CITY OF INGLEWOOD
AFFORDABLE HOUSING PROGRAMS

IHA Homebuyer Assistance Program Guidelines

City of Inglewood
Inglewood Housing Authority
One West Manchester Boulevard, Suite 750
Inglewood, California 90301

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I. PROGRAM SUMMARY

A. PURPOSE

The Inglewood Housing Authority as the Housing Successor Agency ("**IHA**") is responsible for administering and managing the operations of the Affordable Housing Bonds regulated by the State of California. The following policies and procedures are specifically designed for the IHA Homebuyer Assistance Program (the "**IHA Program**").

These IHA Program guidelines (these "**Guidelines**") describe the Rules, Policies and Procedures for implementation of the IHA Program. This information is intended to explain the IHA Program to interested individuals and families who want to become homeowners.

This section was prepared in accordance with State program requirements, as well as the California Law Codes and is intended to provide specific guidance for IHA employees that manage the IHA Program.

The IHA Program may be modified from time-to-time to account for changes in the regulations of the US Department of Housing and Urban Development ("**HUD**") and the County of Los Angeles and/or the State of California or the housing policies adopted by the City Council/IHA.

B. GOALS

The IHA has approved a program of down payment assistance to help income qualified working individuals and families ("**Applicants**") buy a home. The IHA has created the IHA Program to meet the following goals:

- Increase homeownership opportunities in the City;
- Provide working individuals and families with the opportunity to become homeowners; and
- Improve the condition of housing through pride of ownership.

C. LEGAL BASIS

- Part 1 of Division 24 of the Health and Safety Code of the State of California, as amended ("**Community Redevelopment Law**");
- Part 5 of Division 103 of the Health and Safety Code of the State of California ("**Lead Based Paint**");
- California Environmental Quality Act; and
- City and State regulations related to building codes for housing rehabilitation.

D. FAIR HOUSING POLICY

The IHA will not discriminate against any Applicant for a down payment assistance loan on the basis of age, ancestry, color, creed, physical or mental disability or handicap, marital or familial status, medical condition, national origin, race, religion, gender or sexual orientation, or sex. The IHA Program will be conducted and administered in conformity with Title VI of the Civil Rights Act of 1964 and the Fair Housing Act and implementing regulations. In addition, the IHA will affirmatively further fair housing and take actions to overcome the effects of any impediments to fair housing. The IHA will ensure that all persons, including those qualified individuals with disabilities, have access to the IHA Program.

E. CONFLICT OF INTEREST REQUIREMENTS

No persons in the following positions or members of their households may receive IHA Program funds:

1. Inglewood City Council/Housing Authority Board Members;
2. Inglewood City Manager/Housing Authority Executive Director; or
3. City of Inglewood Employees designated as administrators of the IHA Program; or
4. Housing Authority staff designated as administrators of the IHA Program.

F. MARKETING STRATEGY/PROGRAM ADVERTISING

1. The IHA will provide information to the public to encourage the widest participation to the IHA Program.

    - Include the IHA Program on the City of Inglewood’s website;
    - Discuss with local real estate agents and primary lenders;
    - Discuss with non-profit organizations; and
    - Advertise in City newsletters and local newspapers.

2. The information disseminated to the public will cover:

    - Purpose of the IHA Program;
    - Terms of the financial assistance;
    - Income limits;
    - Eligibility criteria; and
    - Participants to the IHA Program will be selected based on meeting the eligibility criteria, as described in pages 7 through 9 of these Guidelines.

3. The IHA will target outreach to low-income individuals and families in government assisted housing, trailer parks and affordable multi-unit

rental housing in Inglewood, who are ready to purchase and own a home. Program posters and/or flyers will be distributed.

4. As a recipient of State funds, the IHA is required to adopt Fair Housing and Affirmative Marketing requirements. The following shall be undertaken:

   - Fair Housing and Accessibility Logos will be placed on all outreach materials;
   - Underserved groups will be determined and IHA will advertise in periodicals that are written in languages other than English to target the minority groups that are under-represented;
   - Records to determine that the IHA Program is not excluding protected groups will be maintained; and
   - Section 504 of the Rehabilitation Act of 1973 prohibits the exclusion of an otherwise qualified individual, solely by reason of disability, from participation under any program receiving Federal funds. The IHA will take appropriate steps to ensure effective communication with disabled housing applicants, residents and members of the public.

G. ASSESSMENT OF POLICIES/RESTRUCTURING OF PROGRAM

On an ongoing basis, the IHA will assess these Guidelines and procedures. This assessment will include an evaluation of current market values, interest rates and incomes to determine if changes are necessary to ensure that Applicants are assisted in the most efficient and equitable manner. Changes may include, but are not limited to increase/decrease of: (1) the second mortgage loan amount, (2) purchase price value, (3) IHA second interest rate.

II. PROPERTY SELECTION REQUIREMENTS

This section describes the requirements pertaining to properties eligible for acquisition through the IHA Program. The Applicant may select any property for purchase through the IHA Program so long as such property meets the requirements of these Guidelines.

A. LOCATION

The property must be located within the City of Inglewood city limits.

B. ELIGIBLE PROPERTIES/PROPERTY TYPE/CONDITION

Properties eligible to be purchased through the IHA Program must meet the following criteria:

1. The property cannot be occupied by renters who will have to move because of the sale. The house can be vacant (for at least ninety (90) days immediately prior to time of purchase), occupied by the seller, or occupied by the Applicant;

2. Eligible properties include (a) single family homes, (b) townhouses, and (c) condominiums. Mobile homes and manufactured homes are not eligible for purchase through the IHA Program; and

3. The property must be in compliance with all applicable Uniform Building Codes, Uniform Plumbing Codes, National Electrical Codes and additional City local codes, as applicable, prior to close of escrow. The cost of repairs required to bring the property into compliance with applicable codes will be paid by seller or buyer. In no case may Program funds be used to make any of the necessary repairs.

   Based on certain conditions and upon approval by the IHA Executive Director, compliance with the above requirements may be extended up to the time of occupancy, but no later than sixty (60) days after the transfer of ownership of the property.

C. MAXIMUM PURCHASE PRICE/PROPERTY VALUE

The purchase price of the property including all closing costs cannot exceed Six Hundred Thousand Dollars ($600,000). The IHA Program does not allow a purchase price that exceeds the appraised value.

D. TITLE AND FORM OF HOME OWNERSHIP

Home ownership means ownership in fee simple.

E. HOMEOWNER’S INSURANCE

The Applicant must, as a condition of the loan, maintain homeowner’s insurance on the property for the life of the loan and add the IHA as a loss payee on the policy. Applicant shall annually submit certificates of insurance for IHA review and approval.

III. HOUSEHOLD SELECTION/ELIGIBILITY REQUIREMENTS

This section describes requirements pertaining to Applicant selection to participate in the IHA Program, including eligibility criterion, such as income and asset requirements, first-time homebuyer and principal residence requirements, down payment and housing cost criteria, household composition and preference criteria. Program participants must occupy the home as their primary residence and may not lease the home to third party tenants. Applications will be processed from the waiting list in the order of the preference criteria below. Only complete applications will be accepted for processing.

A. PREFERENCE CRITERIA AND WAIT LIST

A waiting list will be created and maintained by IHA until all Program funds have been disbursed and the IHA Program closed.

All submissions received during the 30-day application acceptance period will be separated by the waitlist preference below. Each preference category will be randomized by lottery and placed in sequence from first to last. The next lower preference category will be placed at the end of the last applicant in the previous preference category and one list will be created.

Preference will be given in the following order to the following eligible Applicants:

1. Households displaced due to actions of the City of Inglewood or IHA.

2. Residents who live in the City of Inglewood. Residents are defined as persons that have lived in the City of Inglewood continuously for three of the past five years. This will be verified by income tax returns or utility bills.

3. All other eligible households.

B. SOCIAL SECURITY NUMBER

All Applicant household members must provide proof of a valid Social Security number, proof of citizenship/or legal residency and must be residing in the United States.

C. INCOME REQUIREMENTS

The Applicant household must meet the following eligibility requirements:

Must have a gross annual income that does not exceed 120% of the Los Angeles County Area median income, adjusted for household size, established by HUD and adjusted annually (see Attachment A).

D. QUALIFICATIONS

Any individual, non-married couple or an individual and his or her spouse who have not owned a home during the three-year period before the purchase of a home with IHA assistance, except that any individual or individuals may not be excluded from consideration from the IHA Program if they are a displaced homemaker who, while a homemaker, owned a home with his or her spouse or resided in a home owned by the spouse. A displaced homemaker is an adult who has not, within the preceding two years, worked on a full-time basis as a member of the labor force for a consecutive twelve-month period and who has been unemployed or under-employed, experienced difficulty in obtaining or upgrading employment and worked primarily without remuneration to care for his or her home and family.

Past Home Ownership Determination – The Applicant shall be required to provide Federal income tax returns for the prior three years and documents verifying current income eligibility for the IHA Program. If the deduction of mortgage interest is shown in any of the last three years, the Applicant(s) will not be eligible for assistance unless dissolution of a marriage can be shown through finalized divorce papers and a quitclaim deed has been recorded removing the Applicant from title of the other property.

E. PRINCIPAL RESIDENCE REQUIREMENTS

The Applicant must occupy the property as a *principal residence.* A loan agreement in the second trust deed will require that the purchased property remain as the Applicant's principal residence. The loan documents (promissory note) between the IHA and the Applicant will also incorporate this requirement.

F. HOMEBUYER EDUCATION

Buying a home can be one of the most confusing and complicated transactions anyone can make. Providing the Applicant with informative homebuyer education training can bring success to the IHA, the IHA Program, and most importantly, the Applicant. It has been documented that homebuyers, especially first-time homebuyers that have had homebuyer education have the ability to handle problems that occur with homeownership. The IHA requires all IHA Program participants to attend a homebuyer education class. The IHA requires that Applicants submit certificates of attendance to an approved homebuyer class at the time they apply. The homebuyer classes cover such topics as: credit and budgeting; homeowners insurance; preparing for homeownership; roles and responsibilities of the real estate professional; home maintenance and preventive care; predatory lending and foreclosure prevention.

IV. DETERMINATION OF GROSS INCOME

A. EMPLOYMENT STATUS

Employment History - All persons in the household showing a work history in the last 12 months must be employed at the time their application is submitted. For example, if a person has worked in the last 12 months, but is currently unemployed for various reasons including, but not limited to, being laid off, temporarily disabled, attending school, or is not working, but has held a job within the last twelve months prior to submitting an application, the IHA cannot provide assistance until he/she has been re-employed.

B. VERIFICATION OF ALL INCOME

The source of all income must be documented through employment verifications, paycheck stubs, and/or claimed for federal and state income tax purposes. The income of any household members, which cannot be verified and/or was not claimed on a federal income tax return, cannot be used as income for loan qualification purposes.

C. HOUSEHOLD INCOME-DEFINED

Household income is the gross annual income of all adult household members that is projected to be received during the coming 12-month period, and will be used to determine Program eligibility. For types of income counted, gross amounts (before any deductions have been taken) are used; and the types of income that are not considered would be income of minors or live-in aides. Certain other household members living apart from the household also require special consideration. The household's projected ability to pay must be used, rather than past earnings, when calculating income. The Method for Calculating Annual Gross Income and the Annual Income Inclusions and Exclusions as provided in 24 Code of Federal Regulations ("**CFR**") Part 5 (attached hereto and incorporated herein as Attachment B).

D. INCOME FROM ASSETS IS PART OF ANNUAL INCOME

Income from assets is recognized as part of annual income under the 24 CFR Part 5 definition (Attachment B). An asset is a cash or non-cash item that can be converted into cash. The value of necessary items such as furniture and automobiles are not included.

An asset's cash value is the market value less reasonable expenses to convert the asset to cash, including: penalties or fees for converting financial holdings and costs for selling real property. The cash value (rather than the market value) of an item is counted as an asset.

The Annual Income Net Family Asset Inclusions and Exclusions as provided in 24 CFR Part 5 (Attachment B).

V. HOUSEHOLD FINANCIAL REQUIREMENTS

A. INCOME/CREDIT WORTHINESS

Applicant shall have sufficient income and credit worthiness to qualify for primary financing. A bankruptcy that is less than 3 years old, or a short sale or a foreclosure that is less than 4 years old, will automatically disqualify the applicant. On a case-by-case basis, the IHA Executive Director may consider exceptions for extreme extenuating circumstances (including but not limited to divorce or death of a spouse). The IHA will require the Applicant to submit a current credit report to confirm essential credit worthiness.

B. DOWN PAYMENT REQUIREMENT

Minimum Monetary Contribution toward Purchase

The Applicant must be able to contribute a minimum down-payment of three percent (3%) of the first mortgage loan amount for the home from personal funds. Please note that it is three percent (3%) of the first mortgage loan and not three percent (3%) of the purchase price. Down-payment funds must be in the name and possession of a household member for at least 90 days prior to the application submittal.

C. FIRST MORTGAGE LOAN REQUIREMENTS

1. Obtaining First Mortgage Loan

The Applicant will be required to obtain financing for a first mortgage loan Company. Co-signers who do not have ownership interest in the property are prohibited.

The Applicant must qualify for at least Two Hundred Fifty Thousand ($250,000) of financing for the first mortgage loan to be eligible for the IHA Program. The first mortgage loan must be for the maximum mortgage amount for which the Applicant qualifies. The first mortgage will need to be a conventional fixed rate mortgage with no mortgage insurance component.

2. Fixed Rate First Mortgage

The Applicant will be required to accept a minimum of thirty (30)-year, fixed rate first mortgage loan. The loan must be fully amortizing and have a fixed interest rate that does not exceed the current market rate, as established by the ninety (90)-day “posted yield” for thirty (30)-year fixed rate loans, as established by Fannie Mae. This means that loans that have an “interest only” period are not eligible, even if they convert to a fully-amortized loan at some point in the loan term.

3. Above Market Interest Rates

First mortgage interest rates that are above the current-going market rate due to the Applicant’s poor credit, not meeting minimum housing cost ratios, or for any other reasons, will not be permitted.

4. Qualifying Ratios

Total housing costs of the Applicant cannot exceed thirty percent (30%) of their income, as indicated in Attachment A.

5. Impound Accounts Required

The primary loan may have impound accounts established for the payment of property taxes and insurance for the duration of the first mortgage loan.

VI. IHA SECOND MORTGAGE AND CLOSING COST ASSISTANCE

A. CLOSING COSTS

The IHA may provide up to five percent (5%) of the purchase price to pay for non-recurring closing costs, such as title and escrow fees which 5% amount shall be included as part of the $350,000 total subsidy. The amount of closing cost assistance will be combined with the amount of down payment assistance and secured against the property as a part of the IHA's second mortgage. Fees associated with mortgage products which deviate from normal closing costs for a fixed-rate, fully amortized loan, including loan discount fees will not be financed with Program funds.

B. IHA SECOND MORTGAGE/DOWN PAYMENT ASSISTANCE

Each Applicant will be eligible for up to $350,000 in Program assistance per unit for closing costs and mortgage assistance. (Assistance provided for closing costs will reduce the amount available for mortgage payment assistance.) The IHA will only provide that amount necessary to enable the Applicant to purchase a home. Example:

Purchase Price: $550,000
Buyer 3% Down Payment of Bank Loan: $8,100
Bank Loan: $270,000
GAP Financing (City Loan): $271,900

The Applicant may also receive up to five percent (5%) of the purchase price for closing cost assistance that will be added to the $271,900 IHA second mortgage up to the maximum program assistance of $350,000. Homebuyer's Program assistance loans when combined must have a combined loan-to-value ratio not exceeding 105%.

C. LEAD-BASED PAINT ASSISTANCE

The cost for controlling/abating any lead-based paint identified in the housing unit purchased through the IHA Program will <u>not</u> be provided by the IHA. Any costs to mitigate this issue will be borne by the seller.

D. TERMS OF IHA SECOND MORTGAGE LOAN ASSISTANCE

1. Term

To take full advantage of the IHA Program, the Applicant must own and occupy the property for at least forty five (45) years. A deed restriction will be recorded as part of the final Program assistance. The restriction requires full or partial repayment of the loan if within forty five (45) years the property is either sold, transferred, refinanced for reasons other than rate or term or converted to rental property.

2. Secured PROMISSORY NOTE/Second Mortgage

The IHA's assistance will be evidenced by a promissory note secured by a secured second mortgage (the "**IHA Second Mortgage Loan**").

3. Loan Payments

There will be no payments on the IHA Second Mortgage Loan except as otherwise provided in the promissory note.

4. Interest on IHA Second Mortgage Loan

There will be no interest charged on the IHA Second Mortgage Loan for the forty five (45) year loan term, except as otherwise provided.

5. Repayment

a) Repayment of the IHA Second Mortgage Loan is immediately due and payable upon the following events:

(1) Upon an unauthorized sale of the property;
(2) An unauthorized transfer of title of the property or any interest in the property (i.e., adding any new owner to the title);
(3) If the Applicant ceases to reside in the property;
(4) If the Applicant leases or subleases the property in violation of the IHA Second Mortgage Loan; or
(5) If the Applicant breaches the terms of the IHA promissory note or deed of trust.

Under no circumstances will temporary or permanent leasing of the property be permitted (i.e., renting or leasing of the property due to job relocation is also prohibited), without express authorization of the IHA.

b) Repayment of the IHA Second Mortgage Loan is based upon the following calculation and shall be immediately due and payable upon an IHA authorized sale or refinance of the property:

- For the first 15 years following the date of the deed restriction is recorded, 100% of the loan principal is due.
- For years 16 through 25, 75% is due.
- For years 26 through 35, 50% is due.
- For years 36 through 45, 25% is due.
- At the end of year 45, the loan is forgiven.

c) There is no prepayment penalty.

6. Forgiveness Provision

The IHA Second Mortgage Loan shall be fully forgiven forty five (45) years from the date that the deed restriction is recorded.

7. Acceleration Clause

In the event of a violation of the IHA Second Mortgage Loan requirements, the repayment obligation shall be accelerated as follows:

- For the first 25 years following the date that the deed restriction is recorded, 100% of the loan principal is due.
- For years 26 through 45, 50% is due.

8. Authorized Transfers

IHA Second Mortgage Loans are not assumable. However, exceptions to the transfer restrictions shall not apply to the following loan transfers:

- Transfer to a surviving joint tenant on the death of a joint tenant;
- Transfer in which the spouse becomes the owner of the property;
- Transfer resulting from a decree of dissolution of marriage, legal separation agreement, or from an incidental property settlement agreement by which the spouse becomes an owner of the property; or
- A transfer into an inter vivo trust in which the borrower is and remains the beneficiary and occupant of the property.

E. REFINANCING

1. Refinancing to Reduce Monthly Payments

Refinancing of the first mortgage is allowed for the purpose of reducing monthly payments on the first mortgage loan, due to lower market interest rates. In no case shall the amount of the new first mortgage exceed the then outstanding balance of the original first mortgage plus reasonable closing costs (not-to-exceed five percent (5%) of the new first mortgage) associated with the refinance. Under this circumstance only, a request for subordination of the IHA Second Mortgage Loan deed of trust may be reviewed and approved by IHA staff.

2. Withdrawal of Equity - IHA Second Mortgage Loan Pay-Off Required

The withdrawal of equity from the property will require the immediate repayment of the IHA Second Mortgage Loan principal amount per the repayment schedule outlined in this document. A withdrawal of equity does not include the use of equity to pay for the lender and escrow costs associated with a refinance.

3. Default and/or Foreclosure

On a default/and or foreclosure, IHA staff will negotiate with the first lender to obtain the best possible amount allowable through the foreclosure process.

F. ANNUAL RECERTIFICATION OF OCCUPANCY/ANNUAL REPORT TO THE IHA

Each Applicant will be required to allow the IHA or a designated third party to recertify occupancy. At a minimum, this re-certification will occur on an annual basis for the duration of the Applicant's occupancy of the unit. The recertification of occupancy is to confirm that the assisted household is still the resident of the home. Recertification may include requiring the Applicant to provide copies of current federal tax returns, telephone bills or other documentation, as requested by the IHA or a designated third party. Staff will also verify annually through the Los Angeles County Assessor's website that all property taxes are current.

VII. PENALTIES

Strict penalties may be imposed on any Applicant making any material misstatements, misrepresentations or committing any fraudulent act with respect to documents submitted to qualify in the IHA Program or to purchase a housing unit through the IHA Program. Any person making any negligent or fraudulent material misstatements or misrepresentations in any affidavit or certification made in connection with the application for or participation on the IHA Program shall be subject to all State and Federal applicable fines and penalties. At the discretion of the IHA Executive Director, the IHA Second Mortgage Loan may be immediately due and payable.

VIII. GRIEVANCE PROCEDURE

Appeals by any Applicant or other person who believes their interest is or has been adversely affected by any determination or requirement of the IHA staff in regards to the rules and requirements of the IHA Program may appeal to the IHA Executive Director. The appeal must prove that the guidelines, rules and regulations of the IHA Program are not being met, or are arbitrary or capricious, or that these rules and regulations are being capriciously or not properly applied. Such appeal must be filed in writing to the IHA. The IHA Executive Director's determination shall be final.

IX. PERIOD OF AFFORDABILITY/FINANCIAL/ACCOUNTING REQUIREMENTS

All loan repayments shall be documented in a database naming the borrower, reference number, year, loan and interest amounts paid.

The IHA's minimum period/period of affordability is the minimum amount of time that the owner/borrower must remain in the house to satisfy the IHA Program regulations for affordability. Based on the IHA's proposed loan amount of up to $350,000, the minimum period of affordability is 45 years.

X. RECAPTURED FUNDS

The IHA has recapture protections for investments in the IHA's homebuyer assistance program. The homeowner has the option to sell their property to another income-restricted purchaser or "buyout" the IHA's affordability covenants. Under the first option, the transfer or sale of the property during the affordable period can be to another homebuyer participating in the IHA's homebuyer assistance program of the same or lower income restriction. In the alternative, under the buyout option, a sale to transfer during the affordable period to a non-participant buyer, the IHA recaptures the outstanding increment of funds committed under the IHA's homebuyer assistance program from the homeowner's net proceeds from the sale or transfer of the property. The recaptured funds are used to assist new homebuyers for other homes; there are no continuing resale restrictions on the property once the IHA's funds have been recaptured.

The IHA's loss recapture protection provision is based on the market experience as well as certain former State and Federal regulations. The IHA structured its recapture provisions so that it recaptures the outstanding IHA-funds from the participant's net proceeds. The IHA's recapture protection provisions contain enforcement mechanisms to protect the IHA's financial interests. These are contained in covenants recorded against the participant's property along with a promissory note and trust deed securing the promissory note. These documents specify the IHA's requirements such as period of affordability, principal residency requirement, and terms and conditions associated with the recapture requirements. The IHA performs ongoing occupancy monitoring to ensure the homebuyer participants maintain the property as their principal residence during the affordability period and term of the loan, whichever is greater.

The recapture amount is subject to a pro rata reduction of recapture amount during the affordability period. When the participant homeowner decides to transfer or refinance the property, the participant homeowner will be responsible for repaying a pro rata amount of the outstanding IHA loan amount (recapture). Should there not be enough equity in the property, the participant homeowner is offered a deed-in-lieu of foreclosure whereby the IHA assumes the obligations of the participant homeowner and makes the property available to assist other participant homebuyers.

ATTACHMENT A

<u>2018 Income Limits Adjusted for Family Size*</u>

Household Size	Income Limit 120% AMI Los Angeles County
1	$58,200
2	$66,500
3	$74,850
4	$83,150
5	$89,800
6	$96,450
7	$103,100
8	$109,750

*Limits updated annually by HUD

ATTACHMENT B
24 CFR Part 5

As of May 27, 2010

Annual Income Inclusions and Exclusions

§ 5.609 Annual Income Inclusions

(b) Annual income includes, but is not limited to:

(1) The full amount, before any payroll deductions, of wages and salaries, overtime pay, commissions, fees, tips and bonuses, and other compensation for personal services;

(2) The net income from the operation of a business or profession. Expenditures for business expansion or amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation of assets used in a business or profession may be deducted, based on straight line depreciation, as provided in Internal Revenue Service regulations. Any withdrawal of cash or assets from the operation of a business or profession will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested in the operation by the family;

(3) Interest, dividends, and other net income of any kind from real or personal property. Expenditures for amortization of capital indebtedness shall not be used as deductions in determining net income. An allowance for depreciation is permitted only as authorized in paragraph (b)(2) of this section. Any withdrawal of cash or assets from an investment will be included in income, except to the extent the withdrawal is reimbursement of cash or assets invested by the family. Where the family has net family assets in excess of $5,000, annual income shall include the greater of the actual income derived from all net family assets or a percentage of the value of such assets based on the current passbook savings rate, as determined by HUD;

(4) The full amount of periodic amounts received from Social Security, annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts, including a lump-sum amount or prospective monthly amounts for the delayed start of a periodic amount (except as provided in paragraph (c)(14) of this section);

(5) Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation and severance pay (except as provided in paragraph (c)(3) of this section);

(6) *__Welfare assistance payments__:* (i) Welfare assistance payments made under the Temporary Assistance for Needy Families (TANF) program are included in annual income only to the extent such payments:

(A) Qualify as assistance under the TANF program definition at 45 CFR 260.31; and

(B) Are not otherwise excluded under paragraph (c) of this section.

(ii) If the welfare assistance payment includes an amount specifically designated for shelter and utilities that is subject to adjustment by the welfare assistance agency in accordance with the actual cost of shelter and utilities, the amount of welfare assistance income to be included as income shall consist of:

(A) The amount of the allowance or grant exclusive of the amount specifically designated for shelter or utilities; plus

(B) The maximum amount that the welfare assistance agency could in fact allow the family for shelter and utilities. If the family's welfare assistance is ratably reduced from the standard of need by applying a percentage, the amount calculated under this paragraph shall be the amount resulting from one application of the percentage.

(7) Periodic and determinable allowances, such as alimony and child support payments, and regular contributions or gifts received from organizations or from persons not residing in the dwelling;

(8) All regular pay, special pay and allowances of a member of the Armed Forces (except as provided in paragraph (c)(7) of this section).

(9) For section 8 programs only and as provided in 24 CFR 5.612, any financial assistance, in excess of amounts received for tuition, that an individual receives under the Higher Education Act of 1965 (20 U.S.C. 1001 *et seq.*), from private sources, or from an institution of higher education (as defined under the Higher Education Act of 1965 (20 U.S.C. 1002)), shall be considered income to that individual, except that financial assistance described in this paragraph is not considered annual income for persons over the age of 23 with dependent children. For purposes of this paragraph, “financial assistance” does not include loan proceeds for the purpose of determining income.

§ 5.609 Annual Income Exclusions

(c) Annual income does not include the following:

(1) Income from employment of children (including foster children) under the age of 18 years;

(2) Payments received for the care of foster children or foster adults (usually persons with disabilities, unrelated to the tenant family, who are unable to live alone);

(3) Lump-sum additions to family assets, such as inheritances, insurance payments (including payments under health and accident insurance and worker's compensation), capital gains and settlement for personal or property losses (except as provided in paragraph (b)(5) of this section);

(4) Amounts received by the family that are specifically for, or in reimbursement of, the cost of medical expenses for any family member;

(5) Income of a live-in aide, as defined in §5.403;

(6) Subject to paragraph (b)(9) of this section, the full amount of student financial assistance paid directly to the student or to the educational institution;

(7) The special pay to a family member serving in the Armed Forces who is exposed to hostile fire;

(8) (i) Amounts received under training programs funded by HUD;

(ii) Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS);

(iii) Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program;

(iv) Amounts received under a resident service stipend. A resident service stipend is a modest amount (not to exceed $200 per month) received by a resident for performing a service for the PHA or owner, on a part-time basis, that enhances the quality of life in the development. Such services may include, but are not limited to, fire patrol, hall monitoring, lawn maintenance, resident initiatives coordination, and serving as a member of the PHA's governing board. No resident may receive more than one such stipend during the same period of time;

(v) Incremental earnings and benefits resulting to any family member from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family member participates in the employment training program;

(9) Temporary, nonrecurring or sporadic income (including gifts);

(10) Reparation payments paid by a foreign government pursuant to claims filed under the laws of that government by persons who were persecuted during the Nazi era;

(11) Earnings in excess of $480 for each full-time student 18 years old or older (excluding the head of household and spouse);

(12) Adoption assistance payments in excess of $480 per adopted child;

(13) [Reserved]

(14) Deferred periodic amounts from supplemental security income and social security benefits that are received in a lump sum amount or in prospective monthly amounts.

(15) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling unit;

(16) Amounts paid by a State agency to a family with a member who has a developmental disability and is living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home; or

(17) Amounts specifically excluded by any other Federal statute from consideration as income for purposes of determining eligibility or benefits under a category of assistance programs that includes assistance under any program to which the exclusions set forth in 24 CFR 5.609(c) apply. A notice will be published in the Federal Registrant distributed to PHAs and housing owners identifying the benefits that qualify for this exclusion. Updates will be published and distributed when necessary.