



HUD

Office of Community Planning and Development
Los Angeles Field Office

Information Bulletin

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MEMORANDUM FOR: Community Development Block Grant (CDBG) Grantees, HOME Participating Jurisdictions (PJ),

FROM: Robert G. Ilumin, Deputy Director, Office of Community Planning and Development

SUBJECT: Documenting Questionable Low Income and Relocation Payments

Documenting Low Income In Questionable Circumstances

What should a grantee, participating jurisdiction or relocation consultant do when a displaced household's income is less than their regular expenses and unstated income appears likely? Resolving this issue becomes even more critical when accepting the income means the household would receive a larger payment under the URA or would qualify for Section 104(d) relocation benefits. Section 104(d) relocation benefits are significantly larger than URA benefits since the household receives 60 rather than 48 months of replacement housing payments.

The disparity between income and expenses may due to the loss of a job or other reduction in pay. Some households survive by drawing on savings while other households have other income but do not report it resulting in unstated income. Both HUD and grantees have a joint responsibility for guarding the public trust; therefore income that cannot be documented should be examined closely.

Some grantees, PJ's and/or consultants have dealt with unstated income in the past by comparing household expenses with income. While this type of review may clarify the situation, HUD does not allow income to be imputed to the household. By imputing income we mean calculating the difference between income and expenses and adding it to household income. To address unstated income, we recommend the following approach:

1. Establish local procedures for paying relocation assistance to persons who appear to be low income but may have unstated income. Start by interviewing the household members, reviewing expenses and obtaining a statement as to why income is low and expenses high. Obtain, if possible, a statement from the head of household regarding the amount of other periodic or irregular income. Review bank statements for the presence of other income or regular withdrawals. Evaluate other possible income sources like gifts from friends or relatives or the sale of assets. Finally, make a written determination, signed by a grantee or PJ management official, that accepts or rejects the final income provided.

2. If the household's final income cannot be accepted send the head of the household a letter that: a) explains the problem with the income, b) gives him or her 30 days to provide additional documentation and c) explains that if additional income documentation is not provided the replacement housing payment will be based on a rent to rent calculation i.e., the difference between the rent and utilities at the displacement unit and the rent and utilities at the comparable unit or the replacement unit whichever is lower. If, after the 30 day time period elapses and no additional documentation is provided, the rent to rent calculation may be used.

Paying Relocation Assistance in Installments

42 USC Sec. 3537(c) requires that relocation payments should be paid in installments, with the exception that lump sum payments may be made to cover moving expenses, a down payment on the purchase of replacement housing, or related incidental expenses. During this year's acquisition and relocation monitoring HUD staff found that most relocation assistance is being paid in two installment i.e., one advance payment for security deposit and moving expenses and then a final payment for the remaining Replacement Housing Payment. Please note that Chapter 3, Paragraph 3-7(D) of HUD Handbook 1378 now requires grantees to make no less than "three installment payments, except when the rental assistance payment is \$500 or less in which case payment may be made in two installments with no less than a four-month interval between payments". Please update your internal procedures to ensure that displaced households are provided relocation payments in no less than **three** installments. In addition, please advise your relocation consultants of this change.

Deducting Rent from Relocation Assistance Payments

Another common practice in making relocation payments is to deduct back rent from the replacement housing payments due. Please note that back rent may only be deducted from replacement housing payments if the displaced person gives permission in writing. To justify the deduction, make sure the file documents how the amount of the back rent was computed i.e., specific months owed and amount owed per month.

If you have any questions about this information bulletin, or need other assistance with URA or Section 104(d) compliance, please contact Jana Bickel, HUD Los Angeles Field Office Relocation Specialist at (213)-534-2581 or Jana.Bickel@hud.gov or visit the HUD website: <http://www.hud.gov/offices/cpd/affordablehousing/training/web/relocation/section104d.cfm>