2026

Income Policies & Procedures

HOUSING DIVISION

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Staff Memo

The Somerville Housing Income Policies and Procedures establish standardized requirements for documenting, calculating, and verifying household income and assets for Housing Division programs. These procedures were developed collaboratively by the Housing Director, Housing Counsel, Deputy Director of Housing, and Housing Policy Coordinator to ensure consistent application of income eligibility standards across programs and funding sources.

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Somerville Housing Income Policies and Procedures

Introduction

The City of Somerville's income certification process will utilize a standard application that gathers information about all household members. The application will be signed and dated by all household members 18 years old and older at the time of submission. Applications older than six (6) months (HOME Program) and 12 months (all other Programs) will not be accepted, and applicants will need to complete a new application to ensure that the information about the household and income is current.

Somerville will utilize the Part 5 Assets and Income Form to reflect total household income and assets following the Part 5 Section 8 definition of income. Each file will also contain Notes to File providing additional details about how staff calculated the annual income or other facts related to the income calculation. Which will include why a source of income reflected in tax statements or documentation was not counted or projected forward or expected changes in income or household configuration. Staff will be required to use the income calculation worksheet to calculate the household's annual income. The current version of the worksheet is maintained by the Housing Division. Staff must save the worksheet appropriately and print the Part 5 Summary for the file.

Staff may opt to use the CPD Income Eligibility Calculator to produce the Part 5 Summary that shall be saved to the appropriate file. The HUD Calculator can be found here https://www.hudexchange.info/incomecalculator/.

Additionally, if a staff member verifies income information with a third-party source over the phone, staff will memorialize the information shared on income in the Note to File. Attached to the Part 5 Income form and the Note to File will be an income determination cover sheet including the date of the income determination, the client's total annual household income, the current income limits, and the signature (electronic signature) of the staff person who completed the income eligibility determination. The applicant shall sign and date as well. The Eligibility form will also show the date the income determination will expire, i.e., six (6) months from the initial approval date for HOME and 12 months for all other Programs.

All income and identifying information will remain confidential.

Definition of Income

Income refers to any money or financial benefit received by an individual or household, whether earned or unearned, that can be used for living expenses, consistent with ***24 C.F.R. § 92.203***.

Earned Income Sources

- Wages, salaries, tips (Gross Pay)
- Overtime pay
- Commissions and bonuses
- Self-employment income (net earnings)

Unearned Income

- Social Security benefits (SSDi, retirement)
- Supplemental Security Income (SSI)
- Pension or retirement benefits
- Unemployment compensation
- Workers' compensation
- Disability benefits (private or public)
- Child Support
- Alimony/spousal support
- Temporary Assistance for Needy Families (TANF)
- Veterans Benefit

Other Sources

- Regular contributions or gifts from family/friends
- Rental Income from property
- Interest and dividends from investments
- Income from trusts or estates
- Lottery or gambling

Income & Asset Documentation Summary Matrix

The table below summarizes income and asset documentation requirements by program and funding source; refer to the sections that follow for full requirements and calculation standards. The Housing Division administers programs with varying documentation requirements based on funding sources. Programs funded by the Executive Office of Housing and Livable Communities (HLC) or the U.S. Department of Housing and Urban Development (HUD) are subject to enhanced documentation standards and are identified with a ✓ in the table below, consistent with ***24 C.F.R. § 92.203(b)***.

Program	Funding Source	HLC / HUD Documentation Standards	Income Documentation	Asset Documentation
Homeownership Stabilization Program (HSP)	Somerville Affordable Housing Trust Fund (AHTF)		1 Month (4 weeks)	1 Month
Inclusionary Housing Program (IZ)	Local Inclusionary Zoning Ordinance (IZ)		1 Month (4 weeks)	1 Month
Home Improvement Program (HIP)	Community Development Block Grant (CDBG)	✓	2 Months (8 weeks)	3 Months
Closing Cost and Down Payment Assistance Program	HOME	✓	2 Months (8 weeks)	3 Months
Tenancy Stabilization Program (TSP)	Somerville Affordable Housing Trust Fund (AHTF)		1 Month (4 weeks)	1 Month
Prevention and Stabilization Services (PASS)	Community Preservation Act (CPA) via Somerville AHTF and HOME	✓	2 Months (8 weeks)	3 Months

Income Documentation Requirement

All income documentation submitted to the Housing Division must be dated within thirty (30) days of the application or invitation to certify, unless otherwise required by a specific funding source or program regulation.

Housing Division Programs **without** HLC or HUD funding

The file must include a minimum of one month (4 weeks) income documentation for all household members 18 and over.

Housing Division Programs **with** HLC or HUD funding

The file must include a minimum of two months (8 weeks) income documentation for all household members 18 and over, consistent with ***24 C.F.R. § 92.203(b)*****.**

No Income Statement

Adult (18 and over) household members reporting no income are required to complete an affidavit attesting to their lack of income.

Asset Documentation Requirement

All asset documentation submitted to the Housing Division must be dated within thirty (30) days of the application or invitation to certify, unless otherwise required by a specific funding source or program regulation.

Housing Division Programs **without** HLC or HUD funding

The file must include one month of cryptocurrency/checking/savings/Cash Apps account statement(s) for each household member age 18 or older.

Housing Division Programs **with** HLC or HUD funding

The file must include three months of cryptocurrency/checking/savings/Cash Apps account statement(s) for each household member age 18 or older.

Restricted Accounts

The most recent statement is required for retirement accounts (IRA, 401k or Certificate of Deposits)

Timeshare

If Deeded: Considered real property. The asset will be calculated based on the assessed value using a copy of the real estate tax statement. May also request additional information.

If Under contract: Considered personal property. A copy of the contract is required.

No Asset Statement

Adult household members reporting no assets (bank accounts, IRAs, or CDs) are required to complete an affidavit attesting to their lack of assets.

Homeownership Program Documentation Requirements

All applicants for homeownership opportunities must provide a minimum of three years of federal tax returns with all schedules, W2s, 1099s, and attachment calculations.

Variable Income Verification Process

Household members with variable income, including varied pay rates, hours worked, or other sources of income will be required to provide a minimum of 6 months' pay stubs **and/or** a third-party income verification completed by their employer. However, the Housing Division reserves the right to request additional documentation.

Adults with seasonal employment will be required to provide 12 months of pay stubs or third-party income verification.

The income of self-employed adults will be the net income based on a current profit and loss statement and a minimum of ***three years of federal tax returns*** with all schedules and attachments.

Households reporting rental income must provide documentation verifying the income received. Documentation may include the most recent federal tax return with all schedules and attachments, including Schedule E (Supplemental Income and Loss), and any additional documentation requested by the Housing Division to verify current rental income.

For rental opportunities, housing rehab, or lead abatement, only the most recent federal tax return with all schedules and attachments is required unless self-employed.

Standards

Checking/Savings/Cash Apps (Venmo, Paypal, and other apps) – Each household member who is 18 or older is required to submit a minimum three months of statements for HLC or HUD-funded programs; one month for all other programs. The statements will be used to verify income, the balance of the account, and any interest accrued on the account. Staff will include all unexplained deposits of **$100 or more** in the household's annual income calculation.

> If, by including the unexplained deposits, the household is determined over-income then, staff will request an Explanation of Deposit Form, explaining the nature and source of the deposit. If the explanation of deposit identifies the deposit as something other than income the income calculation will be redone excluding the deposit(s)

Unidentified Reoccurring Deposit – The applicant must complete an Explanation of Deposit Form, explaining the nature and the source of the deposit for **all** unexplained **reoccurring** deposits. *A reoccurring deposit is considered reoccurring if the same amount is deposited or there is more than one transfer received from the same person/entity within the month*. Reoccurring Deposit are considered income. Staff will include all unidentified reoccurring deposits in the household's annual income calculation.

> If, by including the unidentified reoccurring deposits, the household is determined over-income then, staff will request an Explanation of Deposit Form, explaining the nature and source of the deposit. If the explanation of deposit identifies the deposit as something other than income the income calculation will be redone excluding the deposit(s).

Restricted Accounts – Somerville will count restricted accounts at 70% of the actual cash value of the account. This reflects if the accounts were to be converted to liquid assets, approximately 30% would be taken off the top.

Cryptocurrency – *(as of now, there is no guidance on how to include Cryptocurrency when calculation a household's income. As guidance is provided, the policy will be revised)*

All cryptocurrency accounts are not credited equally. Although there is little guidance surrounding how to treat Cryptocurrency, the IRS issued a notice in 2014 stating the currency can be treated as property for federal tax purposes. It can be treated as a business property investment property or personal property, depending on how the currency is held.

Until there is more guidance provided, the Housing Division is going to consider income earned from Cryptocurrency in the same manner as Stock and Bonds. If for some reason, the household is unable to supply a statement documenting their account, a Self-Certification stating the value of the Cryptocurrency account or a copy of the household's tax return, including Schedule D, is acceptable.

Self–employed – For self-employed household members, Somerville will request tax returns for the **last three years** and will request the most recent year's tax return directly from the IRS. Applicants will be required to complete a Form 4506T **(Request for Transcript of Tax Return: https://www.irs.gov/pub/irs-pdf/f4506t.pdf)** to permit staff to obtain these forms. If the most current tax form is more than **six months** old, the City will require the applicant to provide a statement of estimated earnings based on the current year's business operations. File documentation will need to document the basis for significant changes from the prior year’s income levels. Documentation could include reports on current period earnings and recent sales tax reporting.

Passbook rate – The Boston HUD Field office designated the passbook rate as of January 1, 2026, at 0.40%. Where assets are under $10,000, only the **actual income** from assets is counted toward interest income. Where assets are above $10,000, actual interest from assets is compared to imputed interest from assets, and staff will take the **higher of the two** to count toward interest income.

A minimum sample of pay stubs – At a minimum, all household members 18 and older are required to submit two months (eight weeks) worth of pay stubs for HLC or HUD-funded programs; one month (four weeks) for all other programs. For household members with hours and variable rates, Somerville may calculate over a more extended period if the initial calculation finds the household to be over income or will require 3rd party verification. Somerville may utilize a statement from the employer to anticipate overtime hours for household members with overtime, bonuses, commissions, etc.

Households receiving Section 8 or other housing subsidy vouchers may sign a Release of Information granting the Housing Authority permission to share income calculations performed by the Housing Authority. Please note the income calculation cannot be older than 12 months.

Rental Income – Net rental income will be included in determining income, according to the Part 5 allowable exemptions. **(Line 26 Schedule E of the Tax Return: https://www.irs.gov/pub/irs-prior/f1040se--2025.pdf)**

The most recent tax return will be required if filed to review the household configuration and basic employment information. Staff will review the tax return to compare the current anticipated income with the previous year's annual income to get a sense of the household's income and how it may have changed. The basis for eligibility is from current income projected forward over the next 12 months. The staff member calculating the household's income will include a Memo to File explaining any variation that might impact the calculation, such as a change in household size, employment status, etc. Staff may require additional documentation or disclosures explaining any major discrepancy between the previous year's tax and the Housing Division's annual income calculation.

Timing

All recipients of assistance based on income eligibility will be documented as income-eligible prior to receiving assistance. Income eligibility determinations remain valid for six (6) months (HOME) and 12 months (all other programs). If a household's application is pending for more than six months (HOME) and 12 months (all other programs), the household will be required to update all documentation, including the application and income documents. Each income determination will be dated, and staff will verify prior to signing an agreement with the household for assistance that the income certification is still valid.

Applicants who are asked to provide additional income documentation will be required to respond within 30 days. If additional documentation is not provided after 30 days, Somerville will issue a denial letter and allow the household to reapply when they can provide the required documentation. Households determined to be over income will be notified in writing of their income status and informed that they are not eligible to reapply for three (3) months from the date of denial