$)
 - Other ways to annualize income
 - 3 monthly pay stubs: average the 3 GROSS amounts and multiply by 12
 - 3 semi-monthly pay stubs: average the 3 GROSS amounts and multiply by 24
 - 3 bi-weekly pay stubs: average the 3 GROSS amounts and multiply by 26
 - 3 weekly pay stubs: average the 3 GROSS amounts and multiply by 52
 - *Seasonal Work*: Some applicants or members of their household have seasonal jobs that only last part of the year. Applicants who have season jobs are special cases. Only the previous year's gross total

income earned should be considered income. For example, if an applicant provides 3 monthly pay stubs at \$2,000 and the applicant reports that the job is seasonal and only lasts 6 months a year, the total gross income is $\$2,000 \times 6 = \$12,000$ **NOT** $\$2,000 \times 12 = \$24,000$. Make a note on the documentation indicating that the income source is from a seasonal job.

- (3) Automatically compares household income to income limits at 3 points in the data collection process. If based upon *income* reported the applicant is not a lower income household, information on assets need not be collected.

If a lower income household is not willing to provide detailed information, the Advisor should explain that failure to do so will exclude the applicant from being considered for assistance for the Additional Compensation Grant component of the program. If the applicant is still unwilling to provide the information, ask the applicant to complete and sign the *Income Waiver Acknowledgement Form* (Attachment 5H). Under the Additional Compensation Grant eligibility question in eGrants, the Advisor should fill in "Applicant signed *Income Waiver Acknowledgement Form*." If the Applicant refuses to complete the form, the Advisor enters "No" in the Additional Compensation Grant eligibility question in eGrants and notes the applicant's refusal to complete the waiver form.

B. Time Frame for Reporting Income and Providing Income Documentation

The income range reported on the eGrants application reflects the current income as of the date the applicant(s) signs the *Income Calculation and Verification Worksheet*, or if the applicant is not eligible for an Additional Compensation Grant, as of the date the applicant(s) signs the *CDBG Reporting Form*.

Some applicants will report their Total Household Income and provide complete income documentation to establish eligibility for the Additional Compensation Grant at the time of the Initial Advisory Meeting. Other applicants may need to submit further documentation after the Initial Advisory Meeting to establish eligibility for the Additional Compensation Grant and will sign the *Income Calculation and Verification Worksheet* at some point after the Initial Advisory Meeting and in some cases, at their closing.

Applicants who have a **signed** *CDBG Reporting Form* in their file that indicates that they are not eligible for the Additional Compensation Grant are not allowed to have their Additional Compensation Grant eligibility reviewed during the Resolution process. Applicants in this situation who wish to be reconsidered for the Additional Compensation Grant must submit an Appeal to the *Road Home Appeals Office*.

C. Documentation

The Advisor reviews documents brought by the applicant and uses them to calculate a verified income on the *Income Verification and Certification* worksheet. The "Acceptable Documentation of Income" table on page 7 provides a list of documents that may be used to verify income. The document must show gross income before any deductions are taken. The Advisor consults with a supervisor when in doubt about whether a document provides adequate documentation.

Applicants who receive a fixed income from Social Security or retirement pension only need to submit one payment stub as documentation of income.

Income Exceeds ACG Eligibility Requirement: If the resulting income is greater than the applicable Income Limit, the applicant does not need to provide any additional documentation. The Advisor should fill in the Additional Compensation Grant eligibility question as “No” in eGrants and no further action is needed.

Insufficient Documentation to Complete Income Calculation: If an applicant is unable to provide all required documentation at the time of the interview but the resulting calculated income is equal to or less than the applicable income limit, tell the applicant which documents are still needed. The applicant may bring the missing documents to the Center or mail the missing documents to Road Home Program, PO Box 4669, Baton Rouge, LA 70821. Instruct the applicant to mail copies and not original income documentation and include their application ID on all documentation.

No Documentation Available for Some or All Sources of Income: If the resulting calculated income is equal to or less than the applicable income limit, and if an applicant indicates that documentation is not available for some types of income (e.g., babysitting for a neighbor and paid in cash), ask the applicant to complete the *Certification of Undocumented Income* (Attachment 5I) and use the income reported on that form in the calculations.

Household Has No Income to Report: If the applicant informs the Advisor that their household has no income to report, review the possible sources of income with the applicant to confirm that the applicant understands that they are indicating they receive no income from any of the sources listed. If the applicant confirms that their household receives no income, ask the applicant to complete the *Certification of No Income* (Attachment 5J). This form should only be used if no one in the household has any income to report. **It does not need to be filled out if at least one member of the household is reporting income.** For example, if there are four adult members of a household and two of them report they have no income and the other two have income to report, then do NOT fill out the *Certification of No Income* form.

Further Documentation Required: If the *Income Verification and Certification Worksheet* to determine eligibility for the Additional Compensation Grant cannot be completed until the applicant provides further documentation, the Advisor should check the “Further documentation required” option in response to the Additional Compensation Grant eligibility question in eGrantsPlus.

DOCUMENTATION OF INCOME

It is important to emphasize to all applicants that documentation of income **MUST** reflect **CURRENT** income. *All applicants that are considered eligible for the Additional Compensation Grant must have a signed CDBG Reporting Form and signed Income Verification and Calculation Worksheet on file.*

INCOME SOURCES	
Earned Income (wages, salary, bonus, commissions)	2 consecutive pay stubs (3 if possible) from within the past 6 months that show gross income for the pay period on the stub; statement from employer that provides the gross amount and rate of pay; W2 or 1040 income tax statement from 2005* or 2006*.
Retirement and pension income	Statements from administering entity showing gross annual amount or periodic payments; Retirement or pension check stub showing gross amount; 1040 tax statement from 2005* or 2006*.
Alimony	Documents showing gross award amount; Alimony check stub showing gross amount; 1040 tax statement from 2005* or 2006*.
Social Security (including SSI)	Award letter or other correspondence showing gross amounts received; Social Security check stub showing gross amount; 1040 or 1099 tax statement from 2005* or 2006*.
Unemployment	Award letter or other correspondence showing gross amounts received; Unemployment check stub showing gross amount; 1040** tax statement from 2005* or 2006*.
Net Income from Self-employment or a busine	Quarterly IRS report; W9 or 1040 income tax statement from 2005* or 2006*; Self Certification (see Attachment 5I) stating gross income of self-employed individual
Temporary Assistance for Needy Families (TANF)	Award letter or other correspondence showing gross amounts received
Other Public Assistance**	
<p>*If the applicant(s) submits a 2005 tax statement or submits a 2006 tax statement after June 30, 2007, the applicant is required to provide a pay stub, pension/retirement statement, alimony and/or social security document, as applicable, from within the past 6 months to confirm that the 2005 tax statement or 2006 tax statement submitted after June 30, 2007 represents current income. The applicant only needs to submit one documentation source (e.g. one pay stub if the applicant submits a W2 tax statement) from each applicable source on tax statement to confirm that tax statement represents current income. If the applicant does not have documentation from last 6 months confirming that the 2005 tax statement or 2006 tax statement submitted after June 30, 2007 represents current income, the applicant(s) must fill in Attachment 5K: <i>Certification of Current Income</i>. Applicants who submit a 2006 tax statement between April 1, 2007 and June 30, 2007 do not need to provide any additional income documentation to confirm that the tax statement represents current income.</p> <p>** Public assistance received by an adult member of household on behalf of minor is considered a source of income.</p>	
<i>Overtime pay is included in current income.</i>	

NOT CONSIDERED INCOME SOURCES

The following are **not** considered income for this purpose: Value of food stamps, child support payments, amounts received in reimbursement of insured expenses or reimbursement related to work expenses (e.g., uniforms, transportation)

1040 INCOME TAX RETURN GUIDANCE

The following line items found on the 1040 income tax return are considered sources of income and should be included in the Total Household Income calculation:

- **Earned Income** – Line 7
- **Alimony** – Line 10
- **Business income** – Line 12
- **IRA Distributions** – Line 15a
- **Pensions and annuities** – Line 16a
- **Farm income or (loss)** – Line 18
- **Unemployment compensation** – Line 19
- **Social Security Benefits** – Line 20a

THE ADJUSTED GROSS INCOME ON LINE 37 DOES NOT REPRESENT CURRENT GROSS INCOME AND IS NOT USED TO DETERMINE TOTAL HOUSEHOLD INCOME.

D. Confirmation of Income Reported on the *Applicant Income Information Form for CDBG Reporting*

Once an Applicant's income has been determined using the worksheet, the Advisor compares the resulting annual income to the amount reported on the *Applicant Income Information Form for CDBG Reporting*. If the income resulting from the detailed calculations differs from the amount previously reported AND this difference results in a change in the income range reported, ask the applicant to correct and initial the *Applicant Income Information Form for CDBG Reporting form*. If the applicant is not present, attach a *CDBG Reporting Form* to the application file and include instructions to the closing agent to have the *CDBG Reporting Form* signed at closing OR send the *CDBG Reporting Form* to the applicant and ask them to return it completed and signed prior to closing.

SIGNATURES AND SCANNING

After the *Applicant Income Information Form for CDBG Reporting* and *Income Verification and Certification* worksheets and any other applicable forms are complete, the Advisor prints out a copy for the applicant to review and sign. Applicants present at the meeting sign the completed forms to certify to the household information that is provided. All documents related to income should be scanned as a single document and attached to the application in eGrants. If the applicant is not present to sign the *Income Calculation and Certification Worksheet* and/or the *CDBG Reporting Form*, attach the completed *Income Calculation and Certification Worksheet* or *CDBG Reporting Form* to the application file and send instructions to the closing agent to have the worksheet signed at closing.

ATTACHMENT 5G
ROAD HOME PROGRAM – INCOME VERIFICATION AND CERTIFICATION (EXCEL FILE)

SEE EXCEL FILE

**ATTACHMENT 5H
ROAD HOME PROGRAM**

INCOME WAIVER ACKNOWLEDGMENT FORM.

Applicant Name _____ Applicant ID: _____

Advisor: Check the box that applies to this applicant.

- I understand that because I am unwilling to provide the information about my income requested on the *Applicant Income Information Form for CDBG Reporting*, I will not be considered for an Additional Compensation Grant. However, I may still be eligible to receive assistance under the Compensation Grant and Mitigation Allowance components of the Road Home program.

Applicant Printed Name	Applicant Signature	Date

- I have provided information about my income as requested on the *Applicant Income Information Form for CDBG Reporting* but I am not interested in providing additional detailed information about my household income and assets in order to be considered for an Additional Compensation Grant under the Road Home Program.

I understand that if I do not provide this information I will not be eligible for an Additional Compensation Grant. However, I may still be eligible to receive assistance under the Compensation Grant and Mitigation Allowance components of the Road Home program.

Printed Name

Applicant ID: _____

Signature

Date: _____

This form must be signed by the individual listed as Applicant on the application or a person with Power of Attorney for the Applicant.

**ATTACHMENT 5I
ROAD HOME PROGRAM
HOMEOWNER ASSISTANCE PROGRAM**

CERTIFICATION OF UNDOCUMENTED INCOME

Applicant Name _____ Applicant ID: _____

This form is to be used primarily in those instances in which a member of the Applicant's household is unable to provide documents supporting the reported income. This may happen when a self-employed person operates on a cash basis (such as babysitters, doing hair/nails, small chores). These individuals should first be asked to provide any documentation they have (e.g., quarterly estimated taxes submitted to IRS or income tax return if it is reflective of current income). If no documentation is available, the applicant should provide the information below and certify to its accuracy. The undocumented income reported on this form must represent current gross income source(s).

Household Member: _____

Explain the type of work the individual does and why no documentation is available.

Explain how the amount certified on the *Income Verification and Certification Worksheet* was estimated

Household Member: _____

Explain the type of work the individual does and why no documentation is available.

Explain how the amount certified on the *Income Verification and Certification Worksheet* was estimated

Printed Name Applicant ID: _____

Signature Date: _____

**ATTACHMENT 5J
ROAD HOME PROGRAM
HOMEOWNER ASSISTANCE PROGRAM**

CERTIFICATION OF NO INCOME

Applicant Name _____ Applicant ID: _____

This form is to be used when an applicant's household has NO income to report. If one or more members of the household have income to report, then this form does not need to be filled out.

I/we, _____, hereby certify that my/our household has
(insert applicant(s) name(s))

\$0.00 income. My/our household does not receive income from any of the following sources:

- Earned income (wages, salary, bonus, commissions)
- Retirement and pension income
- Alimony
- Social security (including SSI)
- Temporary Assistance to Need Families (TANF)
- Other Public Assistance
- Unemployment
- Net Income from Self-employment or a business

Printed Applicant Name Applicant ID: _____

Signature Date: _____

Printed Co-Applicant Name Applicant ID: _____

Signature Date: _____

**ATTACHMENT 5K
ROAD HOME PROGRAM
HOMEOWNER ASSISTANCE PROGRAM
CERTIFICATION OF CURRENT INCOME**

Applicant Name _____

Applicant ID: _____

This form is to be used for applicants who

(1) Provide a 2005 tax statement of their earned income, including a SSA-1099, W2, W9 or 1040 form, and do not have documentation from the past 6 months to confirm that 2005 tax statement represents current income.

OR

(2) Provide a 2006 tax statement of their earned income, including a SSA-1099, W2, W9 or 1040 form, are processed after June 30, 2007 and do not have documentation from the past 6 months to confirm that 2006 tax statement represents current income.

I/we, _____, hereby certify that the tax
(insert applicant(s) name)

statement(s) submitted represent, either in whole or part, my/our **current earned** income.

Printed Applicant Name

Applicant ID: _____

Signature

Date: _____

Printed Co-Applicant Name

Applicant ID: _____

Signature

Date: _____