**Relocation 201 Class: Advanced Residential Relocations**

**Handout on Rental Assistance Entitlement based upon 30% of Income**

The Rental Assistance Entitlement or “Relocation Offer” is based upon the difference between the monthly cost of rent and utilities of the comparable dwelling and;

* the monthly cost of rent and utilities at the displacement site or;
* the market rent and utilities of the displacement site when the tenant paid little or no rent at the displacement dwelling or;
* 30% of the household’s gross monthly income when the tenant falls into the “low income” category.

**Who is eligible for a Rental Assistance Entitlement based on 30% of their income?**

* Only displaced Tenant-Occupants (90 Day or Less than 90 Day)
* Income of the household is classified as “Low Income” per the U.S. Department of Housing and Urban Development’s *Annual Survey of Income Limits* for Public Housing and Section 8 programs. The income limits are updated annually and can be obtained at [www.fhwa.dot.gov/realestate](http://www.fhwa.dot.gov/realestate), under “Relocation” on the right side and then “Low Income Calculations.”
* Homeowners who elect to rent a replacement site are not eligible for a Rental Assistance Entitlement determination based on 30% of their income.

**What is considered household income?**

* Household income includes income from all occupants of the dwelling with the exception of income from dependent children, and full time students who are under 18 years of age. Income includes, but is not limited to: wages, salary, tips, commissions, bonuses, dividend income, welfare, child support, alimony, unemployment benefits, retirement income, social security, or the net income from a business.
* Some government assistance program benefits that are not considered income by Federal law are not included as income for the relocation program, including: Food Stamps, Women Infants and Children (WIC) program, foster care payments, and inheritances.
* More information about household income and a detailed list of income exclusions is available at the following web site:

[www.fhwa.dot.gov/realestate/exclusions.htm](http://www.fhwa.dot.gov/realestate/exclusions.htm)

**How is the Income Limit Survey Organized and Used?**

* The Annual Survey of Income Limits are categorized by State and then metropolitan area (City) or non-metropolitan (County) area, and the number of people occupying the displacement dwelling. This information is organized in a chart that shows the amounts that represent the “low income” threshold for that area.

Example:

If the project is in the Canton-Massillon area and the displacement site is occupied by five people, you will first look up the income limits for the State of Ohio. You will then identify the metropolitan area (City) the parcel is located in. When a city is not large enough to be listed in the chart, use the non-metropolitan area (County) as the basis for determining the low income limit. Then look along the top row of the chart for the number of people occupying the displacement site. The corresponding figure is the low income threshold. In the example below the amount is $48,400.

If the displaced household’s family income is less than, or equal to the low income limit in the chart, the displaced household is considered “low income” and their Rental Assistance Entitlement will be based on the lesser of:

 1. 30% of the family’s monthly income, or

 2. The displacement site’s contract rent and utilities



**When is a displaced tenant-occupant determined to be “low income”?**

* Gathering information to determine if the displaced household’s income qualifies as “low income” begins at the Pre-Acquisition Survey. This information is requested from the displaced person when completing the income and subsidies block on the *RE-600/Residential Site Occupancy Interview* form. This figure is then compared to HUD’s *Annual Survey of Low Income Limits* table to determine if the displaced household is eligible for a Rental Assistance Entitlement determination based on 30% of their income. Agents should prepare for this initial meeting by accessing the current year’s *Annual Survey of Low Income Limits* for Ohio to become familiar with the income limits for the project area.
* Since the *Annual Survey of Low Income Limits* is based on the household’s yearly income, the monthly income information collected on the *RE-600* can be computed to one year by multiplying their monthly income x 12. This figure is then compared to the *Survey of Low Income Limits* for a given project area based upon the number of occupants at the displacement site.
* During the comparison, if it is obvious that the displaced family’s prorated yearly income is above the *Survey of Low Income Limits* for the project area and the number of occupants at the site there is no reason to have the head of household complete a *RE-604 - Tenant Certification of Monthly Income* form or to request further income verification. However, be sure to document the appropriate Low Income Limit amount and the displaced family’s annual income in your counselor notes as part of the explanation of why the 30% of Income approach will not be utilized to calculate the Price Differential.
* If the displaced family’s prorated yearly income is close to, or below the Survey of Low Income Limits for the project area and number of occupants at the site, the agent shall provide the head of household with a *RE-604 - Tenant Certification of Monthly Income* form to complete. Documentation to support all the figures listed on the RE-604 is required when basing a determination on the 30% of Income approach, and the burden of proof is on the displaced person.
* Agents should retain a print-out of the appropriate page from the Survey of Low Income Limitsfor the project area in each residential, tenant-occupied parcel file.
* Most displacees are not prepared to supply all of the needed documentation to complete the RE-604 during the Pre-Acquisition Survey, thus, it is a good idea to provide the head of household with a self-addressed, stamped envelope to facilitate an expeditious return of the completed form and its required documentation.

**What documentation is required to verify a displaced person’s income?**

* The documentation needed to verify a displaced person’s income depends on how the person is employed and if their current monthly income accurately reflects their gross yearly income.
* For example, a seasonal employee’s pro-rated income based upon a month when they are working may not accurately reflect their gross yearly income. Therefore, it is important to determine how a person is employed. The agent must determine the displaced person’s employment situation, such as:
	+ A self-employed person with a fluctuating income, or
	+ A person with steady employment whose income does not fluctuate, or
	+ A person with steady employment, but with a fluctuating income (e.g., works overtime, receives periodic bonuses), or
	+ A person’s income is based on government assistance, such ADC or SSI.
* When a displaced person’s income is not prone to fluctuations, one month’s worth of income documentation from all sources, such as: pay stubs, government income verification letters, etc., is sufficient to support a 30% of income calculation.
* When a displaced person’s monthly income cannot be used to calculate their total yearly gross income, because of fluctuations in their compensation, their income must be verified by an income tax return, a W-2, or other documentation deemed appropriate by the Agency.

**What if the displaced person does not provide the required documentation necessary to support the 30% of Income determination?**

* If a displaced person does not promptly return the information requested at the Pre-Acquisition Survey, the agent must make a reasonable number of follow-up contacts to the displacee to secure the necessary documentation. These contacts must be documented in the counselor notes. If, after making several attempts, the displacee has still not provided the required documentation, a letter requesting the information shall be sent to the displaced person. This letter must be issued prior to the relocation offer and must afford the displaced person a reasonable amount of time to submit the documentation before proceeding with the relocation offer.
* The letter requesting certification of the displaced person’s income must clearly state the following:
1. It is the responsibility of the displaced person to complete and return the RE-604.
2. Adequate documentation to support each figure presented on the RE-604 must be provided to be considered for a 30% of Income determination.
3. A date by which the displaced person must present the agent with the requested documentation.
4. A statement that if the requested documentation is not received by the deadline, annual income will not be considered as a factor in calculating the Rental Assistance Entitlement. And instead, the determination will be calculated on their base rent or market rent.

**What if the documentation provided by the displaced person does not appear to be factual?**

* If the lifestyle of the displaced family appears to contradict the amount of their reported income, a Memo-to-File documenting the inconsistency shall be created by the agent and the Rental Assistance Entitlement will be based upon either their base rent or the market rent.
	+ One example might be when a displaced family has an expensive or brand new car and new and expensive electronics/household appliances/furniture, but claim to be low income. The agent should use their personal observations and common sense in determining if the displaced family’s reported income appears factual.

**How is a 30% of Income Rental Assistance Entitlement determination calculated?**

* When the gross annual household income for the family is equal to, or less than the Survey of Low Income Limits figure for the project area and the number of occupants in the displacement dwelling, the agent will determine the 30% of income figure by multiplying the family’s gross monthly income by 30%.
* When computing the Rental Assistance Entitlement determination, the agent will use the lesser of:
1. 30% of the family’s gross monthly income or;
2. The displacement sites contract rent and utilities (base rent).

For Example:

The Snyder’s annual gross household income is $27,000, which falls below the Survey of Low Income Limit figure of $32,000 for the project area and the number of people occupying the displacement dwelling. Their gross monthly income of $2,250 ($27,000 $÷$ 12) multiplied by 30% equals $675.

In calculating the Rental Assistance Entitlement offer the agent would use the lesser of the Snyder’s current rent and utilities ($800) or the 30% of income figure ($675). The computation would look like this:

|  |  |
| --- | --- |
| Prime Comparable  | $825 |
| 30% of income  | - 675 |
| Difference | $150 |
| Multiplied by 42 months | x 42 |
| Rental Assistance Entitlement  | $6,300 |

**What additional documentation do I need to have in the parcel to have a 30% of Income Rental Assistance Entitlement determination approved?**

* Applicable Survey of Low Income Limits highlighted to show the project area, number of occupants in the displacement site and the corresponding low income figure
* A completed RE-604 - Tenant Certification of Monthly Income form.
* Income verification to support the RE-604.
* Memo-to-File outlining how the 30% of income determination was calculated.
* Notes documenting that the agent verified that the displaced family’s income did not change prior to the relocation offer.

**What if the household’s income changes?**

* If the displaced family’s income changes prior to the relocation offer, the Rental Assistance Entitlement determination must be adjusted to reflect the change. To do this the agent must:
1. Obtain a current Survey of Low Income Limit table to show any revised low income figure, as applicable.
2. Complete a revised RE-604 form documenting the displaced family’s income.
3. Secure income verification to support the revised RE-604.
4. Complete a Memo-to-File outlining the change in income and how the revised 30% of income was determined.
* There are no statutory provisions for adjusting relocation claims or payments based on changes in income *after* the eligibility determination has been made.