

# Community Development

# Block Grant (CDBG)

# Tool 2-2 Income Verification and

# Review Guidance

9/27/2023



## Version History

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## Income Verification and Review Guidance

### Income Verification

The California Department of Housing and Community Development (HCD) funds several programs with Community Development Block Grant funds (including CDBG, CDBG-DR, CDBG-NDR, CDBG-CV, etc.), all of which require some form of income verification of beneficiaries. The Federal Department of Housing and Urban Development (HUD) sets income limits and outlines what constitutes household income through regulation at 24 CFR 5.609 (known as “Part 5”). While this regulation provides a definition of income and determines what sources are considered income, it does not set documentation standards. Many HUD programs such as HOME or Section 8 have strict regulations or guidelines for documentation standards in compliance with income verification. The CDBG programs, however, allow states maximum feasible deference in establishing guidelines or policies for such compliance.

As such, HCD has developed the following guidance to establish consistent documentation standards for **Part 5 Income Verification** for HCD administered CDBG programs. HUD allows states to use the IRS definition of income, which aligns with a 1040 tax document, also known as Adjusted Gross Income (AGI). Both definitions are intended to sufficiently document household income. At this time, HCD allows AGI for microenterprise Economic Development programs only.

As the CDBG program allows for a variety of activities, the level of documentation for compliant income verification will also vary. The following guide is to assist HCD grantees in creating compliant guidelines and record keeping standards for their programs.

#### Areas Survey

Many Public Services and Public Facilities activities are eligible for CDBG funding under an Area based National Objective (where the geographic area being served has already been determined to be 51% or more LMI, and the program benefits the entire service area, such as municipal infrastructure improvements. This is typically documented through census data or a survey meeting HUD methodology requirements and determined prior to the implementation of a CDBG program. No further income verification is required.

#### Self Certification

For indirect Public Service activities where benefits are provided to individuals who specifically use the facility such as a food bank, worker transportation, recreation programs, daycare facilities, etc., minimum attestation that the household’s income is above or below 80% AMI (as provided by HUD) is sufficient. A Self Certification form to document income and collect demographic information necessary for federal reporting can be completed by the beneficiary and retained by the grantee. (See sample self-certification below).

Sample Income Self Certification Form

**COMMUNITY DEVELOPMENT BLOCK GRANT** **INCOME SELF CERTIFICATION**

*(Enter Jurisdiction/Subrecipient Organization name)* is collecting the following information as a result of participating in the U.S. Housing and Urban Development’s (HUD) Community Development Block Grant (CDBG) program. To meet federal regulations, (*Enter Jurisdiction/Subrecipient Organization name)* is required to collect statistical data on your family income, race/ethnicity, and employment status. This information is reported to HUD and eventually used by the U.S. Congress to measure the effectiveness of the CDBG program. Your name and personal information will be kept private, and your income, race and unemployment status information only shared with the federal government anonymously.

**INSTRUCTIONS:**

Please answer questions 1, 2, and 3, then sign and date the form certifying that the information is correct.  Your information can only be accepted if the form is completed in full.

1. **Please indicate your current family income in the following table.  “Family” means all related persons living in your household.**

|  |  |
| --- | --- |
| **Please Circle # of Persons in your Family**  | **FAMILY INCOME CATEGORY**  |
| **Alpine County**  |
| **Please check your family income in the same row as the number of persons in your family.**  |
| **A**  | **B**  | **C**  | **D**  |
| 1  |            $0 - $19,100  |            $19,101 - $31,800  |            $31,801 - $50,900  | \_\_\_\_\_Greater than $50,900  |
| 2  |            $0 - $19,300  |            $19,301 - $32,150  |            $50,901 - $51,400  | \_\_\_\_\_Greater than $51,400  |
| 3  |            $0 - $23,030  |            $23,031 - $36,150  |            $36,151 - $57,850  | \_\_\_\_\_Greater than $57,850  |
| 4  |            $0 - $27,750  |            $27,751 - $40,150  |            $40,151 - $64,250  | \_\_\_\_\_Greater than $64,250  |
| 5  |            $0 - $32,470  |            $32,471 - $43,400  |            $43,401 - $69,400  | \_\_\_\_\_Greater than $69,400  |
| 6  |            $0 - $37,190  |            $37,191 - $46,600  |            $46,601 - $74,550  | \_\_\_\_\_Greater than $74,550  |
| 7  |            $0 - $41,910  |            $41,911 - $49,800  |            $49,801 - $79,700  | \_\_\_\_\_Greater than $79,700  |
| 8 or more  |            $0 - $46,630  |            $46,631 - $53,000  |            $53,001 - $84,850  | \_\_\_\_\_Greater than $84,850  |

\*Annual income may be calculated by computing the total income of all family members for the last 3 months and then multiplying by 4.

1. **Please checkthe box that most closely identifies your race.** HCD understands that the choices listed in the box below do not include all of the ways in which people self-identify, and that many people identify with more than one of the categories listed.  Applicant should check the box that most closely represents their racial identity.

|  |  |
| --- | --- |
| **Single Race:**  | **Multi-Racial Identifiers:** |
| * White
 | * American Indian/Alaskan Native and White
 |
| * Black/African American
 | * Asian and White
 |
| * Asian
 | * Black/African American and White
 |
| * American Indian/Alaskan Native
 | * American Indian/Alaskan Native and African/American
 |
| * Native Hawaiian/Other Pacific Islander
 | * Other Multi-Racial
 |
| * Other
 | * Prefer Not to Answer
 |

1. **Please answer these questions:**

|  |  |  |
| --- | --- | --- |
| Do you consider yourself as being of Hispanic ethnicity?  | Yes  | No  |
|  |  |  |

*I certify that the information provided above is correct to the best of my knowledge.*

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Printed Name

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  \_\_\_/\_\_\_/\_\_\_\_\_

Signature Date

#### Direct Benefit Certification

Any program where the National Objective is a direct benefit to low-and-moderate income persons, such as: Homeowner Rehab/Reconstruction, Down Payment Assistance, Disaster New Housing, Disaster Rental Housing, Disaster Buyouts, Economic Development Loans, Public Services such as subsistence payments, etc., income verification is required to meet the National Objective. The State and the awarded jurisdiction must ensure that proper documentation of income is collected, reviewed, and maintained for compliance.

The Responsible Entity (RE) grantee of CDBG funds is responsible for ensuring that income verification includes all income sources identified in the Part 5 method of income verification(or IRS AGI definition for microenterprises only). This guidance is designed to assist grantees in meeting those compliance requirements.

To verify income, the RE grantee must document income using the Part 5 method of income verification by either using the attached Income Verification Forms, HUD’s on-line income calculator, or another similar tool. Records must be maintained in accordance with the grantee’s Standard Agreement.

Income verification requires the disclosure of all anticipated income for the coming 12 months with support documentation. The following documents must be collected from beneficiaries for income verification. If/when such records are not applicable, that should be noted on the following income verification forms and memos to the file as needed:

|  |  |
| --- | --- |
| **Document Type** | **Minimum Records, as applicable** |
| IRS form 1040/tax return | SIGNED Tax return.  If unsigned, submit a supplementary piece of info that validates income OR signed tax return |
| Pay Stubs / Wages | Three prior payments (no matter the frequency of payment) |
| Social Security Statements | SSI/SSDI Letter |
| Pension/Benefits/Annuities/Retirement Funds, etc. Statements | One Prior Quarter |
| Unemployment or Disability payments | One Prior Quarter |
| Regular payments such as child support or contributions from outside the household | One Prior Quarter |
| Bank Statements (Checking and Savings as applicable) | One Prior Month (verification of assets) |

Additional documents may be required to comply with 24 CFR 5.609 based on individual beneficiary circumstances, including documentation of income from assets. The above list is a guide for compliance and consistency for HCD programs, but not an exhaustive list. Include the following questionnaire and income calculation tools with the program application to inform the need for additional documentation.

Income verification must be signed and dated. Income verification is valid for 12-months from the signature date.

3rd party verification of income is allowed under the CDBG program and is considered a best practice when verifying documentation provided by a beneficiary. However, 3rd party verification is not required by HCD and may create prohibitive barriers to participation for some potential participants. HCD recommends notifying all applicants that documentation may be 3rd party verified. Use 3rd party verification if during your review if information is inconsistent or invalid.

Lack of 3rd party verification should not exclude an otherwise eligible applicant from participation in the program.

When using 3rd party verification, programs must obtain a signed Authorization for Release of Information prior to conducting any 3rd party verification, see sample below.

Sample Authorization for Release of Information

Applicant Name: Address: \_ \_\_\_ City:

Certification Type: Effective Date:

**CONSENT**

I authorize and direct any Federal, State or local agency, organization, business, or individual to release to and verify my application for participation, and/or to maintain my continued assistance under this federally funded program. I understand and agree that this authorization or the information obtained with its use may be given to and used by the Department of Housing and Urban Development (HUD), in administering and enforcing program rules and policies.

**INFORMATION COVERED**

I understand that, depending on program policies and requirements, previous or current information regarding my household or me may be needed. Verifications and inquiries that may be requested shall be limited to employment, income, and assets.

**GROUP OR INDIVIDUAL THAT MAY BE ASKED**

Check to the left of each group or individual that you authorize the program to contact to verify the information provided in your application. The groups or individuals that may be asked to release the above information (depending on program requirements) include:

|  |  |  |  |
| --- | --- | --- | --- |
| Checkbox Checked with solid fill | Who may be contacted: | Preferred Contact Method (email, phone, in-person) | Notes: provide any names or special instructions for contacting this group or individual |
|  | Past and Present Employers |  |  |
|  | Welfare Agencies |  |  |
|  | Schools and Colleges |  |  |
|  | State Unemployment Agencies |  |  |
|  | Support and Alimony Providers |  |  |
|  | Veterans Administration |  |  |
|  | Retirement Systems  |  |  |
|  | Banks and Other Financial Institutions |  |  |
|  | Credit Providers and Credit Bureaus |  |  |
|  | Social Security Administration |  |  |
|  | Other: \_\_\_\_\_\_\_\_\_\_\_\_\_  |  |  |

**CONDITIONS**

I agree that a photocopy of this authorization may be used for the purposes stated above. I understand I have a right to review my file and correct any information that I can prove is incorrect.

|  |  |
| --- | --- |
| **SIGNATURES** |  |
| **Head of Household** |  | **Print Name** |  | **Date** |
| **Adult Household Member** |  | **Print Name** |  | **Date** |
| **Adult Household Member** |  | **Print Name** |  | **Date** |
| **Adult Household Member** |  | **Print Name** |  | **Date** |

*Title 18, Section 1001 of the U.S. Code states that a person is guilty of a felony for knowingly and willingly making false or fraudulent statements to any department of the United States Government. HUD and any entity (or any employee of HUD or the entity) may be subject to penalties for unauthorized disclosures or improper use of information collected based on this consent form. Use of the information collected based on this authorization form is restricted to the purposes cited above. Any person who knowingly or willingly requests, obtains, or discloses any information under false pretenses concerning an applicant or participant may be subject to a misdemeanor and fined not more than $5,000. Any applicant or participant affected by neglectful disclosure of information may bring civil action for damages, and seek other relief, as may be appropriate, against the officer of employee of HUD or the entity responsible for the unauthorized disclosure or improper use. Penalty provisions for the entity misusing the social security number are contained in the Social Security Act 208(a)(6)(7) and (8). Violation of these provisions are cited as violations of 42 U.S.C. 408 (a)(6)(7)(8).*

Sample Income Verification Questionnaire

Please answer each of the following questions. Answer yes when applicable to one or more adult members, answer no when not applicable to any adult member of the household.

*For each question answered “Yes,” please provide details in the chart below and attach documentation of income (examples: W-2s, pay stubs, etc.)*

**Does any member of your household:**

|  |  |  |  |
| --- | --- | --- | --- |
| * Yes
 | * No
 | 1. | Work full-time, part-time or seasonally? |
| * Yes
 | * No
 | 2. | Expect to work for any period during the next 12 months? |
| * Yes
 | * No
 | 3. | Work for someone who pays them cash? |
| * Yes
 | * No
 | 4. | Now receive or expect to receive unemployment benefits in the next 12 months? |
| * Yes
 | * No
 | 5. | Now receive or expect to receive workers compensation in the next 12 months? |
| * Yes
 | * No
 | 6. | Now receive or expect to receive student financial aid of any kind in the next 12 months? |
| * Yes
 | * No
 | 7. | Now receive or expect to receive veteran’s benefits in the next 12 months? |
| * Yes
 | * No
 | 8. | Now receive or expect to receive military pay in the next 12 months? |
| * Yes
 | * No
 | 9. | Now receive or expect to receive income from self-employment in the next 12 months? |
| * Yes
 | * No
 | 10. | Now receive or expect to receive child support in the next 12 months? |
| * Yes
 | * No
 | 11 | Now receive or expect to receive alimony in the next 12 months? |
| * Yes
 | * No
 | 12. | Now receive or expect to receive FIP from Dept of Human Services (do not include food stamps)? |
| * Yes
 | * No
 | 13. | Now receive or expect to receive Social Security or disability benefits in the next 12 months? |
| * Yes
 | * No
 | 14. | Now receive or expect to receive income from a pension or annuity in the next 12 months? |
| * Yes
 | * No
 | 15. | Now receive or expect to receive regular contributions from anyone not living in the unit in the next 12 months? |
| * Yes
 | * No
 | 16. | Receive income from assets including interest or dividends on checking, savings accounts, CDs, bonds or stocks? |
| * Yes
 | * No
 | 17. | Do you own real estate? List address(es)  |
|

|  |  |
| --- | --- |
| * Yes
 | * No
 |

 |

|  |  |
| --- | --- |
| * No
 | * No
 |

 | 18. | Do you receive income from rental property? List address(es)  |

**ASSET INFORMATION**

Please answer each of the following questions. Answer yes when applicable to one or more adult members, answer no when not applicable to any adult member of the household.

***For each “yes” provide details in the chart below and attach documentation of assets (examples: bank statements, etc.)***

**Does any member of your household have:**

|  |  |  |
| --- | --- | --- |
| * Yes
 | * No
 | 1. Cash in a checking account? |
| * Yes
 | * No
 | 2. Cash in a savings account? |
| * Yes
 | * No
 | 3. Cash value in a revocable trust? |
| * Yes
 | * No
 | 4. Cash value in stock, bonds, treasury bills? |
| * Yes
 | * No
 | 5. Cash value in Certificates of Deposit and/or Money Market Accounts? |
| * Yes
 | * No
 | 6. Equity in rental property, farmland or other capital investment? |
| * Yes
 | * No
 | 7. Value in an Individual Retirement Plan or Keogh Account? |
| * Yes
 | * No
 | 8. Retirement and/or Pension Fund? |
| * Yes
 | * No
 |  9. Insurance Settlement? |
| * Yes
 | * No
 | 10. Mortgages or deeds of trust held? |

**Direct Benefit Certification:**

I certify by signing below that the information provided in this document is complete, true, and correct. I certify that information for each household member is provided, including all income and asset information.

I understand that the above information is being collected to determine eligibility under a federal Community Development Block Grant (CDBG) or Disaster Recovery funded project.

All applicants may be subject to a 3rd party verification of the documentation provided as detailed in the Authorization to Release Information Form. Please complete and sign the attached authorization.

I understand that additional information may be required to determine program eligibility.

I understand that if, in the next 12 months, any of the above information changes, I must notify the [Jurisdiction/Subrecipient Name] and provide updated information.

I understand that providing false statements or information is punishable under State and/or Federal law.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

Applicant signature Date

Income Calculation Form

*This certification can be used for initial and subsequent income verifications as needed.*

Property address:\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_

|  |
| --- |
| **Income Calculation Form** |
| 1. Name: | 2. Address: |
| **ASSETS** |
| Household Member | Asset Description |  | Actual Incomefrom Assets |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |  |
|  |  |  |
| 3. Total Actual Income from Assets........................................................ | $0 |
|  |  |  |  |
| **ANTICIPATED ANNUAL INCOME** |
| Household Member | a. Wages/ Salaries | b. Benefits/ Pensions | c. Public Assistance | d. Other Income | e. Asset Income |
|  |  |  |  |  | The greater of lines 4 or 5 from |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
|  |  |  |  |  |
| 4. Totals | $0 | $0 | $0 | $0 | $0 |
| 5. Total of items from 4a. through 4e is *Annual Income…………….* | $0 |

X \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ \_\_\_\_\_\_\_\_\_\_\_\_\_ *Applicant Signature Date*

For Office Use Only

Household Size: \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_ Household Income:\_\_\_\_\_\_\_\_\_\_\_\_\_\_

 Max Income Level: \_\_\_\_\_\_\_\_\_\_\_\_\_

*Signature of Certifying Staff*

### Review and Verification of Income Documentation

After an applicant has submitted their income information questionnaire along with requested support documentation the jurisdiction must review and validate the income documents.

Validation of income documents includes:

* Check for consistent names(s) on documents.
* Check for accurate address on documents.
* Check for documents to align with the questionnaire.
* Check to see if tax return is signed (accept unsigned but verify information).
* Compare income documents to submitted identification to validate names and addresses.
* Compare recent paystubs to tax return for consistent income (or make notes of significant changes if income is not consistent).

If the documentation is consistent and clear, complete the “For Office Use Only” section of the Income Calculation form and sign by certifying staff.

If the documentation appears inconsistent, you will need to clarify with the individual and may need additional validating information to confirm the information provided. Request this from the applicant and/or conduct 3rd party verification. 1

If Income cannot be verified based on submitted documentation, a signed self-certification form can be used as a method of last resort for documenting an LMI direct-benefit beneficiary.

If income verification results in over-income, the household cannot be counted as an LMI beneficiary.

When monitoring programs, HCD will conduct a minimum sample of 10% of files to ensure sufficient records are maintained by the local jurisdiction.

*1 Grantees should be mindful that there are cultural naming practices that may not be recognized by data intake systems in the United States (such as multiple given and/or surnames, surnames that precede given names, etc.). When names appear to be inconsistent across documents, it may be an indication that the system was not nimble enough to capture people's names accurately. Grantees must be sensitive to this and not place undue burden on applicants to document or correct these systemic inconsistencies.*