

NUNAVUT HOUSING CORPORATION



Verification of Income Guidelines

(VOI Guidelines)

October 2014

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NUNAVUT HOUSING CORPORATION: HOMEOWNERSHIP PROGRAMS

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OBJECTIVE

The objective of the Verification of Income (VOI) Guidelines for Homeownership Programs is to ensure that all Homeownership program applicants, as well as existing clients, have their income(s) accurately and consistently verified. The income information is primarily used:

- To determine applicant eligibility for current programs (i.e. homeownership and home repair programs).
- To determine client repayment amounts for NHC geared-to-income (GTI) mortgages.
- For homeownership counseling (i.e. affordability analysis) and to assess applicant and client financial capacity.

SUMMARY

- The Nunavut Housing Corporation delivers homeownership programs in order to assist Nunavummiut in obtaining sustainable, affordable, adequate, and suitable housing.
- Funding for homeownership programs is limited, therefore all applicants who apply for the NHC's homeownership programs must demonstrate to the Corporation that they qualify for assistance according to the current eligibility criteria, which may include income limitations.
- NHC housing programs are publicly funded; therefore, officials charged with verifying incomes must do their utmost to ensure accurate information is obtained and that the policies and procedures are consistently applied across Nunavut.

INCOME VERIFICATION

- All new applicants and in some cases existing clients (NHC-held GTI-mortgages) are required to provide income information to the NHC for review.
- An applicant's spouse/common-law partner must be listed as co-applicant and their combined income verified.
- All income verification documentation must be copied and retained in the client's file for auditing purposes.
- For all NHC homeownership program functions, including determining program eligibility, determining assistance amounts, and determining mortgage repayment amounts, the NHC, for wage-based clients, will verify current income through the client's employer.

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At their discretion, District Directors may require three-year averaging using Canada Revenue Agency (CRA) data to provide a more detailed client income synopsis.

- For self-employed persons and in situations where income tends to fluctuate, and/or identifying total income is problematic, three-year averaging using CRA data will be used for income verification.
- In cases where income must be verified through CRA and the report shows the applicant has not filed their income tax, it will not be possible to verify income. Therefore, the client(s) is not eligible for assistance until such time as their income can accurately be verified.

TOTAL INCOME

Total income is the combined before tax revenue of the applicant and co-applicant or mortgagor(s) to be included in the verification. The following income is from the following sources is included in the Verification of Income for eligibility of NHC homeownership programs:

- Wages and Salaries (before deductions for taxes, pensions, etc.)
- Apprenticeship and job training wages
- Settlement, Northern, Isolated Post, or other equivalent allowances
- Vacation Travel Assistance
- Housing and Household allowances
- Miscellaneous income such as bilingual bonus, honoraria, payment for committee work, etc.
- Net income from self employment
- Investment income such as interest and dividends
- Government transfer payments (i.e. Income Support)
- Pension income
- Alimony
Note: Alimony payments are only to be included if it can be distinguished separately from dependent support payments (i.e. through court documents).
- Net income from boarders and roomers as determined in consultation with the District Office.
Note: Boarders and roomers are individuals who are paying rent to the household for

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shelter services. In order to be considered boarders or roomers, it must be proven that rent is being paid, either through copies of checks, receipts, or income tax returns.

The following income is excluded from verification:

- Refundable tax credits such as GST Tax Credit and Child Tax Benefit (federal and territorial), Universal Child Care Benefit (UCCB) and Income tax refunds
- Dependent support payments
- Gambling gains and losses
- Money inherited during the year in a lump sum
- Capital gains and losses
- Scholarships
- Loans repaid to an individual
- Refunds of pension contributions
- Compensation received from Government for victims of criminal acts
- NTI Elder Benefits
- High Arctic Relocateses' Compensation
- Lump sum settlement of insurance policies
- Rebates of property taxes and other taxes

Note: Lump sum versus streamed payment income

Streamed Payments or payments received on a periodic or regular basis (i.e. weekly, monthly, annual interest on investments, etc.), are included in calculating total income unless noted otherwise above.

Lump Sum Payments or payments received in one disbursement, such as inheritances, disability awards; insurance settlements, etc. are not included in calculating total income, unless noted otherwise above.

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INCOME ELIGIBILITY LIMITS

- Income limits are determined using the HOMEOWNERSHIP PROGRAM INCOME ELIGIBILITY (HPIE) calculation and apply only to Homeownership Programs listed in Appendix I.
- NHC's Homeownership Program Income Eligibility (HPIE) Limits for NHC homeownership programs are to be indexed to NHC's Core Need Income Threshold, and updated concurrently.
- The Homeownership Program Income Eligibility (HPIE) Limits for NHC homeownership programs are based on modified community Core Need Income Thresholds (CNIT) and reflect the following costs:
 - Financing; Land/Lease; Site Preparation; Foundation; Materials; Shipping; Full Labour Costs; Taxes; Maintenance; Insurance; Power; Heat; Water/Sewer.
- NHC's Core Need Income Thresholds match the Household Income Limits (HILs) released by the Canada Mortgage and Housing Corporation (CMHC) and reflect the "costs to own, maintain and operate a modest three-bed room home."

ADJUSTED INCOME ELIGIBILITY LIMITS

For determining applicant eligibility:

- The income of the applicant(s) is to be adjusted downward by the amount of any Northern Allowance, Settlement Allowance, Isolated Post Allowance or any other equivalent cost-of-living allowance provided by employers.
- The income of the applicant(s) is also adjusted downward by any vacation travel assistance provided by the employers, but only by the amount that can be substantiated by travel receipts as submitted by the applicant(s).
- To make homeownership programs more accessible to couples and people with children, the Income Eligibility Threshold is adjusted upward in increments of \$6,500 – one increment for a spouse, and one increment for each child (see VOI Guidelines Appendix II).

WAGE EMPLOYMENT

- Wage employment means a regular, permanent full-time, permanent part-time, a term position of one year or more, or any other kind of regular stable employment.
- Clients who are employed and are receiving a wage or salary are required to have their employer complete a verification of income form.

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- Verification documentation for wage employment must show a breakdown of earnings identifying any miscellaneous income, allowances, overtime, bonuses, Vacation Travel Assistance, honoraria, etc.
- In cases where clients have miscellaneous income from sources other than from their employer, a separate verification of income form is required for each source.

SELF-EMPLOYED CLIENTS

- An applicant shall be deemed self-employed where any of the following apply:
 - a) The individual earns income directly from his/her own business, trade, or profession, rather than as a specified salary or wages from an employer;
 - b) The individual is registered or recognized as the owner of a company or business;
 - c) The individual is registered or recognized as being a partner in a company or a business;
 - d) The individual is registered or recognized as a majority shareholder of a company or business, or who holds a controlling interest in a company or business;
 - e) The individual is in a position of control of a company or business, where decisions made by that individual can affect their personal earnings, retained earnings of the company or business, or the equity level in that company or business;
 - f) The individual receives payment from consumers as a result of providing goods or services through his/her trade or profession.
- The calculation of income for clients who are deemed self-employed includes the net pre-tax income from their business before any dividends are paid. The amount counted as income is that portion of the pre-tax profits which the individual is entitled to. If the individual paid themselves a salary, this must be also counted as income.
- The determination of net income for self-employed clients will be rendered by District Directors in consultation with District Comptrollers.
- Self employed clients are required to provide income verification documentation over a three year period. If this information is not available over this time period, a two-year period can be used as a last resort. The clients' income is averaged out over this time period to determine net income.
- In order to verify income for incorporated and unincorporated businesses, the following documentation is required:

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Incorporated Business

- Corporation Income Tax Return. Also required is the Notice of Assessment for the two previous years.
- A current audited or reviewed financial statement completed by a qualified accountant.
- Individual Income Tax Return. The applicant(s) is also required to provide the Notice of Assessment for the previous two years.

Note: If the client(s) cannot obtain an audited or reviewed financial statement, the client(s) must satisfy the NHC that the income tax forms have been completed accurately.

Unincorporated Business

- Individual Income Tax Return complete with all information slips and schedules. In addition to this, the applicant(s) is required to provide the Notice of Assessment for the previous two years.
- Statement of Income and Expenses from a Business or Statement of Income and Expenses from a Professional Practice.
- Capital Cost Allowance Schedule.

INVESTMENT INCOME

- This source of income includes interest and dividends received on bonds, deposits, savings certificates and corporate stocks from Canadian or foreign sources, net rental income from real estate, regular income from an estate or trust fund and any other investment income.

PENSION INCOME

- Pension income means income from Government, Private, and Employer pensions. Old Age Security pensions, Guaranteed Income Supplement, Canada Pension Plan, Quebec Pension Plan, Widow, Orphan and Survivor pensions, Disability Pensions, pensions through employers and private pension plans are all considered income and must be verified.
- Pension income is verified by taking photocopies of pension cheques. It is also recommended that income be verified through CRA to ensure all sources of income have been verified.

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EMPLOYMENT INSURANCE

- If a client(s) is currently receiving Employment Insurance benefits, verification of income is obtained through CRA. The client's income is required over a three-year period and is averaged out over this time period to determine income.
- Employment insurance is a temporary income source; therefore an evaluation of the applicant's employment history should be conducted to determine financial stability.

INCOME SUPPORT

- Clients receiving income support and/or social assistance payments from Federal, Territorial, and Municipal Governments must have their income verified through CRA (because assistance levels may fluctuate from month to month).

SEASONAL/CASUAL EMPLOYMENT

- Verification of Income for seasonal and/or casual employment must be obtained from Canada Revenue Agency.
- When the client(s) is seasonally or casually employed, verification of income is required over a three-year period and averaged out over this time period. If this is not possible, a two-year period is acceptable as a last resort.

APPENDICES

Appendix I - HOMEOWNERSHIP PROGRAM INCOME ELIGIBILITY LIMIT

Appendix II - ADJUSTED INCOME ELIGIBILITY THRESHOLD

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APPENDIX I

HOMEOWNERSHIP PROGRAM INCOME ELIGIBILITY LIMIT

- NHC's Core Need Income Thresholds match the Household Income Limits (HILs) released by the Canada Mortgage and Housing Corporation (CMHC) and reflect the "costs to own, maintain and operate a modest three-bed room home."
- The Homeownership Program Income Eligibility (HPIE) Limits for NHC homeownership programs are based on modified community Core Need Income Thresholds (CNIT) and reflect the following costs:
 - Financing; Land/Lease; Site Preparation; Foundation; Materials; Shipping; Full Labour Costs; Taxes; Maintenance; Insurance; Power; Heat; Water/Sewer.

Note: CNITs are used to determine eligibility for NHC's Public Housing Program; and only calculate 30% of housing related labour costs.

HPIE Limits have been modified to calculate 100% of labour costs to better reflect actual housing construction costs in a community.
- NHC's Homeownership Program Income Eligibility (HPIE) Limits for NHC homeownership programs are to be indexed to NHC's Core Need Income Threshold, and updated concurrently.

HPIE Limits apply to the following programs:

- Nunavut Down-payment Assistance Program (NDAP)
- Home Renovation Program (HRP)
- Senior Citizen's Home Repair Program (SCHRP)
- Emergency Repair Program (ERP)
- Seniors and Disabled Persons Preventative Maintenance Program (SDPPMP)
- Heating Oil Tank Replacement Program (HOTRP)

HPIE Limits do not apply to the following programs:

- Tenant to Owner Program (TOP)
- Interim Financing Program (IFP)
- Any NHC mortgages, including Geared to Income Mortgages

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As an example, the 2013 HPIE Limits by community, based on 2013 CNITS, are as follows:

Arctic Bay	\$173,000
Arviat	\$158,500
Baker Lake	\$161,000
Cambridge Bay	\$169,000
Cape Dorset	\$161,500
Chesterfield Inlet	\$167,500
Clyde River	\$169,500
Coral Harbour	\$161,000
Gjoa Haven	\$172,000
Grise Fiord	\$172,000
Hall Beach	\$168,500
Kimmirut	\$166,000
Kugaaruk	\$182,000
Kugluktuk	\$169,500
Igloolik	\$159,500
Iqaluit	\$177,500
Pangnirtung	\$163,500
Pond Inlet	\$167,500
Qikiqtarjuaq	\$160,500
Rankin Inlet	\$185,000
Repulse Bay	\$168,000
Resolute Bay	\$186,000
Sanikiluaq	\$161,000
Taloyoak	\$181,000
Whale Cove	\$160,000

Note: HPIE limits will vary depending on CNIT numbers, based on released CMHC HILs.

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APPENDIX II – ADJUSTED INCOME ELIGIBILITY LIMITS

A. Family and Spouse Adjustment:

To make the above-noted programs more accessible to couples and people with children, the Income Eligibility Threshold is adjusted upward in increments of \$6,500 – one increment for a spouse, and one increment for each child.

Example: Applicant with a spouse and 2 children, with combined household income of \$185,000 in Pond Inlet.

Applicant Household Income (Applicant and Spouse)	\$185,000
Family adjustment (\$6,500 X 3)	- \$ 19,500
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Adjusted Income Eligibility Threshold	\$165,500
Homeownership Program Income Eligibility Limit – Pond Inlet	\$167,500

In this example, the applicant would be eligible for the program, as their household income has been adjusted to fit within their community's Homeownership Program Income Eligibility (HPIE) limit.

B. Northern, Settlement and Vacation Allowance Adjustments

The income of homeownership applicant (i.e. applicant and co-applicant) is to be adjusted downward by the amount of any Northern Allowance, Settlement Allowance, Isolated Post Allowance, or any other cost-of-living allowance provided by employers, and/or Vacation Travel Assistance, if travel receipts are provided.

Note: Northern Allowance amounts vary by Nunavut community.

Example: Applicant and Co-Applicant

Income of Applicant	\$100,000
Income adjustment (Northern Allowance)	- \$ 15,000
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Sub-Total	\$ 85,000
Income of Co-Applicant	\$ 70,000
Income adjustment (Settlement Allowance)	- \$ 8,500
Income adjustment (VTA with receipts)	- \$ 12,000
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Sub-Total	\$ 49,500
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Total Adjusted Income	\$134,500

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New Applicants

- For eligibility purposes, with respect to all current NHC programs, the following allowances are to be deducted from income:
 - Northern Allowance (Government of Nunavut employees)
 - Isolation Post Allowance (Federal Government employees)
 - Settlement Allowance (Hamlet and LHO employees)
 - Other Cost-of-Living Allowances (other organizations/private sector)
 - Vacation Travel Assistance – only the amount that can be substantiated with receipts
- Some employers may provide their employees with other allowances, which may or may not be in the form of cash. Only cash benefits are to be deducted from income.
- Housing/Household allowances are not to be deducted.

Existing Homeownership Clients (geared-to-income mortgages)

- The above-noted cost-of-living allowances will not be deducted from the income of existing geared-to-income mortgage clients.
- NHC Mortgage clients are required to have their income verified on an annual basis, and monthly mortgage payments are adjusted according to the latest income information.
- The person or persons who are listed on the mortgage document are to have their income assessed.