

Exercise 2: Selecting Eligible Participants

Scenario: You are the occupancy manager for the Blue Mountain Tribe. You are reviewing the applications of several families who wish to participate in various tribal housing programs. You need to determine whether these families are eligible based on the following low-income limits. (Note: these are for sample purposes only.)

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
100%	\$55,950	\$63,950	\$71,950	\$79,900	\$86,300	\$92,700	\$99,100	\$107,500

Instructions: First, calculate the Annual Income using the Section 8 Definition. Then, determine whether the family is **income eligible** based on the information provided.

Family #1: Bob and Betty Williams, both aged 34, have two children. Mr. Williams' W2 lists annual income as \$44,000. Ms. Williams is a part-time waitress and her W2 lists income as \$5,000. She also has tips of \$1,200. Their 16-year-old son earns \$2,000 from his part-time job.

Annual Income: \$

Low-Income? Yes No Not Sure

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
100%	\$55,950	\$63,950	\$71,950	\$79,900	\$86,300	\$92,700	\$99,100	\$107,500

Family #1: Bob and Betty Williams, both aged 34, have two children. Mr. Williams' W2 lists annual income as \$44,000. Ms. Williams is a part-time waitress and her W2 lists income as \$5,000. She also has tips of \$1,200. Their 16-year-old son earns \$2,000 from his part-time job.

Annual Income: **\$50,200 (\$44,000 + \$5,000 + \$1,200)**

Low-Income? **Yes** No Not Sure

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$35,792	\$42,048	\$47,304	\$52,560	\$56,765	\$60,970	\$65,174	\$69,379
100%	\$45,990	\$52,560	\$59,130	\$65,700	\$70,956	\$76,212	\$81,468	\$86,724

Family #2: Susan Lofton is a 35-year-old single schoolteacher. Her annual income is \$48,540. She is planning to move to the reservation to teach school, but there is no affordable housing available.

Annual Income: \$

Low-Income? Yes No Not Sure

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
100%	\$55,950	\$63,950	\$71,950	\$79,900	\$86,300	\$92,700	\$99,100	\$107,500

Family #2: Susan Lofton is a 35-year-old single schoolteacher. Her annual income is **\$48,540**. She is disabled and had \$9,000 of medical expenses last year. She is planning to move to the reservation to teach school, but there is no affordable housing available.

Annual Income: **\$48,540**

Low-Income? Yes **No** Not Sure

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
100%	\$55,950	\$63,950	\$71,950	\$79,900	\$86,300	\$92,700	\$99,100	\$107,500

Family #3: Erica Young is a 35-year-old Native American who lives on the Blue Mountain Reservation. She and her non-native husband, aged 38, have five children and make \$56,328 per year in wages. She has \$40,000 in savings bonds that earned \$1,000 in interest last year. Four of their children are minors. The fifth is a full-time student.

Annual Income: \$

Low-Income? Yes No Not Sure

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
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Annual Income: **\$57,328 (\$56,328 + \$1,000)**

Low-Income? **Yes** No Not Sure

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
100%	\$55,950	\$63,950	\$71,950	\$79,900	\$86,300	\$92,700	\$99,100	\$107,500

Family #4: Joe Brown is a tribal member aged 45 who worked for a construction company and earned \$89,000 in wages last year. He has a wife, age 43, and two children. He was unemployed for the last half of the year and earned \$12,000 in unemployment benefits during this time. He is still unemployed and is eligible to receive unemployment benefits of \$2,000 per month for 12 more months. He has a job interview next week and hopes to be hired at \$85,000 annually.

Annual Income: \$

Low-Income? Yes No Not Sure

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
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Annual Income: **\$24,000 (\$2,000 x 12)**

Low-Income? **Yes** No Not Sure

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
100%	\$55,950	\$63,950	\$71,950	\$79,900	\$86,300	\$92,700	\$99,100	\$107,500

Family #5: Richard Jackson is a 64-year-old tribal member whose three grandchildren live with him. Every year, he works seasonally as a groundskeeper. His W-2 income is \$37,200 so this represents 6 months of work. He does not work in the off season. He lives in the town that is adjacent to the reservation.

Annual Income: \$

Low-Income? Yes No Not Sure

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
100%	\$55,950	\$63,950	\$71,950	\$79,900	\$86,300	\$92,700	\$99,100	\$107,500

Family #5: Richard Jackson is a 64-year-old tribal member whose three grandchildren live with him. His W-2 income is **\$37,200**. Every year, he works seasonally as a groundskeeper and so this represents 6 months of work. He does not work in the off season. He lives in the town that is adjacent to the reservation.

Annual Income: **\$37,200 (W-2 is used)**

Low-Income? Yes* No Not Sure

*based on income; not eligible if living outside Indian area described in the Policy

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
100%	\$55,950	\$63,950	\$71,950	\$79,900	\$86,300	\$92,700	\$99,100	\$107,500

Family #6: Mary Alvarez is a 32-year-old tribal member who has two children. She earns \$50,480 annually. As a part of her divorce, the court ordered that her ex-husband pay \$5,000 annually in child support and \$4,000 annually in alimony. Her ex-husband has only paid sporadically, but she has not reported him as being delinquent. In the past year, he paid a total of \$1,000 in alimony and \$3,000 in child support.

Annual Income: \$

Low-Income? Yes No Not Sure

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
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Annual Income: Per 24 CFR Part 5.609 (Annual Income), child support and alimony is included as income. However, NAHASDA statute excludes income not received. Therefore, Annual Income in this case should be:

If delinquency verified: \$50,480 + \$1,000 + \$3,000 or \$54,480.

Low-Income? Yes No Not Sure

If not, \$50,480 + \$5,000 + \$4,000 or \$59,480.

Low-Income? Yes No Not Sure

Exercise 3: Calculating Adjusted Income and Rents

Instructions: For each family below:

- 1) calculate the Adjusted Annual Income using the applicable deductions.
- 2) determine their rent using the assumptions provided.

Family 1:

Annual Income: \$62,100

Family size: 5 persons

Adjustments:

- 3 children under 18
- 1,500 in childcare enabling someone to work
- \$250 per year travel expenses for employment enabling someone to work

Rent: 30% of income

Adjusted Annual Income:

Rent:

Family 1:

Annual Income: \$62,100

Family size: 5 persons

Adjustments:

- 3 children under 18
- 1,500 in childcare enabling someone to work
- \$250 per year travel expenses for employment enabling someone to work

Rent: 30% of income

Adjusted Annual Income: **$\$62,100 - (3 \times \$480) - \$1,500 - \$250 = \$58,910$**

Rent: **$\$58,910 / 12 = \$4,909.17 \times 30\% = \$1,472$**

Family 2:

Annual Income: \$48,900

Family size: 4 persons (2 minor dependents: one is 15-year-old disabled)

Adjustments:

- \$5,000 in educational expenses (not included in policy & IHP)
- \$2,000 in disabled out-of-pocket expenses

Rent method: Flat rent \$1,200 per month.

Adjusted Annual Income:

Rent:

Family 2:

Annual Income: \$48,900

Family size: 4 persons (2 minor dependents: one is 15-year old disabled)

Adjustments:

- \$5,000 in educational expenses (not included in policy & IHP)
- \$2,000 in disabled out-of-pocket expenses

Rent method: Flat rent \$1,200 per month

Adjusted Annual Income: **$\$48,900 - (2 \times \$480 = \$960) = \$47,940$**

Rent: **$\$47,940 - (\$2,000 - 3\% \text{ of } \$48,900 \text{ or } \$533) = \$47,407$**

$\$47,407 / 12 = \$3,950.58 \times 30\% = \$1,185$

Rent = lesser of calculated (\$1,185) or flat rent (\$1,200) = \$1,185

Family 3:

Gross income: \$54,900

Family size: 6 persons

Adjustments:

- \$3,500 childcare expenses enabling spouse to pursue education
- 4 children under 18, one of whom earned \$2,000
- One child over 18 who is a full-time student

Rent method: 30% of income

Adjusted Annual Income:

Rent:

Family 3:

Gross income: \$56,900 (including income from minor child)

Family size: 6 persons

Adjustments:

- \$3,500 childcare expenses enabling spouse to pursue education
- 3 children under 18, one of whom earned \$2,000
- One child over 18 who is a full-time student

Rent method: 30% of income

Adjusted Annual Income: **$\$56,900 - \$3,500 - (4 \times \$480 = \$1,920) - \$2,000 = \$49,480$**

Rent: **$\$49,480 / 12 = \$4,123.33 \times 30\% = \$1,236$**

Family 4:

Gross income: \$41,320

Family size: 2 adults (disabled 55-year-old head of household and co-head aged 65 years)

Adjustments: Medical expenses of \$7,500

Rent method: 20% of adjusted income

Adjusted Annual Income:

Rent:

Family 4:

Gross income: \$41,320

Family size: 2 adults (disabled 55-year-old head of household and co-head aged 65 years)

Adjustments: Medical expenses of \$7,500

Rent method: 20% of adjusted income

Adjusted Annual Income: **$\$41,320 - \$400 - (\$7,500 - (\$41,320 \times 3\%)) = \$34,660$**

Rent: **$\$34,660 / 12 = \$2,888.30 \times 20\% = \$577$**

Family 5:

Gross income: \$53,700 (low-income limit \$44,800)

Family size: 1 adult healthcare professional

Adjustments: None

Rent method: 30% of adjusted income

Adjusted Annual Income:

Rent:

Family 5:

Gross income: \$53,700 (low-income limit \$44,800)

Family size: 1 adult healthcare professional

Adjustments: None

Rent method: 30% of adjusted income

Adjusted Annual Income:

Rent: if the tribe/TDHE determined that this family was Essential, as approved by the Council or Board of Commissioners, the family could receive housing. The rent charged would be whatever the tribe/TDHE determined.

Exercise 4 – Moderate Income

CALCULATING RENTAL MONTHLY PAYMENTS FOR NON-LOW-INCOME INDIAN FAMILIES

The following example illustrates how a rental payment is calculated for a four-person, moderate-income Indian family.

- The moderate-income Indian family of four has an annual income of \$72,900.
- Eighty percent of the median income for a family of four is \$63,950 (see table).
- The rental payment for a family of four at 80 percent of median income is \$500 per month.
- The fair market rent is \$700 per month.

Step One: Divide the income of the moderate-income family by 80 percent of the median income adjusted by family size.

$\$72,900 \div \$63,950 = 1.14$. (In other words, the moderate-income family's income is 14% higher than a low-income family of the same family size.)

Step Two: Multiply the rental payment of the family at 80 percent of median income by the answer from step one.

$\$500 \times 1.14 = \mathbf{\$570}$

In this example, a moderate-income family with an income of \$72,900 would be required to pay no less than \$570 per month. Remember that the calculated amount of \$570 represents the *minimum payment*; the family may be charged more. The procedures for determining rental payments for moderate-income families must be included in your Admissions and Occupancy policies. *Reference: 24 CFR 100.110(e)(1)*

Instructions: Calculate the rental payment for a family of five whose annual adjusted annual income is \$84,930. A low-income family of five pays a maximum of \$700 per month. Refer to the income limits below:

Applicable National Median Family Income								
Income Limits (by household size)								
	1 Person	2 Persons	3 Persons	4 Persons	5 Persons	6 Persons	7 Persons	8 Persons
80%	\$44,800	\$51,200	\$57,600	\$63,950	\$69,050	\$74,200	\$79,300	\$86,000
100%	\$55,950	\$63,950	\$71,950	\$79,900	\$86,300	\$92,700	\$99,100	\$107,500

1. Rental Payment:

2. What conditions must be met before you can justify assisting this non-low-income family?

3. Documentation Required:

1. Rental Payment: $\$84,930 / \$69,050 = 1.23 \times \$700 \text{ RENT} = \861

2. What conditions must be met before you can justify assisting this non-low-income family?

RENT BURDEN; SUBSTANDARD CONDITIONS; PENDING LOSS OF HOME; UNABLE TO QUALIFY FOR HOME LOAN

3. Documentation Required: **CODE VIOLATION LETTER, LANDLORD REFERENCE, EVICTION LETTER, INSPECTION REPORT, DENIAL LETTER, ETC.**

Exercise 5 – Operating Expenses and Revenue

ESTIMATED ANNUAL OPERATING EXPENSES (20 units):

Water (Contractor says \$290/mo for water & sewer)	\$3,480
Landscaping (\$400/mo.)	\$4,800
Electric (common areas \$300/mo)	\$3,600
Solid Waste Disposal	\$1,140
Propane for commercial kitchen \$120/mo	\$1,440
Insurance	\$22,000
Pest Control	\$2,450
Administrative & Counseling Overhead	\$13,600
Routine/Preventive Building Maintenance	\$21,000
NON-Routine Property Maintenance	\$0
Payroll for Custodian (part-time)	\$15,600
Annual Compliance Audit	\$50
Reserve (\$300/UNIT)	\$6,000
TOTAL ANNUAL OPERATING EXPENSES	\$95,160

Based on the estimated expenses above, it is necessary to determine if the project will be operating at a surplus or deficit.

1. The estimated average monthly adjusted income for the twenty families is \$1,000, and the tribe has decided to charge 20% of monthly adjusted income for rent. It is anticipated the collection loss rate and vacancy loss rate will each be 5%. What is the estimated annual revenue for this project?

1. The estimated average monthly adjusted income for the twenty families is \$1,000, and the tribe has decided to charge 20% of monthly adjusted income for rent. It is anticipated the collection loss rate and vacancy loss rate will each be 5%. What is the estimated annual revenue for this project? $\$1,000 \times 12 \times 20 \times 20\% = \$48,000$; LESS 10% = $\$43,200$

2. Using the estimated annual revenue of \$43,200 from #1, above, what is the anticipated annual surplus or deficit for this project?

2. Using the estimated annual revenue from #1, above, what is the anticipated annual surplus or deficit for this project? $\$43,200 - \$95,160 = \$51,960$ **DEFICIT**

3. What options do you have to improve the feasibility of this project?

3. What options do you have to improve the feasibility of this project? **INCREASE RENT CHARGE TO 30%; USE IHBG FOR SUBSIDY; ASK FOR TRIBAL CONTRIBUTIONS**

Exercise 6: Estimated Sources and Uses of Funding

Task #1: Use the data in the table below to complete the Sources of Funds.

Source	Amount
IHBG funds on hand at end of program year (in LOCCS)	\$1,784,000
IHBG program income on hand at end of PY	\$220,000
IHBG funds invested	\$700,000
Projected IHBG to be received in upcoming PY	\$820,000
Projected IHBG Program Income in upcoming PY	\$50,000
ICDBG grant received by Tribe during current PY	\$650,000
Tribal investment in affordable housing in upcoming PY	\$100,000
Total Sources	\$4,324,000
No 1937 Act Operating Reserves or Carry Over Funds are available, and the tribe has not applied for Title VI	

A. Sources	B. Est Balance Beg of Year	C. Funding Anticipated	D. Total (B+C)	E. Planned Expenditures	F. Est Balance End of Year (D-E)
IHBG Funds					
IHBG Program Income					
ICDBG					
Tribal Investment					
TOTAL					

Task #2: Use the data information in the narrative below to complete the USES TABLE.

1. This TDHE has 160 units of CAS for which they have budgeted \$650,000 of IHBG funds for operations.
2. They have a tremendous need for land and affordable housing. Consequently, they have initiated a comprehensive housing counseling program in addition to down payment assistance. IHBG funds in the amount of \$230,000 will support the housing counseling program which will be matched with ICDBG funds of \$50,000 for maintenance counseling.
3. Down payment assistance is capped at \$10,000 per qualified family and is funded at \$100,000 with IHBG funds.
4. Land acquisition is necessary to enable construction of homeownership units for low-income families. The Tribe has committed \$100,000 towards the acquisition of individual allotted trust property which has access to all infrastructure.
5. \$460,000 of IHBG funds will be used to cover the acquisition of the land for the planned rental project development.
6. There are many families who want to become homeowners and the TDHE has been meeting this need through its IDA program using \$50,000 of IHBG funds.
7. The TDHE will address rehab needs with ICDBG funds of \$400,000 matched with IHBG funds of \$185,000.
8. Many of the families have students needing housing assistance while they attend college. We have pledged \$100,000 of IHBG funds towards this effort.
9. Admin and planning costs are budgeted at \$175,000 of IHBG funds

G. Planned Activities	H. IHBG Funds	I. Other Funds	J. Total Uses
1. Operating 37 Act Program			
2. Counseling Program			
3. Down Payment Assistance			
4. Land Acquisition for Homebuyer Program			
5. Land Acquisition for Rental Program			
6. IDA Program			
7. Rehab Program			
8. Rental Assistance Program			
9. Planning and Administration			
Totals			

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ICDBG grant received by Tribe during current PY	\$650,000
Tribal investment in affordable housing in upcoming PY	\$100,000
Total Sources	\$4,324,000
No 1937 Act Operating Reserves or Carry Over Funds are available, and the tribe has not applied for Title VI	

A. Sources	B. Est Balance Beg of Year	C. Funding Anticipated	D. Total (B+C)	E. Planned Expenditures	F. Est Balance End of Year (D-E)
IHBG Funds	2,484,000	820,000	3,304,000	1,950,000	1,354,000
IHBG Program Income	220,000	50,000	270,000	0	270,000
ICDBG	650,000	0,	650,000	450,000	200,000
Tribal Investment	0	100,000	100,000	100,000	0
TOTAL	3,354,000	970,000	4,324,000	2,500,000	1,824,000

Task #2: Use the data information in the narrative below to complete the USES TABLE.

1. This TDHE has 160 units of CAS for which they have budgeted \$650,000 of IHBG funds for operations.
2. They have a tremendous need for land and affordable housing. Consequently, they have initiated a comprehensive housing counseling program in addition to down payment assistance. IHBG funds in the amount of \$230,000 will support the housing counseling program which will be matched with ICDBG funds of \$50,000 for maintenance counseling.
3. Down payment assistance is capped at \$10,000 per qualified family and is funded at \$100,000 with IHBG funds.
4. Land acquisition is necessary to enable construction of homeownership units for low-income families. The Tribe has committed \$100,000 towards the acquisition of individual allotted trust property which has access to all infrastructure.
5. \$460,000 of IHBG funds will be used to cover the acquisition of the land for the planned rental project development.
6. There are many families who want to become homeowners and the TDHE has been meeting this need through its IDA program using \$50,000 of IHBG funds.
7. The TDHE will address rehab needs with ICDBG funds of \$400,000 matched with IHBG funds of \$185,000.
8. Many of the families have students needing housing assistance while they attend college. We have pledged \$100,000 of IHBG funds towards this effort.
9. Admin and planning costs are budgeted at \$175,000 of IHBG funds

G. Planned Activities	H. IHBG Funds	I. Other Funds	J. Total Uses
1. Operating 37 Act Program	650,000	0	650,000
2. Counseling Program	230,000	50,000	280,000
3. Down Payment Assistance	100,000	0	100,000
4. Land Acquisition for Homebuyer Program		100,000	100,000
5. Land Acquisition for Rental Program	460,000	0	460,000
6. IDA Program	50,000	0	50,000
7. Rehab Program	185,000	400,000	585,000
8. Rental Assistance Program	100,000	0	100,000
9. Planning and Administration	175,000	0	175,000
Totals	1,950,000	550,000	2,500,000