MEMO

06/10/2025

To: Owners & Managers of Utah LIHTC Section 42 Properties

From: Compliance - Multifamily Finance & Development Department

Implementation Date: 01/01/2026

RE: HOTMA - Housing Opportunity Through Modernization Act

Utah Housing Corporation (UHC) like all other housing finance agencies (HFAs) has been waiting for the U.S. Department of Housing and Urban Development (HUD) to release guidance on when and how to implement the HOTMA final rule since it was officially published on February 14, 2023.

HUD issued a delay in HOTMA implementation for sections 102 and 104 through Notice H 2023-10 on September 29, 2023 with an update issued February 2, 2024. In this notice, HUD instructed owners must bring their programs into compliance with the HOTMA final rule as quickly as possible, but no later than January 1, 2025. Compliance means administering all aspects of the affected programs in accordance with the HOTMA final rule.

On September 24, 2024, HUD issued Notice H 2024-09, extending the full HOTMA implementation date for Multifamily programs until July 1, 2025. The previous deadline per HUD Notice H 2023-10 was January 1, 2025.

On May 29, 2025, HUD issued Notice H-2025-03, extending HOTMA final rule compliance date to January 1, 2026. In this notice HUD stated, "This Notice supersedes Notice H 2024–09, which extended the date by which Owners must comply fully with Sections 102 and 104 of the Housing Opportunity Through Modernization Act of 2016 (HOTMA) final rule until July 1, 2025."

In the absence of IRS guidance, UHC will implement the HOTMA final rule changes as outlined in Notice H 2023-10 for all Utah Tax Credit projects with the extended effective date from Notice H 2025-03 of January 1, 2026, UHC will make any necessary changes in the event formal guidance is released from the IRS.

UHC is working on updating forms and the compliance manual. Prior to releasing the remaining updated forms and compliance manual, UHC will not prohibit owners from implementing the HOTMA rules prior to January 1, 2026.

An updated Tenant Income Certification form and Asset Self Certification form can be found on UHC's website if a project chooses to implement HOTMA rules prior to 01/01/2026.

If a property chooses to implement HOTMA prior to 01/01/2026, a copy of a memo must be provided to the auditor at the beginning of the audit, stating the effective date HOTMA was implement by the property management. The consistency of the HOTMA rules must be used in all files.

UHC will not enforce HOTMA-related file errors (i.e., will not issue 8823's) discovered prior to January 1, 2026.

Some of the more notable HOTMA changes include the following:

Household Composition – "Family" Members vs "Household" Members
"Family" Members according to HUD, are counted for income limit purposes.
"Household" Members according to HUD, are all authorized occupants of a unit.
Foster Adults and Foster Children are no longer counted toward income limits and none of their income is counted. Foster Children and Foster Adults are still counted for occupancy standards as "household" members, but not "Family" members. (Live-in Attendant is also considered a "household" member and not a "family" member.)

Inflationary Adjustments
Each year, HUD will publish inflation-adjusted items no later than September 1st. The revised amounts will be effective on January 1 of the following year. The first set of adjustments for inflation will be made effective January 1, 2025.
https://www.huduser.gov/portal/datasets/inflationary-adjustments-notifications.html#year2025

* Threshold above which imputed income is calculated on assets.
  2024 $50,000. Effective 1/1/2025 $51,600.

* Threshold above which non-necessary personal property is included in net family assets.
  2024 $50,000. Effective 1/1/2025 $51,600.

* The amount of net assets for which the owner may accept self-certification by the family.
  2024 $50,000. Effective 1/1/2025 $51,600.

* Income exclusion for earned income of dependent full-time students.
  2024 $480. Effective 1/1/2025 $480.

* Income exclusion for adoption assistance payment.
  2024 $480. Effective 1/1/2025 $480.

* Passbook Savings Rate.
  2024 0.40%. Effective 01/01/2025 0.45%.

Verification Hierarchy
"Highest" – Upfront Income Verification (UIV), from a source database (EIV cannot be used for LIHTC).
Non-EIV systems (The Work Number, web-based state benefits systems, etc.)

"High" – Written, third-party verification from the source provided by the tenant.
Pay stubs, payroll summary reports, employer notices/letters of hire/termination, SSA benefit verification letters, bank statements, child support payment stubs, welfare benefit letters and/or printouts, and unemployment benefit notices.

"Medium" – Written, third party verification form (Use if "Highest" or "High" verification is not available or is insufficient).
Oral third-party verification.

"Low" – (Use if no other verification is available or is insufficient)
Self-certification.

Documentation of attempts made for "highest" and "high" verifications must be in file along with a clarification if using "medium" and "low" verifications.

Paystubs
Minimum of two most recent and consecutive.

Range of Hours
Pre HOTMA – Range of Hours – Highest used.
HOTMA – Range of Hours – Average should be used.

Nonrecurring Income
The nonrecurring income exclusion replaces the former exclusion for temporary, nonrecurring, and sporadic income (including gifts), but it provides a narrower definition of excluded income in contrast to the former broad exclusion of temporary, nonrecurring, or sporadic income. Income that will not be repeated beyond the coming year (i.e., the 12 months following the effective date of the certification), based on information provided by the family, is considered nonrecurring income and is excluded from annual income. However, income received as an independent contractor, day laborer, or seasonal worker is not excluded from income under § 5.609(b)(24), even if the source, date, or amount of the income varies. Income that has a discrete end date and will not be repeated beyond the coming year during the family's upcoming annual reexamination period will be excluded from a family's annual income as nonrecurring income. This does not include unemployment income and other types of periodic payments that are received at regular intervals (such as weekly, monthly, or yearly) for a period of greater than one year that can be extended.

Student Financial Assistance
The final HOTMA legislation significantly changes the methodology for determining the type and amount of financial aid that needs to be calculated for households with students. Prior to the final rule being published, financial aid was only counted for those households receiving Section 8 assistance and who did not meet one of two exceptions. Those exceptions were over age 23 with a dependent child or living at home with their parents and claimed as a dependent. The legislation removes the Section 8 exception and will apply to **any** household receiving financial aid assistance. Please refer

to section G.16 of H 2023-10 HOTMA Implementation Notice on how to calculate both the section 8 and the non-section 8 student financial assistance. Also, please see the examples in these sections.

Net Family Assets

Net family assets is the net cash value of all assets owned by the family, after deducting reasonable costs that would be incurred in disposing of real property, savings, stocks, bonds, and other forms of capital investment.

Under HOTMA, assets are broken down into three types:

1. Necessary Personal Property (Always excluded).
2. Non-Necessary Personal Property.
   a. If total is less than or equal to the HUD threshold ($51,600 in 2025) – Value excluded, actual income included.
   b. If total is more than the HUD threshold ($51,600 in 2025) – Value and actual income included.
3. Real Property (Value and income included).

Please refer to table F1: Examples of Necessary and Non-Necessary Personal Property located in H 2023-10 HOTMA Implementation Notice.

Excluded Net Family Assets

The value of any account under a retirement plan recognized as such by the Internal Revenue Service, including Individual Retirement Accounts (IRAs), employer retirement plans (e.g., 401(k), 403(b)), and retirement plans for self-employed individuals.

Any income earned on the funds while stored in such a retirement account is not considered actual income from assets.

Any distribution of periodic payments from the retirement account is considered income at the time it is received by the family.

All amounts received by a family in the form of federal tax refunds or refundable tax credits are excluded from a family's net family assets for a period of 12 months after receipt by the family.

At the time of an annual or interim reexamination of income, if the federal tax refund was received during the 12 months preceding the effective date of the reexamination, then the amount of the refund that was received by the family is subtracted from the total value of net family assets. When the subtraction results in a negative number, then net family assets are considered $0.

For a full list of Exclusions from Net Family Assets please see section F.4.b located in H 2023-10 HOTMA Implementation Notice.

Asset Self-Certification

UHC will require the Asset Self-Certification worksheet to be completed by every household to determine if assets need to be 3rd party verified or if the Asset Self-Certification form can be used.

Households with combined assets under the applicable amount HUD allows to be self-Certified ($51,600 in 2025) will be allowed to self-certify using the Asset Self-Certification form. This form will be replaced by the current Under $5k Asset form.

Households with combined assets over the applicable amount HUD allows to be self-Certified ($51,600 in 2025) will still require 3rd party verification.

Mixed income projects *(LIHTC and conventional market units)* will need to 3rd party verify all assets every year if combined assets are at or over the applicable amount HUD allows to be self-Certified ($51,600 in 2025)

For 100% LIHTC projects, the Asset Certification form may be used at move-in and at the first-year recertification if total household assets are at or below the applicable HUD threshold ($51,600 for 2025). After Year 2, full asset verification and the Asset Self-Certification form are not required when conducting Self-Certification Recertifications.

UHC does not require 3rd party verification for combined assets under the applicable amount HUD allows to be self-Certified ($51,600 in 2025) provided the Asset Self Certification form and Asset Self-Certification Worksheet are included in the certification packet.

Checking Accounts
When verification of assets is required, PHAs/MFH Owners are required to obtain a minimum of one statement that reflects the current balance of banking/financial accounts. MFH Owners were previously required to average the balance of six checking account statements to determine the cash value of a checking account.

For additional and detailed information, please refer to the H 2023-10 HOTMA Implementation Notice.
[HOTMA Implementation Notice]

As always, we are available to answer any questions. Email us or call us at 801-902-8200.

Compliance Auditors

Brittany Rock: brock@uthc.org
Kim Rodriguez: krodriguez@uthc.org
Michele Lawson: mlawson@uthc.org
Armando Reyes: areyes@uthc.org
Karen Morales: kmorales@uthc.org

Asset Manager

Susan McFarland: smcfarland@uthc.org

Housing Credit Compliance Manager

Mike Campbell: mcampbell@uthc.org

HOTMA Resources:

The Housing Opportunity Through Modernization Act (HOTMA) was signed into law on July 29, 2016 and published 10/24/2016

HOTMA Final Rule

HOTMA Implementation Notice