



The following content is taken from [Costello Compliance](#) blog and used by permission. Costello's blog is dedicated to sharing knowledge that supports the housing industry's vital mission.

Under HOTMA, there are three types of assets, each of which is addressed differently. These include **necessary personal property** [NPP], **non-necessary personal property** [NNPP], and **real property**. NPP is excluded, real property and income from it is counted. The value of NNPP is counted or excluded depending on whether the total family NNPP exceeds a threshold that is adjusted annually. Income generated by NNPP is always counted, however.

Three Main Types of Assets

[HUD Joint HOTMA Notice 2023-10 F.4.c.](#)

Under HOTMA, assets are broken down into three types.

Type of Asset	How treated in net family assets
1 Necessary personal property [NPP]	Value is <i>excluded</i> .
2 Non-necessary personal property [NNPP]	If totals are equal to the threshold or less If totals exceed the threshold Value is <i>excluded</i> , actual income is <i>included</i> . Value and actual income are <i>included</i> .
3 Real Property	Value and actual income are <i>included</i> .

Checklist: Three Step Approach to Calculating Asset Values & Income

Examine family self-certification of asset values and income collected during the application process. Identify the three asset types listed:

1.) Necessary personal property [NPP] 2.) Non-necessary personal property [NNPP] 3.) Real property

Step 1 Address NPP & Excluded Assets

Identify and *exclude any necessary personal property or excluded assets* listed by the household.

Step 2 Address NNPP

Based on self-certification, determine *if the value of all net non-necessary personal property exceeds the asset threshold*.

If Yes Since non-necessary personal property alone totals over the asset threshold, all family net assets also exceed the asset threshold. Verify all non-necessary and real property values and income with third-party documentation. List each asset's value and actual income on the TIC.

If No List each non-necessary personal property asset as \$0 on the TIC but include actual income for each (subject to state policy).

Step 3 Address Real Property and Imputed Income

Add the value of any real property to the non-necessary personal property (as counted in step 2) and determine if total net family assets exceed the asset threshold.

Important! If a federal tax refund or federal refundable credit was received in the last 12 months, subtract this amount from the value of total net assets *before* determining the above [this may be skipped if total net assets are already below the asset threshold].

If Yes Verify all asset values and income with 3rd-party documentation (to the extent not already done in Step 2. Impute income on non-financial account assets that have income that cannot otherwise be determined and add it to other income.

If No Use self-certification to verify asset values and income. For HUD-funded properties only- except every 3 years when full verification is required. Do not impute asset income on any assets.



As HOTMA focuses primarily on income exclusions, it does the same for assets. After discussing the disposed asset rules (which are unchanged by HOTMA), the regulation at 24 CFR 5.603 under the definition for net family assets includes a list of 11 excluded assets.

Category	Excluded Asset	Example(s)	Notes
Personal property	Necessary items of personal property	Medical devices, vehicle for commute	Determining what is a “necessary item” for personal property is a highly fact-specific determination. Additional guidance is forthcoming from HUD.
Personal property	Non-necessary items of personal property if the combined total value does not exceed \$50,000*	Vintage baseball cards, recreational boat, coin collection, art so long as the total value is under the limit	This matches the value of assets that can be self-certified by the family.
Savings account	Retirement account recognized by IRS	IRA, 401(k), 401(b) and retirement plans for self-employed individuals	
Real property	Real property that the family does not have the effective legal authority to sell in the jurisdiction in which the property is located	Property subject to a lawsuit may be legally restricted from sale.	Such property does not count against the dollar amount limit or the real property limitation
Cash	Any amounts recovered in any civil action or settlement based on a claim of malpractice, negligence, or other breach of duty owed to a family member, for an incident resulting in a disability	A drunk driver injures a family member, who then has a disability. The family sues, and the driver’s insurance pays the family.	
Savings account	The value of certain education or disability support savings accounts	Under Internal Revenue Code sections 529, 529A, 530, “baby bond” accounts	Coverdell accounts, tuition programs, any “baby bond” account created, authorized, or funded by Federal, state, or local government
Real property	Interest in Indian trust land	Family has interest in land held in trust by Bureau of Indian Affairs	Existing exclusion
Real property	Equity in a manufactured home where the family receives assistance under 24 CFR 982	HCV Manufactured Home Space Rental participants	
Real property	Equity in property where the family receives assistance under 24 CFR 982	HCV homeownership participant	For real property other than manufactured homes
Savings account	Family Self-Sufficiency (FSS) accounts		The family does not have access to FSS funds during their participation in the program. Also excluded from income.
Cash	Federal tax refunds or refundable tax credits for a period of 12 months after receipt by the family	Earned Income Tax Credits (EITC)	
Trust Funds	Trust that is not revocable by, or under the control of, any member of the family or household	Non-revocable trust fund; trust fund revocable once minor child reaches age 21	As long as a trust meets this definition, it is not an asset of the family