

Repayment Income

Single Family Housing Guaranteed Loan Program
(SFHGLP)



09/2020



Welcome to the Repayment Income online training module presented by USDA's Single Family Housing Guaranteed Loan Program.

REPAYMENT INCOME

The Key to Successful Homeownership



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This training will highlight key areas of section 152 of the Regulation and Chapter 9 of the Handbook to clarify how Rural Development considers income types and scenarios for loan repayment purposes and determining your applicant's purchasing power.

7 CFR 3555.152(a)

§3555.152 Calculation of income and assets.

The lender must obtain and maintain documentation in the loan file supporting the lender's determination of all income and assets described in this section.

(a) *Repayment income.* Repayment income is the amount of adequate and stable income from all sources that parties to the promissory note are expected to receive. Repayment income is used to determine the applicant's ability to repay a loan.

(1) The lender must examine the applicant's past income record for at least the past 2 years and any applicable training and/or education. The Agency may require additional information and documentation from self-employed applicants and applicants employed by businesses owned by family members.



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Repayment income is utilized to calculate qualifying ratios to determine if the applicant may be a successful homeowner. 3555.152(a) provides important guidance for lenders to follow regarding repayment income:

- Repayment income is calculated only for individuals who will be parties to the Note and the income must be stable and dependable based on the history of receipt.
- Lenders should review an applicant's previous two years of employment and training/education to determine if the income source is stable and dependable. Time spent in college, technical school, and career-based certificates may be included towards requirements for annual and repayment income. Please note that an applicant may still be eligible even when there is not a full two year employment history.

7 CFR 3555.152(a)

(2) The lender must establish an applicant's anticipated amount of repayment income and the likelihood of its continuance for at least the next 3 years to determine an applicant's capacity to repay a requested mortgage loan in accordance with §3555.151(h)(1).

(3) Income may not be used in calculating an applicant's ratios if it is from any source that cannot be verified, is not stable, or is likely not to continue.



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- Repayment income should be anticipated to continue for at least three years from the date of loan closing.
- There should not be evidence of the income source ending within the first three years of the mortgage debt.
- Income sources that cannot be verified or documented, are unstable, or have no history of receipt may not be utilized for repayment purposes.

7 CFR 3555.152(a)


(4) The following types of income are examples of income not included in repayment income:


- (i) Any student financial aid received by household members for tuition, fees, books, equipment, materials, and transportation;**
- (ii) Amounts received that are specifically for, or in reimbursement of the cost of medical expenses for any family member;**
- (iii) Temporary, nonrecurring, or sporadic income (including gifts);**
- (iv) Lump sum additions to family assets such as inheritances, capital gains, insurance payments and personal or property settlements;**
- (v) Payments for the care of foster children or adults; and**
- (vi) Supplemental Nutrition Assistance Program payments.**



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Some income types are not included in repayment income, and they are listed in 3555.152(a)(4).





Stable and Dependable Income

Repayment Income



Annual Income

Repayment Income

HB-1-3555, 9.7 & 9.8

9.7 OVERVIEW

Repayment income will determine if the applicant(s) has sufficient income to repay the mortgage in addition to recurring debts. Repayment income calculations often differ from the calculation of annual and adjusted annual income.

Repayment income is the stable and dependable income of the applicants who will be parties to the note. Co-signers and non-occupant co-borrowers are not permitted for a guaranteed loan transaction.

9.8 STABLE AND DEPENDABLE INCOME

3555.152(a) and Attachment 9-A assist lenders to review income types. The following guidance also assists lenders to consider repayment income sources:

- The income source must be documented.
- There must be evidence to support the historical receipt of earnings.
- Lenders are responsible to analyze any gaps in employment to make a final determination of stable and dependable income.
- Caution should be utilized for any applicant that has documented declining wages or earnings. Lenders must ensure repayment income is not inflated/overstated.
- Caution should be utilized for any applicant that has a documented sharp increase in earnings. A sharp increase in earnings is defined as a 20 percent or greater variance in income from the previous 12 months. Lenders must determine if an increase is supported and logical. Examples include but are not limited to: promotion with the current employer, documented pay raise with current employer, income trend analysis for overtime, bonus, commission, seasonal employees, etc.

- Chapter 9 of the technical handbook provides additional guidance to support 3555.152(a).
- Repayment income must support the repayment of the proposed mortgage debt plus the applicant's additional debts.
- Repayment income amounts may differ from annual and adjusted annual income determinations.
- Income used for repayment must be stable and dependable.
- Nonoccupant cosigners are not permitted for USDA guaranteed loans.
- The income source must be documented and there must be documented evidence of earnings.
- The lender must analyze gaps in employment.
- An applicant with declining wages must be carefully reviewed.
- Inflated or overstated repayment income is a prime contributor to loan delinquency.
- The key to successful homeownership is stable and dependable repayment income. No one benefits from placing an applicant in a home that they cannot afford by inflating wages or relying upon secondary income sources to meet acceptable ratios.

Review Attachment 9-A
Pages 1 – 25

Refer to “Repayment”
Column

Retain All Documentation
in the Permanent Case
File

<https://www.rd.usda.gov/files/3555-1chapter09.pdf>

HB-1-3555
Attachment 9-A
Page 1 of 32

Income and Documentation Matrix		
Income guidance: 7 CFR 3555, Section 3555.152(a) and (b)		
This matrix cannot cover every income asset type, employment scenario, etc. USDA requires approved lenders to use sound judgment to make accurate and dependable analysis of income per 3555.152(a).		
“Documentation Source Options” lists eligible documentation. Every item listed is not required. Lenders must meet the minimum documentation requirements for streamlined, non-streamlined, etc. options of this Chapter.		
Income Type	Annual	Repayment
Adoption Assistance or Subsidy	If the income will be received in the ensuing 12 months, include the first \$480 of adoption income or subsidy assistance for each grantee.	<p>Required History: None, the income must be received at the time of loan application.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> the applicant is currently receiving the income, and the amount of the income received each month. <p>Continuance: Income must be confirmed to continue a minimum of three years into the mortgage.</p> <p>Benefits that do not include expiration dates on the documentation will be presumed to continue.</p>
Documentation Source Options:		
<ul style="list-style-type: none"> Benefit/Award letter to document the amount and duration of payments Online payment schedule from the Agency, bank statements, etc. Federal income tax returns or IRS tax transcripts with all schedules 		
Automobile Allowance	Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.	<p>Required History: One year</p> <p>Continuance: Income will be presumed to continue unless there is documented evidence the income will cease.</p> <p>The amount of allowance that exceeds the expenditure may be included for repayment. If there is a monthly debt associated with the income (such as a car or equipment payment), this debt must continue to be included in the debt ratio calculation.</p>
Documentation Source Options:		
<ul style="list-style-type: none"> Paystub(s)/Earning statement(s) Contract/agreement from employer to state terms and duration of payments Federal income tax returns or IRS tax transcripts with all schedules 		

- To better assist with income review and documentation, Chapter 9 includes Attachment 9-A: “Income and Documentation Matrix.”
- The matrix was designed to assist lenders and USDA to more efficiently locate many income sources, annual income adjustments, and asset guidance.
- The matrix lists income types in alphabetical order and indicates how to consider each income type for both annual and repayment incomes.
- This training will concentrate on repayment income.
- “Documentation Source Options” will list the options to properly document the income type.
- Every documentation item listed may not be required.
- USDA allows multiple options to provide flexibility to lenders when documenting income sources.

Form RD 3555-21 (Page 5)

MONTHLY REPAYMENT INCOME CALCULATION Consider stable and dependable income of parties to the note as described in 7 CFR 3555.152(a) and HB-1-3555 Chapter 9. Non-occupied borrowers or co-signers are not allowed.

14. Stable Dependable Monthly Income (Parties to note only.) Calculate and record how the calculation of each income source/type was determined in the space below. Identify income type by party to note.

	Applicant	Co-Applicant	Total
Base Income	\$2,533.20 Calculation of Base Income: YTD 12665.99/5 (5/29) =	Calculation of Base Income:	\$2,533.20
Other Income	Calculation of Other Income:	Calculation of Other Income:	\$0.00
Total Income	\$2,533.20	\$0.00	\$2,533.20

15. Monthly Repayment Income (Total of 14) **\$2,533.20**

Preparer's Signature: 
 Name (Print): Todd L. Lender
 Title: Underwriter
 Date: 07-13-2020

GUS "Income and Expenses" Page

Income and Expenses

Monthly Repayment Income ^(F)
 (Stable and dependable income of parties to the note)


	Person, Parker	Total
Base Employment Income	\$2,533.20	\$2,533.20
Overtime	\$0.00	\$0.00
Bonuses	\$0.00	\$0.00
Commissions	\$0.00	\$0.00
Dividends/Interest	\$0.00	\$0.00
Other (enter details below)	\$0.00	\$0.00
Subtotal	\$2,533.20	\$2,533.20
Net Rental	\$0.00	\$0.00
Total	\$2,533.20	\$2,533.20

Other Income

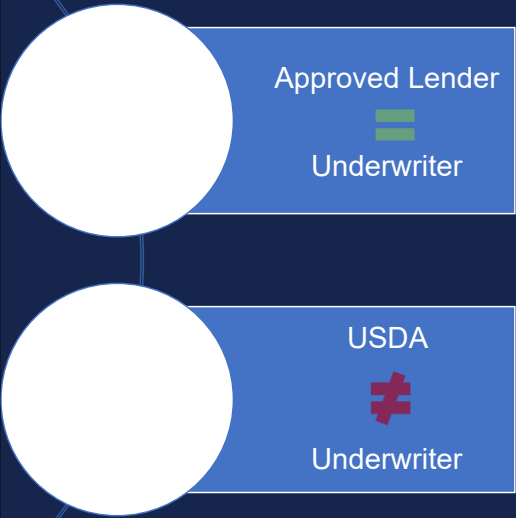
Borrower	Description
Del Select One	Select One
Del Select One	Select One
Del Select One	Select One

Insert More Other Income

- The lender will document monthly repayment income on page 5 of Form RD 3555-21.
- Repayment income will include the stable and dependable income of parties to the note only.
- Include the monthly income of the applicant and any co-applicants. Remember to document your calculations and show the numerical information used in calculations.
- Enter the total monthly repayment income on line 15.
- The preparer of the form must complete this information and sign the form. An electronic signature is acceptable.
- This total must match the "Monthly Repayment Income" entered on the "Income and Expenses" GUS application page.
- More information regarding repayment income can be found in Chapter 9 of the 3555 handbook.



USDA Rural Development
U.S. DEPARTMENT OF AGRICULTURE



Approved Lender
=
Underwriter

USDA
≠
Underwriter

Helpful Tips

- ✓ GUS does not determine stable and dependable income.
- ✓ Underwriters must analyze employment and income history for stability.
- ✓ Incorrect data entries will render the underwriting recommendation as invalid.

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- Here are some useful tips to keep in mind when reviewing repayment income:
 - GUS does not determine stable and dependable income. GUS assumes the data entered by the lender is accurate.
 - Therefore, the lender must review the applicant's employment and income history and determine what income is stable and dependable per USDA guidelines.
 - Incorrect data entries will render the underwriting recommendation as invalid.

LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555



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The best way to learn information is to test your knowledge!

QUESTION

Topic

- Question will be bulleted with scenario, or
- Include a statement/question

TRUE/FALSE or other answer options will be displayed



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The following question slides will list:

- The topic,
- A question or scenario, and
- potential responses.

ANSWER

Topic

7 CFR Part 3555 and HB-1-3555 references provided

X. Correct Response

- Additional guidance for clarification may be provided



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The answer slides will list:

- The topic,
- the reference to the answer from the regulation and handbook,
- the correct response, and
- any additional clarification that may be helpful.

Ready?

LET'S GET
STARTED!



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Let's get started!

QUESTION

Repayment Income

- Nancy graduated last year from nursing school, passed her license exams and accepted a position with Mercy Hospital where she has been employed for 13 months.
- She earns base wages, shift differential, and overtime.
- She is projected to earn \$102,000 this year.
- The lender may use this year's projected earnings when determining repayment income.

A. TRUE B. FALSE



14

Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a), HB 9

B. TRUE

- Income sources have been received for more than 12 months.
- Overtime income has been received for at least one year and will be presumed to continue.



15

The answer is True. A one year history at the time of loan application is required for base wages and overtime. In regard to overtime pay, underwriters must analyze OT for the current pay period as well as YTD earnings. Significant variances must be analyzed and documented before the income may be considered stable and dependable.

QUESTION

Repayment Income

- Joe worked at ABC Garage for 5 years and then changed jobs in the same line of work to XYZ Garage where he has been for 3 months.
- The lender may include Joe's earnings from both jobs when averaging repayment income.

A. TRUE B. FALSE



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Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a)(3), HB 9

B. FALSE

- XYZ Garage is no longer Joe's employer, this income has ended.
- Lender must analyze current earnings and determine likelihood of continuance.



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False. Lenders cannot average income from a previous job (where the applicant is no longer receiving pay) with a new position. The new position is the current source of income. Repayment income may only be calculated from current earnings. Comparing previous employment with current employment does however allow the underwriter the ability to determine income continuity.

QUESTION

Repayment Income

Bonus, overtime, commission, tips, and second jobs must have a minimum ____ year history to be included in repayment income.

- A. 1 year
- B. 2 year
- C. No minimum



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Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a)(3), HB 9

B. 1 year

Bonus, overtime, commissions, tips, and second jobs all require a one-year history.



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Each of these earning sources must have a minimum one year history in order to be included in repayment income calculations.

QUESTION

Repayment Income

- Michelle has worked for Sunshine Pharmacy for 4 years.
- Her most recent paystub indicates a \$500 bonus.
- The written VOE states bonus income is not likely to continue and Michelle has no history of bonus income with this company.
- The lender may include the bonus pay into the repayment income.

A. TRUE B. FALSE



20

Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a), HB 9

B. FALSE

- This was a one-time bonus.
- There is no history of prior receipt, and employer states it is unlikely to continue.



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Answer: False. There is no history of receipt of this one time bonus. The employer has also confirmed this bonus payout is unlikely to continue. Therefore, it should not be included in the repayment income.

QUESTION

Repayment Income

Applicants must have a minimum ____ month employment history (with current employer or income continuity).

- A. 6 months
- B. 24 months
- C. 12 months



22

Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a)

C. 12 months

The applicant must have a 12-month employment history.



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An applicant must have a 12 month employment history. However, the employment does not have to be with the same employer.

QUESTION

Repayment Income

- Penelope's mother Chloe (age 89) is a household member, but is not a party to the loan.
- Penelope is Chloe's legal guardian.
- The Social Security Administration sends the \$3,000/month benefit check to Penelope in her name.
- The lender may include the \$3,000 for repayment purposes.

A. TRUE B. FALSE



24

Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a), HB 9

A. TRUE

Penelope is the legal payee for Chloe's benefit to meet her needs.



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True

Penelope is Chloe's legal guardian/payee as recognized by the Social Security Administration, therefore this income may be included in repayment for the household.

QUESTION

Repayment Income

The GUS evaluates the stability and dependability of repayment income in the overall risk evaluation.

A. TRUE B. FALSE



26

Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a)(1), HB 9

B. FALSE

The lender must determine the history and stability of earnings prior to entering repayment income into GUS.



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False

The GUS takes all data entered by the lender and considers it verified and documented. Therefore the lender must determine the history and stability of earnings before they enter repayment income into the GUS application pages.

QUESTION

Repayment Income

- Bernadette receives monthly SSI of \$1,400.
- The lender may gross the SSI up by 25% for repayment income.

A. TRUE B. FALSE



28

Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a), HB 9

A. TRUE

Tax exempt income sources may be grossed up 25%.

No additional adjustments are allowed.



29

True. Tax exempt sources may be grossed up by 25%. No additional adjustments are authorized. These types of income sources would not be grossed up for annual income calculations.

QUESTION

Repayment Income

- Garth has been employed at USA Credit Union for 8 years.
- For the past 4 months he has also worked at Pizza Planet where he earns \$5.00 per delivery plus tips.
- The lender may use the part time employment for repayment.

A. TRUE B. FALSE



30

Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a)(1), HB 9

B. FALSE

- Second/part-time job/tips should have a two-year history to be considered stable and dependable.
- Note: second job income must be included in annual income calculation.



31

False. Secondary employment must have a two year history of receipt in order to support the income type as stable and dependable. Even if the income has not been received long enough to be considered for repayment purposes, it must be included in the annual income calculation.

QUESTION

Repayment Income

- Applicant 1: \$35,450 salary, 2 years on job
- Applicant 2: \$23,650 salary: 18 months on job
- YTD paystubs project: Applicant 1: \$40,000, Applicant 2: \$26,000
- Lender submits file with repayment income of salaries only. Is this acceptable?

A. YES

B. NO



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Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a)(1), HB 9

A. YES

- Lenders may be conservative with repayment income calculations.
- NOTE: Lenders must consider the projected income for annual income calculations. Ensure this projection is reasonable when compared to history of earnings at same employer/position.



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Yes. Both applicants have a 12 month employment history. Lenders may be conservative with repayment calculations. This may mean that some earned income sources are not included in the repayment income. Lenders must however, consider all eligible income sources currently earned for the annual income calculation. Be sure that projected income appears to be reasonable and logical based on previous employment and earning patterns.

QUESTION

Repayment Income

- Carmen worked part-time at McDonald's for 3 years in college.
- Her annual earnings were roughly \$12,000.
- She has graduated and accepted a position with Buddy's Pools and Spas.
- She has worked there 6 months and her annual salary is \$35,000.
- The lender may use Carmen's current salary of \$35,000 for repayment calculations?

A. TRUE B. FALSE



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Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a)(1), HB 9

A. TRUE

- Carmen has an employment history of more than 12 months.
- Carmen has accepted a new, higher paying position following her graduation from college.



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The answer is True. Carmen has an employment history of more than 12 months. Lenders have the discretion to consider increases in earnings when the increase is supported and logical such as a change of employment following the completion of schooling or training.

QUESTION

Repayment Income

- Sam worked as a loan officer at State Bank for 13 months earning \$32,000.
- Sam has now been with AutoCars for 5 months as a commission only salesperson.
- He is doing quite well and is projected to earn \$82,000 this year.
- The lender may include Sam's current projected earnings when determining repayment income.

A. TRUE B. FALSE



36

Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a)(1), HB 9

B. FALSE

- Sam is now 100 percent commission at his new job.
- Sam does not currently have a one-year history of commission earnings.



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False. Sam is now 100 percent commission at his new job and will need a minimum of one year commission earnings to be considered in repayment income.

QUESTION

Repayment Income

Self-employed applicants must have a minimum ____ year history to determine if they have applicable repayment income.

- A. 2 Years
- B. No Minimum
- C. 1 Year



38

Read the question on the slide and select a response.

ANSWER

Repayment Income

3555.152(a)

A. 2 Years

Self-employed applicants must have a documented 2-year history of their business income and expenses.



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The self-employed applicant must submit current documentation of the business's income and expenses, including applicable Federal tax returns filed with the IRS, plus a year-to-date profit and loss and balance statement. The year-to-date profit and loss statement is used only to analyze the income trend of the business. Repayment income should be based on the reported earnings of the previous 2 years filed tax returns.

Way to Go!
LEARNING CHECK
COMPLETED!



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Way to go! You have completed the learning checks!

Navigate through these resources and tools like an expert!

Take the "Program Overview Training"

Available on the USDA LINC:
<https://www.rd.usda.gov/page/usda-linc-training-resource-library>

<https://www.rd.usda.gov/resources/regulations/program-regulations>

Subpart D—Underwriting the Applicant

§3555.151 Eligibility requirements.

§3555.152 Calculation of income and assets.

§3555.153-3555.199 [Reserved]

§3555.200 OMB control number.

<https://rd.usda.gov/resources/directives/handbooks>

HB-1-3555 SFH GUARANTEED LOAN PROGRAM TECHNICAL HANDBOOK

A consolidated version of the handbook is available. [HB-1-3555](#) is a large document and may take sometime to load.

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- This training module has provided you with an overview of the key requirements of Repayment Income.
- Complete program requirements and guidance can be found in 7 CFR Part 3555, Subpart D, section 152 and Chapter 9 of HB-1-3555.
- Be sure to bookmark these references, save yourself valuable time by using Cntrl-F to quickly search and find answers, and always ensure you are referencing the most current publications.
- The "Program Overview Training" module will assist you in learning how to navigate through all the resources and tools Rural Development has created to assist you.

Can't find your answer in the regulation or handbook?

Contact the PAC team!

Want additional live program training?

Contact the LPA team!

USDA Rural Development U.S. DEPARTMENT OF AGRICULTURE		Single Family Housing Guaranteed Loan Program (SFHGLP) Contacts & Resources	
TOPIC		CONTACT	
File-Specific Questions		Production Team One: SFHGLPONE@usda.gov AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WY, WY	
Information to include in email:		Production Team Two: SFHGLPTWO@usda.gov AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK	
• Identify the state the application is located; if applicable;		Production Team Three: SFHGLPTHREE@usda.gov CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV	
• Provide applicant's name and USDA borrower ID, if applicable;		Production Team Four: SFHGLPF0UR@usda.gov FL, IN, OH, PA, PR, TN, VA, VI	
• GUS loan number, if applicable			
• Include contact information; and			
• Indicate if you would like a call back (otherwise you will receive an email reply)			
Lender Approval/Recertification		sfhglc.compliance@usda.gov	
Lender Self-Report		sfhglc.lenderpartner@usda.gov	
Program Training		sfhglc.lenderpartner@usda.gov	
Program Marketing & Outreach		sfhglc.lenderpartner@usda.gov	
General Loan Scenario Questions		sfhglc.program@usda.gov	
Loan Policy/Regulation/Handbook		sfhglc.program@usda.gov	
Loan Servicing		sfhglc.servicing@usda.gov	
Technical Issues: GUS		RD.HQ@USDA.GOV	
Technical Issues: e-Authentication		E-Authentication FAQs: (https://www.eauth.usda.gov/eauth/h/usda/faq) E-Authentication Contact Us: (https://www.eauth.usda.gov/eauth/h/usda/contactus)	
Loss Claims		guaranteee.svc@usda.gov	
Monthly & Quarterly Status Reporting		rd.nfaoc.hsb@usda.gov	
GUS User Agreements		rd.nfaoc.hsb@usda.gov	
TOOLS & RESOURCES			
Regulation and Handbook: https://www.rd.usda.gov/resources/details			
Lender Webpage—Turn times, contact information, and helpful links: https://www.rd.usda.gov/page/rfh-guaranteed-lender			
USDA LINC—Training modules, user guides, and more useful resources: https://www.rd.usda.gov/programs-services/lender/usda-linc-training-resource-library			
GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: https://public.govdelivery.com/accounts/USDARD/subscribe/new			

- Users should first look for answers to their questions in the regulation and handbook, but if you still have a question after reviewing your resources, we're here to help.
- All policy and regulation questions regarding the topic we just covered should be sent to our Policy, Analysis, and Communications Branch and
- If you would like to request additional program training, contact our Lender and Partner Activities Branch.



Thank you for supporting the USDA Single Family Housing Guaranteed Loan Program and America's rural homebuyers!



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This will conclude the training module. Thank you and have a great day!