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NAHPUpdate

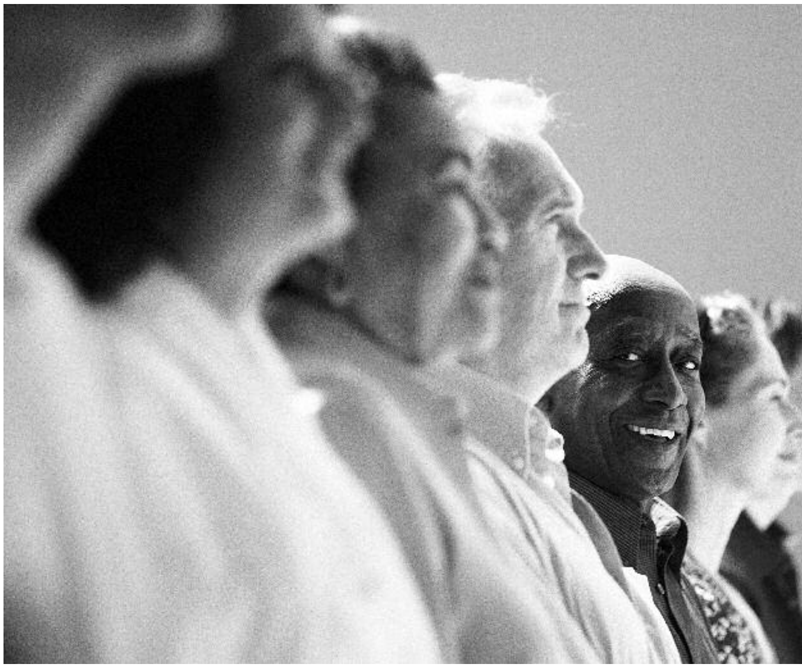
# Social Security Benefit Increases for 2012

BY MARY ROSS



The Social Security Administration (SSA) recently announced that monthly Social Security benefits for more than 60 million Americans will increase 3.6 percent in 2012. Additional information can be found on the SSA web sites at www.ssa.gov/oact/cola/SSI.html and www.socialsecurity.gov/cola.

The Part B premium will be $99.90 a month for 2012. This represents an increase for most Medicare recipients, but baby boomers who signed up for Medicare this year and were paying $115.40 a month will save $15.50 a month next year. Medicare's Part B annual deductible—the amount beneficiaries pay before their coverage begins—will also drop next year to $140, a decrease of $22. Please monitor the Medicare web site to stay up to date with Medicare premium changes www.Medicare.gov.



## ANNUAL CERTIFICATIONS

Many of you have already completed January 2012 and/or February 2012 Annual Certifications. As long as the Social Security income was verified correctly (using EIV, a current award letter or other verification described in HUD Handbook 4350.3 R1, Change 3, Appendix 3), there is no HUD requirement to correct those certifications to include the COLA increase.

HUD has clarified, in various notices, that owners/agents (O/As) have some flexibility when developing processes to include COLA increases. See HUD HSG Notice 11-21 pages 7 & 8 at http://portal.hud.gov/hudportal/documents/huddoc?id=11-21hsgn.pdf.

Specifically, HUD noted that, "*The SSA cost of living adjustments (COLAs) are not available from SSA for uploading into the EIV system until the end of the calendar year. When processing re-certifications effective January 1, February 1, March 1, and April 1, in order to complete the Recertification Steps outlined in Figure 7-3 of Handbook 4350.3 REV-1 and provide the tenant with the required 30-day notice of any increase in rent, the O/A must use one of the methods below for determining the tenant's income:*

*1. Use the benefit information reported in the EIV system that does not include the COLA as third party verification as long as the tenant confirms that the income data in the EIV system is*

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*what he or she is receiving;*

*2. Use the SSA benefit or award letter or Proof of Income Letter provided by the tenant that includes the COLA adjustment if the date of the letter is within 120 days from the date of receipt by the owner;*

*3. Determine the tenant's income by applying the COLA increase percentage to the current verified benefit amount and document the tenant file with how the tenant's income was determined; or*

*4. Request third party verification directly from SSA when the income in the EIV system does not agree with the income the tenant reports he or she is receiving.*

*5. All certifications effective after April 1 must reflect the SSA benefit that includes the COLA."*

O/As should develop policies to ensure that they incorporate this change in a consistent manner. Described below are some options. My recommendation is that you review available options and choose how you will verify SS income for annual certifications effective in January, in February, in March and in April.

For example, you might decide that you will use the 2011 SS amounts reflected in EIV for all residents with annual certifications effective January 1, 2012 or February 1, 2012, but you will incorporate the COLA increase for those ARs effective March 1, 2012 or later.

In consideration of fair housing requirements, you should make sure that residents are treated in a uniform manner.

Note: *If your company uses the EIV Use Policies offered via the RBD EIV Fast Forms CD, this is described in the policy. Please make sure your management team edits the policy to properly reflect how you incorporate the COLA increase (see www.rbdnow.com/formscdinfo.htm).*

### OPTION 1

Complete ARs using the 2011 SSA/SSI/Medicare amounts reflected in EIV or income amounts reflected on a current award letter (the award letter must not be more than 120 days old from the date verification started and the letter was provided to the manager).

### OPTION 2

Complete ARs using the 2011 SSA/SSI Medicare amounts reflected in EIV or income amounts reflected on a current award/benefit letter (the award letter must not be more than 120 days old from the date verification started and the letter was provided to the manager) and add the increase by completing a manual calculation.

### OPTION 3

Complete ARs using EIV **or** an award/benefit letter reflecting the new 2012 income. All 2012 ARs will be completed using

## Option 2 Example

| Using EIV to Verify SS Income and Calculating the 3.6% Increase | Using Award/Benefit Letter to Verify SS Income and Calculating the 3.6% Increase |
|---|---|
| EIV SS Income = $420 and resident has confirmed that the income is correct | EIV was not used because a) no income was reflected in EIV or b) resident disputed the EIV income information or c) EIV did not include all income.<br>Resident has provided current award/benefit letter. SS Income = $420.48 |
| $420 x .036 = $15.12<br>$420 + $15.12 = $435.12<br>$435.12 x 12 = $5,221.44<br>SS income = $5221.44 | $420.48 x .036 = $15.14<br>$420.48 + $15.14 = $435.62<br>$435.62 X 12 = $5227.44<br>SS income = $5227.44 |

*Please note that HUD has clarified several times that O/As should use cents when the verification method used reflects cents. Please refer to RHIIP ListServs 256, 231 and 229.*

the 2012 SS income amounts, including applicable increases.

It may be difficult to use EIV to verify 2012 income including the COLA increase for January ARs since EIV won't be updated until the end of the year. O/As can request that the resident provide a new award/benefit letter reflecting the new income. Residents may have received these new letters as early as November 2011.

Please remember, O/As **must not** send residents to the SSA to obtain new award/benefit letters. Instead, O/As must ask the resident to request benefit information from SSA using SSA's website or toll-free number. See additional information in HUD HSG Notice 11-21, page 23 (http://portal.hud.gov/hudportal/documents/huddoc?id=11-21hsgn.pdf).

### MOVE-IN TRANSACTIONS

EIV cannot be used to verify income for new move-ins. So, O/As commonly use current award letters to verify SSA/SSI Income and Medicare expenses. If you reference HUD Handbook 4350.3 Revision 1, Change 3, Paragraph 5-4-A, you will note that O/As have the option of using Method 1 to verify income (current income projected forward) or using Method 2 to verify income (current income plus any anticipated changes).

Annual income is the amount of income that is used to determine a family's eligibility for assistance. Annual income is defined as follows:

1. All amounts, monetary or not, that go to or are received on behalf of the family head, spouse or co-head (even if the family member is temporarily absent), or any other family member; or

2. All amounts anticipated to be received from a source outside the family during the 12-month period following admission or annual recertification effective date.

Move-in transactions effective before January 1, 2012 can be completed using income and expenses reflected on a current award letter or the O/A can use an award letter showing 2011 income and manually calculate the increase. If 2011 income is used, an interim certification is required only if the COLA increase, combined with other income increases, would contribute to a total household increase of $200 or more per month ($2400/12).

Our interpretation and recommendation is that O/As include the COLA increase for move-in transactions effective January 1, 2012 or later.

### INTERIM CERTIFICATIONS

In some cases, residents may ask you to complete interim certifications to reflect the Medicare Part B premium increase. Unless HUD provides alternative instruction, we refer to HUD Handbook 4350.3 R1, Change 3, Paragraph 7-11.

B. *If a tenant reports a change in income that does not increase the household's cumulative income by $200 or more a month, the owner should not process an interim recertification to increase the tenant's rent. If a tenant reports any other change addressed above along with an increase in income that does not increase the household's cumulative income by $200 or more a month, the owner should not include the increase in income in processing the interim recertification.*

If a resident requests an interim certification because of the Medicare premium increase, the O/A can include the Medicare Part B premium increase, but should not include the COLA income increase unless the COLA increase combined with other income increases would contribute to a total household increase of $200 or more per month ($2,400/12).

Please keep in mind that HUD Headquarters or local HUD field offices may provide their own clarification regarding COLA and Medicare premium changes. HUD clarification must be used when creating 50059s. **NU**

*Mary Ross, CPO, FHC, MORS, is President and CEO of Ross Business Development, Inc.*

Claim Reporting

# Don't Jeopardize Your Coverage!

You receive notice that an "incident" happens at your property. An injury may (or may not) have occurred as a result. No one has indicated that they will make a claim—but you think that someone might. What is a property manager to do?

Should you report the incident as a claim to your insurer? If you make a standard claim report, the insurance carrier will assign an adjuster and immediately begin investigating and adjusting the incident. They will likely assign a dollar reserve, and your property will have "another" claim on its loss run.

Or do you decide not to report the incident to your insurer, because you believe that it will not ultimately result in an actual claim? If it subsequently does develop into a claim, you'll report it then. This approach will not tarnish your loss runs, making your loss experience look a little better because you have fewer claims; however, this can be a risky strategy.

Incidents and accidents happen every day, some of which are minor or inconsequential. If there are no injuries, you may be inclined to hold off on reporting an incident to your insurance company to prevent another claim from appearing on your claim history. This could be a costly mistake.

If you choose not to report these incidents and they ultimately do become actual claims, your insurer may be within its rights to deny coverage for them because you (or someone in your organization) had prior knowledge of the incident but did not report it. Standard insurance policy provisions state that you must notify the insurer of "occurrences" that may result in a claim "as soon as practicable." Late reporting can jeopardize the insurer's ability to investigate and defend the allegation, and insurers have been known to deny coverage on these grounds.

What is a risk manager to do? If you are not certain that a claim will arise from the incident, and still wish to satisfy the policy's claim-reporting provision, you should make a report to your insurer as "notice only." The statement should include a cover note that provides all of the available information that you have relating to the incident.

Once a claim number has been assigned, you should follow up with the insurer to make sure that they haven't assigned a dollar reserve and that the claim shows as "closed" on your loss experience report. If you are uncertain how to phrase your cover note, seek guidance from an insurance professional with claims handling experience.

> **IF YOU ARE NOT CERTAIN that a claim will arise from the incident, and still wish to satisfy the policy's claim-reporting provision, you should make a report to your insurer as "notice only."**

At a later date, suit papers may be received for that same incident from an attorney, which you should immediately send to your insurance carrier who will then assign counsel and assume defense of the case—and probably assign an appropriate reserve! The result is that legal costs and judgments are paid under your insurance policy without a problem. NU

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**QUERIES:** Letters to the Editor and other queries should be sent to NAHMA Manager, Education & Special Programs Brenda Moser at brenda.moser@nahma.org or to the address above.

# Avoiding Common Management Problems

## A Quick Response Is Usually Critical

**Q:** What common property management problems are important to take care of right away?

**A:** Since you want to be or have a satisfied owner, content residents and well-maintained properties that earn high REAC scores, here are some things take care of as soon as you can.

1. Pay good attention to maintenance issues. Water damage, for instance, can lead to costly repairs and a lot of hassle. Quickly respond to tenant complaints of burst pipes, wet basements, wet carpet and wet walls and take measures to prevent damage. Also respond quickly to reports or inspections that show rotten wood, mold, pests and heating and/or cooling issues. All of these have an impact on quality of life as well as the bottom line.

2. Make the maintenance request process clear. Provide appropriate phone numbers. Let residents know step-by-step what will happen when they call. Will they leave a message or speak to a live person? Should they expect a call back in five minutes or five hours? By setting expectations properly you will avoid repeat calls and many complaints.

3. Resolve disputes among residents diplomatically. In any close quarters, residents are going to have disagreements on the noise level of footsteps overhead, television volume and the sound of kids. Stay on top of complaints and deal with problems effectively. Use these interactions with residents as a way to build community. Remind residents that they **are** part of a community and, as such, need to be respectful of one another's needs and satisfaction with their living arrangements. Foster generosity whenever you can.

4. Market your rental properties effectively and efficiently. Low vacancy rates can mean any or a combination of good things: that you're doing a good job marketing your property to new tenants; that you're maintaining existing tenants; and that your units are generally sought-after. Screen and match tenants to units in a timely fashion so that you can keep vacancy rates low. It's a good sign if you're getting referrals from current residents who value where they live. Your current marketing strategy may be working fine. If it seems inadequate, consider online marketing. Maintaining your own website or simply starting a Facebook page or creating a Twitter account can give you enough of an online presence that people can find you if they're looking, and if you need them.

5. Interact professionally with HUD inspectors, auditors and others who have the responsibility of making sure you are conforming to regulations. They are not your enemies. They are doing their jobs just as you are—and although sometimes their findings can be frustrating to deal with, they also can keep you on your toes when it comes to meeting your responsibilities.

6. Submit reports as required by the owner. Not doing so can cause an owner to think you're overwhelmed, lazy or unorganized. You want to keep reminding the owner(s) that they have a professional running their properties. After all, they are paying a significant amount of rental income to your management company, so they have every right to expect consistent, honest reporting.

7. Especially make sure owners understand how money flows through your system. They should be clear about how security deposits are held, how units are paid for, how expenses are assessed and paid, when they get their money, and how they receive it. Avoid the "where's my money" call at all costs. NU

## Welcome New Certificants!

### NAHP Executive

- Charles Moran
  Conifer Realty
  Rochester, NY
- Deborah Neagu
  Community Realty
  Management
  Shamokin, PA
- Diane Wilson
  The Community Builders
  Boston, MA
- Gabriela Carrillo
  G&K Management
  Culver City, CA
- Jill Graves
  The Community Builders
  Boston, MA
- Laurie McGrath
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  The Community Builders
  Boston, MA
- Rob Crowley
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# Education as a Steppingstone to Success

**NAHMS:** Rowe Shockley, NAHP-e, SHCM, CGPM

**MANAGEMENT COMPANY:** Wallick–Hendy Properties

**POSITION:** Senior Vice President

**YEAR OF CERTIFICATION:** 2004

According to Rowe Shockley, "You can't put enough emphasis on the value of education."

In his current position, which he's held since 2009, Shockley said, "We consider training to be extremely important for a number of reasons. Some that come to mind are that we all benefit from the increased knowledge and comfort level of our associates, and they realize our investment in them as individuals. We also benefit from their improved performance. Potential clients see education and training as value-added to find that our associates are certified by national groups."

Shockley started out in property management with Insignia Management Group just out of college.

"I was interested in opportunity, and they were a growing company," Shockley said. He was expected to learn different positions and manage different types of properties, so training and education became his steppingstones. He received his CPM certification from IREM and became adept at turning around troubled properties. Shockley became a district manager, managing a small portfolio of properties and eventually managed a portfolio of properties in excess of 28,000 units.

After Insignia was acquired by AIMCO in 1998, Shockley stayed in the vice president role. He joined Edgewood Management Corp. in 2000 and was there for eight years. He was asked to relocate to the home office in Germantown, Md. and declined. "I enjoyed Edgewood very much," he said, "but my family and friends were in Columbus." He closed up his office and joined Wallick-Hendy in March 2009.

"This is a family-owned company and an absolutely wonderful group of people to be associated with" he said. "I truly feel very fortunate to have this opportunity."

Shockley appreciates Wallick-Hendy's aggressive approach to training, which he called "very refreshing."

"Having people feel confident about their work aids in their satisfaction, performance and longevity with the company."

As for his own longevity, Shockley said, "It's been a good experience and a lot of fun." NU

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