

2318 - HOME REPLACEMENT FUNDS

POLICY STATEMENT	When an individual sells an excluded home, the proceeds of the sale are excluded as a resource if the individual plans to use the proceeds to buy another home that can be excluded and does so within the appropriate time frame of receiving the proceeds.
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BASIC CONSIDERATIONS	<p>Family Medicaid If a Family Medicaid AU sells an excluded homeplace, the proceeds derived from the sale must be reinvested in another homeplace within six (6) months. If not, the proceeds from the sale are considered a resource and counted in the eligibility determination.</p> <p>ABD Medicaid If an ABD Medicaid A/R sells an excluded homeplace, the proceeds from the sale are excluded as a resource if the individual reinvests the proceeds in another homeplace which can be excluded within three (3) full calendar months of receiving the proceeds.</p> <p>NOTE: It is permissible for the ABD Medicaid A/R to reinvest the proceeds into a homeplace that will be jointly owned by the A/R and others.</p> <p>If the ABD Medicaid A/R receives the proceeds from the sale of their homeplace under an installment contract, the contract is an excluded resource for as long as the following conditions are met:</p> <ul style="list-style-type: none"> • The individual plans to use the entire down payment and the entire principal portion of a given installment payment to buy another excluded home. • The home is purchased within three (3) full calendar months of receiving such down payment or installment payment. <p>If an ABD Medicaid A/R receives the proceeds from the sale of their homeplace in a lump sum, the proceeds are the net amount the seller receives at settlement.</p> <p>If paid in installments, the proceeds consist of the following:</p> <ul style="list-style-type: none"> • any down payment • any portion of any subsequent payment that is not interest.
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**BASIC
CONSIDERATIONS
(cont.)**

Use of proceeds to buy another excluded home includes payment of any costs that stem from the purchase. These include, but are not necessarily limited to, the following:

- down payment
- settlement costs
- loan processing fees and points
- moving expenses
- necessary repairs to or replacements of the new home's structure or fixtures, such as roof, furnace, plumbing, built-in appliances, that are identified and documented prior to occupancy
- mortgage payments.

Use of proceeds to pay other costs will warrant their exclusion if such costs are identified and documented prior to occupancy and stem directly from the purchase or occupancy of the new home.

NOTE: *Within three (3) full calendar months* means by the end of the last day of the third month after the month in which the proceeds are received.

Using the proceeds includes obligating them by contract as well as actually paying them out.

**Lump Sum Proceeds
Received by ABD
Medicaid A/R's**

If lump sum proceeds are not used within 3 months, the exclusion of unused funds will be revoked retroactively to the date of their receipt.

**Installment Payments
Received by
ABD Medicaid A/R's**

If installment payment proceeds are not used within 3 months, the exclusion of the installment contract itself, and of the unused portion of any installment payments, will be revoked retroactively to the date the unused proceeds were received.

The exclusion of an installment contract, once revoked, will be reinstated if the individual intends to and does use the entire principal portion of a subsequent installment payment toward the purchase of another excluded home within 3 full calendar months of receiving such installment payment.

PROCEDURES

ABD Medicaid	<p>Explain the home replacement exclusion to any individual who has sold an excluded home (if it is not too late to exclude any of the proceeds) or who plans to do so. Include the date, if known, by which the proceeds must be used in order to qualify for the resource exclusion.</p> <p>Obtain a signed statement from the individual as to whether s/he intends to use the proceeds to buy another home by the date specified. If so, the statement must also reflect his or her understanding that the exclusion of any funds not used by the date specified will be revoked retroactively.</p>
Installment Contracts	<p>When the proceeds are being paid in installments, the individual's statement of intent must reflect his/her understanding that, if the non-interest portion of any payment is not used within 3 months of its receipt, the exclusion of the unused portion of such payment and the contract itself will be revoked retroactively to the date of receipt of such payment.</p>
Review at End of Exclusion Period	<p>Create an alert to contact the individual in the last month of the exclusion period to determine if the proceeds have been committed to the purchase of a new home.</p> <p>If the amount paid at settlement on the new home equals or exceeds the lump sum received for the old home, cease development of the lump sum proceeds as a resource.</p>
Documentation	<p>Document the system and case with a copy of the settlement sheet, contract for sale and/or evidence that shows the net proceeds of the sale and how paid or payable, such as paid in full at settlement, dates and amounts of the down payment and installment payments, interest, etc.</p> <p>Document with the same type of evidence used to document the proceeds of the sale of the prior home and, if necessary, with bills, receipts, or other evidence of related allowable expenses.</p>

PROCEDURES
(cont.)**Installment
Payments**

Unless there is a question of unstated income or previously undetected resources, cease current development if both the following conditions are met:

- The down payment on the new home equals or exceeds the down payment received from the sale of the prior home.
- Monthly payments on the new home equal or exceed the non-interest portion of the installment payments being received on the prior home.

**Lump-Sum Proceeds
or Down Payment**

Document use of the proceeds for related allowable expenses if either of the following occurs:

- The amount paid at settlement for the new home is less than the lump-sum proceeds of the sale of the prior home.
- The down payment on the new home is less than the down payment received from the sale of the prior home.

If all of the proceeds will **NOT** be used within 3 months, redetermine the value of countable resources for the months after the proceeds were received. Do not exclude either of the following as a countable resource:

- The unused portion of the lump-sum proceeds or down payment.
- The value of an installment contract.