CHAPTER 9: INCOME ANALYSIS
7 CFR 3555.152

9.1 INTRODUCTION

The lender is responsible for ensuring that applicants meet eligibility criteria for the SFHGLP. One very important criterion is income eligibility. Income information is used to determine eligibility, to calculate the applicant's ability to repay a loan, and to determine the amount of the loan. This chapter provides guidance for verifying and calculating income for these purposes. Section 1 covers qualifying income, which is the income that determines eligibility for participants in the program. Section 2 covers repayment income, which represents the stable and dependable income available to repay the mortgage and other debts. It remains the lender's responsibility to document the applicants qualifying income and support their calculation. Lenders must support their inclusion of certain types of income in the repayment income calculation. This chapter applies to both manually underwritten loans and loans utilizing the assistance of the Agency's automated underwriting system.

Four income definitions are used:

Annual Income. The income of all adult household members;

Adjusted Annual Income. The household's annual income minus certain qualified household deductions;

Qualifying Income. Adjusted annual income compared to established income limits to determine eligibility of the household for the SFHGLP: and

Repayment Income. The stable and dependable income used to calculate debt ratios and determine whether the applicant(s) can afford the home.

SECTION 1: QUALIFYING INCOME

9.2 OVERVIEW

The SFHGLP is intended to assist very-low, low- and moderate-income households. Therefore, the lender must ensure that any applicant for which it requests a loan guarantee has an adjusted annual income that does not exceed the applicable moderate-income limit at the time the request for guarantee is made. Any applicant at or falling below the established moderate-income level is eligible. For administrative reporting purposes the Agency monitors the degree of assistance provided to low-income applicants. The Agency provides income information as shown in Appendix 5 of this Handbook to lenders and updates the limits whenever they are revised.

This section describes how the lender must calculate annual household income, how assets must be included in that calculation, and how adjusted income is calculated based on annual income. It outlines the expectations of the verification records and supportive documentation required of a lender's permanent file by income type. Attachment 9-A of this Chapter provides a sample worksheet to help lenders with these calculations, and Attachment 9-B of this Chapter provides a case study illustrating the key principles outlined in this section. A public website is available to assist in the calculation of program eligible income. The site is located at: http://eligibility.sc.egov.usda.gov/eligibility/.

9.3 ANNUAL INCOME [7 CFR 3555.10]

Annual income is used as the basis for computing adjusted annual income and is based on anticipated income for the coming year. Income from all adult household members, not just parties to the note, must be considered when computing annual income. This income calculation is utilized to determine the eligibility of the household for the SFHGLP. This paragraph provides additional information to help the lender calculate annual income properly.

A. Income that is Never Counted

The following income is never counted as annual income:

- Income received by live-in aides, regardless of whether the live-in aide is paid by the family or a social service program. Family members cannot be considered live-in aides unless they are being paid by a health agency and have an address, other than a post office box, elsewhere.

- Earned income of a minor. There is an exception for earned income from a spouse who is a minor or unearned income attributable to a minor, such as child support, Temporary Assistance for Needy Families (TANF) payments, and other benefits paid on behalf of a minor.

- Employer provided fringe benefit packages, even if displayed on the applicants' pay statements, are not considered in annual income unless reported as taxable income to the Internal Revenue Service (IRS).

- Amounts granted for, or in reimbursement of, the cost of medical expenses.

- Earnings of full-time students 18 years of age, or older, in excess of $480 unless a spouse or head of household.

- Reparation payments paid by a foreign government arising out of the Holocaust. If any applicant for an Agency loan was deemed ineligible because the applicant's income exceeded the low-income limit because of the applicant's Nazi persecution benefits, the Approval Official Loan should notify the applicant to reapply for a loan.

- Temporary, nonrecurring, or sporadic income (including gifts).

- Lump sum additions to family assets such as inheritances; capital gains, insurance payments under health, accident, or worker's compensation policies; settlements for personal or property losses; and deferred periodic payments of supplemental social security income and Social Security benefits received in a lump sum.

- Any earned income tax credit.

- Adoption assistance payments in excess of $480 per adopted child.

- Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling.

- Amounts paid by State agency to a family with a developmentally disabled family member living at home to offset the cost of services and equipment needed to keep the developmentally disabled family member at home.

- The full amount of any student financial aid received by household members.

- Deferred periodic payments of supplemental security income and Social Security benefits that are received in a lump sum amount or in prospective monthly amounts.

- Special-Purpose Payments. These are payments made to the applicant's household that would be discontinued if not spent for a specific purpose. Payments which are intended to defray specific expenses of an unusual nature and which are expended solely for those expenses should not be considered as income. Examples include, but are not necessarily limited to, the following:

    - Medical Expenses. Funds provided by a charitable organization to defray medical expenses, to the extent to which they are actually spent to meet those expenses.

  - Supplemental Nutrition Assistance Program (SNAP) (formerly the Food Stamp Program).

  - Income received for the care of foster children or foster adults who live in the household.

- The amount of Section 8 housing vouchers.

- Amounts received by any family member participating in programs under the Workforce Investment Act of 1998 (29 U.S.C. 2931):
  - Amounts received by a person with a disability that are disregarded for a limited time for purposes of Supplemental Security Income eligibility and benefits because they are set aside for use under a Plan to Attain Self-Sufficiency (PASS).
  - Amounts received by a participant in other publicly assisted programs which are specifically for or in reimbursement of out-of-pocket expenses incurred (special equipment, clothing, transportation, child care, etc.) and which are made solely to allow participation in a specific program.
  - Incremental earnings and benefits resulting to any family members from participation in qualifying State or local employment training programs (including training programs not affiliated with a local government) and training of a family member as resident management staff. Amounts excluded by this provision must be received under employment training programs with clearly defined goals and objectives, and are excluded only for the period during which the family participates in the employment training program.
  - Allowances, earnings and payments to AmeriCorps participants under the National and Community Service Act of 1990 (42 E.S.C. 12637{d}).

- Payments received on reverse amortization mortgages (these payments are considered a drawdown on the applicant's assets).

- Any amount of crime victim compensation received through crime victim assistance (or payment or reimbursement of the cost of such assistance) because of the commission of a crime against the applicant under the Victims of Crime Act (42U.S.C. 10602).

- Any allowance paid under 38 U.S.C. 1805 to a child suffering from spina bifida who is the child of a Vietnam veteran.

- Payments by the Indian Claims Commission to the Confederated Tribes and Bands of Yakima Indian Nation or the Apache Tribe of Mescalero Reservation (Pub. L. 95-433).

- Housing assistance payment (HAP) (HUD'S Housing Choice Voucher Homeownership Program, sometimes referred to as Section 8 for Homeownership). The HAP is not included in the household's annual income for the purpose of determining the income category in which the household falls or determining payment assistance.

- Any other revenue exempted by a Federal statute, a detailed list can be viewed in Attachment 9-C of this Chapter.

B. Projecting Annual Income for a 12-Month Period

The calculation of annual income is used to determine an applicant's eligibility for the SFHGLP. Income received by the applicant and all adult members of the household is considered in the calculation of annual income. Annual income is the first step in determining program eligible income. Paragraph 9.5 discusses the calculation of adjusted annual income in determining program eligibility of the household. The calculation of annual income may differ from repayment income. Repayment income is based upon stable and dependable income of the applicants only.

Income Sources Considered for Annual Income. Current income and family circumstances should be used to estimate the household's annual income over the coming 12 months, unless there is verifiable evidence of a likely change in circumstances or historical data does not support current income. For annual income, consider income that is attributable to any household member.

- Use the gross amount, before any payroll deductions, of base wages and salaries, overtime pay, commissions, fees, tips, bonuses, housing allowances and other compensations for personal services of all adult members of the household. If a cost of living allowance or a proposed increase in income has been estimated to take place on or before loan approval, it will be included in the annual income calculation to determine household eligibility for the SFHGLP.

- For the annual income calculation, count only the first $480 of earned income from adult full-time students who are not the applicant, co-applicant, or spouse.

- The income of an applicant's spouse, unless the spouse has been living apart from the applicant for at least 3 months (for reasons other than military or work assignment), or court proceedings for divorce or legal separation have been commenced will be included in the calculation of annual income.

- The net income from the operation of a farm, business, or profession. The following provisions apply:
  - Expenditures for business or farm expansion, capital improvements, or payments of principal on capital indebtedness shall not be used as deductions in determining income. A deduction is allowed in the manner prescribed by Internal Revenue Service (IRS) regulations only for interest paid in amortizing capital indebtedness.
  - Farm and non-farm business losses are considered "0" in determining annual income. A negative amount must **not** be used to offset other family income.
  - A deduction, based on straight line depreciation, is allowed in the manner prescribed by IRS regulations for the exhaustion, wear and tear, and obsolescence of depreciable property used in the operation of a farm, business, or profession by a member of the household. The deduction must be based on an itemized schedule showing the amount of straight-line depreciation.
- Any withdrawal of cash or assets from the operation of a farm, business, or profession, or salaries or other amounts distributed to family members from the farm, business, or profession, will be included in income, except to the extent the withdrawal is for reimbursement of cash or assets invested in the operation by a member of the household.
- A deduction is allowed for verified business expenses, such as lodging, meals, and fuel, for business trips made by salaried employees, such as long-distance truck drivers, who must meet these expenses without reimbursement.
- For home-based operations such as child care, product sales, and the production of crafts, housing related expenses for the property being financed such as mortgage interest, real estate taxes, and insurance, which may be claimed as business expense deductions for income tax purposes, will not be deducted from annual income.
- Interest, dividends, and other net income of any kind from real or personal property, including:
  - The share received by adult members of the household from income distributed from a trust fund.
  - Any withdrawal of cash or assets from an investment except to the extent the withdrawal is reimbursement of cash or assets invested by a member of the household.

    - Where the household has net family assets in excess of $5,000, the greater of the actual income derived from all net family assets or a percentage of the value of assets based on the current passbook savings rate.
- The full amount of periodic payments received from Social Security (including Social Security received by adults on behalf of minors or by minors intended for their own support), annuities, insurance policies, retirement funds, pensions, disability or death benefits, and other similar types of periodic receipts. However, deferred periodic amounts from supplemental income and social security benefits that are received in a lump sum amount or in prospective monthly amounts are not counted.
- Payments in lieu of earnings, such as unemployment and disability compensation, worker's compensation, and severance pay.
- Public assistance unless excluded by law**.**
- Periodic allowances, such as:
    - Alimony and child support awarded by the court in a divorce decree or separation agreement unless the applicant certifies the payments are not received, and the applicant provides documentation that he or she has taken all reasonable legal actions to collect amounts due, including filing with the appropriate courts or agencies responsible for enforcing payment; or
    - Recurring monetary gifts or contributions from an organization or person who is not a member of the household.
- All regular pay, special pay (except for persons exposed to hostile fire), and allowances of a member of the armed forces who is the applicant or spouse, whether or not that family member lives in the home.

<u>Calculation of Annual Income</u>. Historical data may be utilized to project annual income in certain circumstances. For example, if one of the household members works overtime in the winter, but the income is being verified in the summer, historical overtime may be used to determine annual income. Historical information may also be used to estimate annual income that is anticipated to be received for less than 12 months. For example, if one of the household members is a seasonal worker, the income attributable to that worker should be based upon past history, rather than annualizing current income.

For example, assume a family member who currently has no income, historically has seasonal income during the summer months and earnings on the average of $4,000 during that time. Confirm with the applicant and employer that the same seasonable pattern is expected and use historical data to project the annual income for the coming 12 months.

If any adult member of the household is not presently employed but there is a recent history of such employment, that person's income will be considered in the calculation of annual household income. If the person involved is not presently employed and does not intend to resume employment in the foreseeable future, or if interest assistance is involved (See Appendix 6), during the term of the Interest Assistance Agreement, the applicant(s) and the person involved must sign a statement to such. The statement will be filed in the permanent loan file.

Once the income source is verified, the lender must project the expected income from this source for the next 12 months. This calculation is used only to determine the household eligibility for the SFHGLP. This calculation does not necessarily represent stable and dependable income for qualifying the loan. This projection should be based on a comparison and analysis of the figures derived to establish earning trends and avoid underestimating annual income for the household. The calculation of annual income must be the most representative of income likely to be received during the next 12 months. Conservatively selecting the lowest projected income figure without analysis is not acceptable. The following methods represent examples of calculating annual income. Regardless of the method utilized, the lender's mortgage file must contain written documentation on how the lender calculated annual income.

Income Type	Definition of Income	Example Guidance	Example Calculation
Straight Income	**Straight** is based upon the benefit or wage amount and converted to the annual equivalent.	An example of an employed applicant who is paid hourly and works 40 hours per week would be derived by multiplying the hourly wage by 2080 hours (for part-time employment use anticipated annual hours). If paid weekly, the weekly wage is multiplied by 52 weeks. Bi-weekly paid employee's wages are multiplied by 26 weeks and a monthly wage multiplied by 12 months.	For example: $20/hour x 2080 hours per year (40 hours/week x 52 weeks/year) = $41,600. Overtime paid at $30/hour x 50 hours/year = $1,500. Total wages in this example: $43,100.
Average Income	**Average** the income reported on the benefit statements or pay stubs for the last 30 days and covert to the annual equivalent.	An example of an applicant who is paid monthly each and every month the exact amount.	For example: The gross income received in the past 30 days is $5,192 as verified by pay stubs. Multiply $5,192 by 12 to arrive at the annual income of the household. $5,192 x 12 = $62,304.
Year-to-date (YTD)	**Year-to-date (YTD)** gross earnings divided by the YTD interval, which is the number of calendar days elapsed between January 1 of the current year and the last date of the most recent income verification, multiplied by 365.	The YTD interval should be closely examined to determine the appropriateness of this method. Lenders should not use this method if the earning activity during the YTD interval is insufficient to make an annual projection or does not reflect the likely earning	For example: The applicant worked 230 days to date (e.g. August 18) and income earned during that time period is $40,000. Divide $40,000 by 230 days; arrive at $173.91/day, then multiply by 365 to

		activity for the period outside the YTD interval (the time between the last date covered by the most recent income verification and December 31 of the current year).	arrive at the annual income of $63,477.15.
Historical Income	**Historical** income as reported on the previous year's tax return is used.	Consider the time of year and the reasonableness of this approach. For example, if the income documentation submitted is for January of the current calendar year, the historical data from the previous year may be utilized.	For example: The date is January 15. The most representative income for the applicant is the previous 12 months. The applicant earned $60,000, in the previous tax year. The applicant worked all year. The anticipated annual income for the ensuing year is $60,000.

C. Income of Temporarily Absent Family Members

Household members may be temporarily absent from the household for a variety of reasons, such as temporary employment or students who live away from home during the school year. The income of these household members is considered when computing annual income, except that for full-time students only the first $480 of earnings is counted.

A student is considered a member of the household if either of the following conditions is met:

- The student lives or proposes to live in the dwelling at any time during the coming 12 months; or
- The property is listed as the student's permanent address.

If the absent person is not considered a member of the household and is not a party to the note, the lender must not count that individual's income when calculating annual income, must not consider that person when determining deductions for adjusted annual income, and must not consider that individual as a family member when determining which income limit to use.

D. Applicant Assets

Assets are also included in the calculation of annual income. The method in which assets are counted in annual income is described in Paragraph 9.4.

E. Verification Requirements

The applicant must provide the income, expense, and household information needed to enable the lender to make income determinations. Lenders must verify income information provided by the applicant. Written or oral verifications provided by third-party sources or documents prepared by third-party sources are acceptable. Oral verifications, or re-verifications, must be documented in the loan applicant's file, including the date the verification was obtained, the name of the source, and the name of the lender employee conducting the review. Facsimiles, photocopies, computer images and computer-generated documents may be used instead of original forms. The lender is responsible for the integrity and accuracy of the information in the mortgage underwriting file. Regardless of the type of documentation used to support the loan application, the documents must be legible and free of any alternations, erasures, "white-outs," or similar indications that changes have been made.

Eligibility for the SFHGLP through the calculation of annual income is based upon all income received in the household, regardless if the adult household member is a party to the loan transaction. To accurately determine annual income for the household, the lender must also verify income from adult members of the household who do not intend to be a party to the note in addition to those members requesting the mortgage loan. To validate income documentation and disclosure provided by the applicant's and other adult household members that will reside in the home, Lenders will require each adult member of the household to complete and execute IRS Form 4506-T (or comparable IRS form) for the previous two years at the time of loan application. Validation from IRS must be received prior to request for Conditional Commitment for Loan Note Guarantee as further noted in this section. *The information received from the IRS is not intended to document income, but to validate the income documentation and disclosures provided by the applicant(s) and adult members of the household.*

Verification and documentation of household annual income will be retained in the lender's permanent case file. It may be supported by any method noted below. Credit documents, regardless of documentation method selected below cannot be greater than 120 days old at time of loan closing. Exceptions include divorce decrees and income tax returns which are typically unaffected by time. Lenders will verify the income for each adult household member, for the previous 2 years, prior to loan application. The documents must not contain any alternations, erasures, correction fluid, or correction tape. Household annual income, together with eligible adjustments outlined below determines eligibility for the SFHGLP.

1. Full Documentation

When utilizing full documentation, the file must contain the following, as applicable:

Employment Income. *Form RD 1910-5, "Request for Verification of Employment*" or its equivalent HUD, VA, Fannie Mae or Freddie Mac form to verify the applicant's current, year-to-date, and previous year's employment earnings. Employment income may include base income, overtime, bonus, commissions or other income earned. The most recent paycheck stubs will be obtained directly from the applicant to support or clarify income information provided. The paycheck stub must clearly indicate that the applicant is the employee and reflect year to date (YTD) earnings. If the documentation is from a third-party, such as an employer verification of income, it must be provided directly to the lender.

Bonus, Commission or Overtime Income. For employment income that includes bonus, commission or overtime, lenders must consider the previous history of these income types from the same employer (or same line of work) together with the employment verification of continuance when calculating annual income.

Employee Differential Payments/Housing Allowances. Include this type of payments as gross income when calculating annual income.

- **Automobile/Expense Allowance/Per Diem.** If the allowance/reimbursement is shown on the earnings statement as "gross earnings" it must be included in the annual income calculation.

- **Unreimbursed Employee Expenses.** The amount of unreimbursed employee expenses will be deducted from the calculation of annual income when supported on IRS Form 2106, "Employee Business Expenses." The sum of columns A and B on Line 8 of the form represent the total amount expensed personally by the employee.

Military Income. Pay allowances and other types of income should be included in the calculation of annual income when there is a history of receipt and will continue to be paid. The hazardous duty pay to a service person exposed to hostile fire will not be included in the calculation of annual income.

Self-Employed Income. Self-employed income will be verified with two consecutive years of signed Federal income tax returns filed with the IRS including all applicable attached schedules. Signed business tax returns for the most recent two years with all applicable schedules, year-to-date profit and loss and balance statements are required, but are not required to be audited. As an alternative, the lender may obtain IRS-issued transcripts of the applicant's tax returns, as long as the transcripts include the information from all applicable schedules. In all cases, the lender must obtain sufficient documentation to support their determination of income. The lender is encouraged to utilize Fannie Mae Form 1084, "Cash Flow Analysis" and Fannie Mae Form 1088, "Comparative Income Analysis" to document a trend analysis for the applicant's business. A business with a loss will be considered zero for the annual income calculation.

Non-employed Income. A copy of the most recent award letter, pension statement IRS 1099, verification through individual federal income tax returns for the most recent tax year or other appropriate documents for, other non-employed income. Documentation must be dated within the last 12 months. Examples of other income types can include alimony/child support, pension/retirement income, social security/disability income, trust income, notes receivable, etc.

- **Unemployment Income**. Unemployment compensation must be computed as the estimated amount for the upcoming 12 months with consideration to the history of this income type for the previous 12 months.

- **Retirement Income**. Retirement payments that have a history of receipt and will continue for the next 12 months will be included in the annual income calculation.

- **Public Assistance Income.** A copy of the most recent award or benefit letter for public assistance. Documentation must be dated within the last 12 months.

- **Child Support or Alimony Income.** A copy of the divorce decree, separation agreement or other document indicating the amount of required alimony or child support payments. Obtain proof of receipt of payments from one of the following: Court payment records or cancelled checks or bank statements clearly showing the deposit for the subject income. If an applicant who is separated does not have a separation agreement that specifies alimony or child support payments, the lender should consider any voluntary payment that is reoccurring for qualifying the household for the SFHGLP. Alternatively, if the court ordered payments are not received for an extended period of time and a reasonable effort has been made by the applicant to collect them through the official entity responsible for enforcing such payments, court ordered payments may be excluded from the annual income calculation. It remains the lenders responsibility to document the permanent loan file with the evidence to support excluding court ordered payments.

Interest on Liquid Depository Accounts Asset Income. *Form RD 1944-62, "Request for Verification of Deposit (VOD)"* or similar form acceptable to investors to verify liquid assets of the applicant(s). Examples of liquid assets could include checking accounts, savings accounts, certificate of deposit and/or money market accounts held by the applicant(s). When utilizing the direct verification method, the lender must send the request form directly to the applicant's depositories or account holders.

As an alternative to obtaining a written VOD, the lender may verify assets by obtaining the most recent two consecutive monthly bank statements provided the statements are reflective of the previous month's balance. Assets will be calculated by a two month average balance. The purpose of this calculation is to determine cash reserves.

Banks calculate the average monthly balance by adding together each daily closing account balance throughout the month. The sum of the daily account balances are divided by the number of days in the month. For example, if the daily account balances is $1,345, which is divided by 30 for the number of days in April, the average monthly balance is $48.33. In lieu of this calculation, lenders may utilize the lowest ending daily balance on a given day of each month and divide by 2 to obtain the average monthly balance. Take into consideration overdrafts and insufficient fund fees (NSF) as this day would represent zero.

See Paragraph 9.4 of this Chapter for additional guidance on household assets.

Net Family Assets Income. Documentation of income from net family assets in accordance with 7 CFR 3555.152(d), must be included in the calculation of annual income. Lenders utilizing the Agency's automated underwriting system, GUS, will verify and document assets as part of the annual income calculation to determine the eligibility of the household. Income derived from assets, in accordance with 7 CFR 3555.152(d), will appear on the *Eligibility* page of GUS. Assets are not required to be populated on the *Assets and Liabilities* page of GUS. If populated, the lender is representing they have confirmed assets of the amount input have been verified in accordance with this Chapter. See Paragraph 9.4 of this Chapter for calculation and documentation of income from net family assets.

- **Seasonal Employment Income.** Seasonal employment must be supported with the most recent two year history of Federal income tax returns, W-2's and/or 1099 statements.

- **Rental Income**. Refer to Paragraph 8.2 of Chapter 8 for eligibility and documentation standards for applicants who retain a rental.

- **Other Income.** Unemployment benefits, disability and Worker's Compensation must be supported with the most recent award or benefit letter prepared and signed by the authorizing agency to verify the non-employment income. Computed annual income will be the estimated amount for the upcoming 12 months with consideration to the history of this type of income for the previous 12 months. Certain types of income are not considered in the calculation of annual income. Refer 7 CFR 3555.152(b) (5) for additional information on excluded other income.

- **Verification of Gifts**. Document through an executed gift donor letter; obtain proof of transfer from the donor to the applicant by obtaining a copy of the canceled check or other withdrawal document showing the withdrawal is from the donor's personal account, along with the homebuyer's deposit slip or bank statement that indicates the deposit. Establish the gift **does not** have to be repaid. Funds may be provided by the applicant's relative, employer or labor union, charitable organization, or government agency/public entity that has a program to provide homeownership assistance to low and moderate income applicants. Funds received from non-profit entities may not be used to pay installment loans, credit cards, collections, judgments, or other similar debts of the applicant. To the greatest extent possible, the donor must be able to furnish conclusive evidence that the funds given to the homebuyer came from the donor's own funds, and were not provided directly or indirectly by the seller, real estate agent, builder, or any other entity with an interest in the sales transaction.

  Gift funds in applicant's bank account at time of loan application. Document the transfer of the funds from the donor to the homebuyer by obtaining a copy of the canceled check or other withdrawal document showing that the funds are from the donor's account. Evidence the homebuyer deposited the gift into their personal account is required.

Gift funds provided at loan closing. If the gift funds are not verified in the applicant's account at time of application and the transfer occurs at closing, the lender remains responsible for obtaining verification that the closing agent received funds from the donor for the amount of the purported gift and that the funds came from an acceptable source. Acceptable documentation includes 1) if the transfer of funds is by certified check, obtain a bank statement to document the withdrawal from the donor's account with a copy of the certified check or 2) if the transfer of gift funds is from a donor purchased cashier's check, money order, official check or bank check – obtain a withdrawal document or canceled check for the amount of the gift to evidence the funds came from the donor's personal account or 3) if the transfer of funds was via a wire transfer, obtain a wire transfer confirmation to verify the settlement agent received the funds from the donor for the amount of gift. "Cash on hand" is not an acceptable source of funds.

Gift funds should be reflected on the application as a separate entry to the applicant's depository account(s). Gift funds should not be reflected in applicant's depository account balances. Gift funds will not be considered as cash reserves or a compensating factor in the underwriting decision.

Once gift funds are documented, verified and received, for the purposes of loan settlement, gift funds are considered the applicant's personal funds. Any excess funds at settlement that represent gift funds contributed may be returned to the applicant.

The following additional documentation is required to qualify the applicant for program eligibility in the calculation of adjusted annual income:

- **<u>Child Care.</u>** Documentation of reasonable anticipated child care expenses for the ensuing 12 months. Documentation can be obtained from the provider, or supported by receipts, income tax returns, etc. Third party verifications provided by a licensed childcare facility or provider on official letterhead are acceptable when the document includes the name of the child enrolled, the date of enrollment, the monthly payment due, and payment history. Letters prepared by relatives or private individuals must include the same information as a third party verification and must include evidence of payments made (i.e. canceled checks, money order receipts, bank statements, etc.) Applicants who have not yet placed their child into care or have no evidence to support payments made will be unable to qualify for this deduction. Child support payments or private school tuition (kindergarten through minor children up to 12 years of age) paid by an applicant are not eligible child care expenses. With qualifying documentation, reasonable child care can be deducted as long as it enables a family member to work, to actively seek work, or to further a member's education as long as they are not reimbursed or paid by another source and the minor is 12 years of age or under. The childcare provider cannot be a household member. The deduction cannot exceed the amount of income, including the value of any health benefits, earned by the family member enabled to work. To qualify for the deduction, the applicant must 1) identify the children receiving child care and the family member who can work or go to school as a result of the care; 2) demonstrate there is no adult household member available to care for the children; 3) identify the child care provider, hours of care provided and costs; and identify the educational institution and provide documentation of enrollment (if appropriate). Attachment 9G to this chapter provides a sample format for requesting childcare information.

- **Dependent Documentation**. Documentation from the school that a dependent over the age of 18, who resides in the household as their primary residence, is enrolled as a full-time student. This type of documentation allows a deduction to annual income for a dependent meeting these criteria.

  Unborn children are not household members. If it is unclear if a household member may claim a minor child as a household member and for the purpose of a dependent deduction, IRS Publication No. 502 considers the custodial parent as the one authorized to claim the dependent on a Federal income tax return. Lenders may validate the household member is authorized to claim as a dependent by supporting their permanent file with a divorce decree, custody agreement and/or a Federal income tax return.

- **Disability.** *Form RD 1944-4, "Certification of Disability or Handicap"* to verify a disability or other evidence that supports a member of the household has a disability. Evidence of other documentation can be receipts, copies of billing statements, invoices, or other written documentation supporting the expenses. Documentation of reasonable expenses related to the care of household members that allow a family member or the individual with disabilities to work, to actively seek work, or to further a member's education as long as the expenses are not reimbursed from insurance or another source and represent in excess of 3 percent of the household's annual income and do not exceed the amount of earned income of the person able to work. A deduction to annual income for disability expenses is only applicable to disabled households as further explained in Paragraph 9.5 of this Chapter; and

- **Medical Expenses**. Documentation of medical expenses anticipated to be incurred over the ensuing 12 months, as necessary. Documentation can be in the form of receipts, billing statements, or evidence of payment, etc. Consider only the portion in excess of 3% of the annual income that was not reimbursed by

Medicare or insurance. Some examples of medical expenses are hospital, doctor, dentist, prescriptions, etc. A deduction to annual income for medical expenses is only applicable to elderly or disabled households as further explained in Paragraph 9.5 of this Chapter.

2. Alternative Documentation

When utilizing this form of documentation, the lender's permanent file must contain the following for employed applicants and/or adult household members. Alternative documentation does not apply to self-employed applicants:

- W-2 forms for the previous two tax years which may be obtained directly from the applicant and must clearly identify the applicant as the employee; and

- Paycheck stubs or payroll earnings statements covering the most recent 30 day period, which show the applicant's gross earnings for both the most recent pay period and year-to-date. If these documents are obtained directly from the applicant, the document must clearly identify the employee by name and/or social security number, the employer's name and source of information; and

- An oral verification from the current employer. This must be substantiated by a written document prepared by a representative or employee of the lender that includes the name, address, and phone number of the employer, the name and title of the person contacted, the applicant's name, date of employment and present position, probability of continued employment, amount of current base pay, amount of other income such as overtime, bonus, commissions, etc… likelihood that the level of current earnings will continue and the lender's signature and date verified. Some employers will not release certain detailed information over the telephone, for example, amount of current earnings. This is acceptable provided the paycheck stubs or payroll earnings statements contain this information. The oral verification can also be used to supplement the full documentation verification when the written documentation is not clear or incomplete.

3. Electronic Verifications of Employment

Employers may provide electronic access to employment and income verification information, and there are several companies that obtain information directly from participating employers in order to provide lenders with employee and income verifications. When utilizing this form of documentation, the automated verification must provide essentially the same detailed employment and income information that is obtained using the full documentation employment verification form, including year-to-date and previous year's pay history. All verifications must pass directly between the loan originator and the employer. The file must contain the following:

- Electronic verification or other computer-generated documents accessed and printed from an Intranet or Internet. The electronic verification or other computer-generated document accessed and printed must cover the most recent pay period as of the date the initial loan application is made; clearly identify the applicant as the employee by name and/or social security number and show the applicant's gross earnings for the most recent 30-day period and year-to-date; and

- W-2 forms for the previous two tax years which may be obtained directly from the applicant and must clearly identify the applicant as the employee.

4. Expiration of Credit Documents

Credit documents utilized to qualify the applicant(s) must be no more than 120 days old on the date the note is signed. When the age of documents is greater than allowed, the lender must obtain updated verifications that support the applicants continued eligibility. Credit documents represent the loan application package, including the applicant's loan application, forms used to verify an applicant's employment, income, assets, credit report, etc.

Prior to loan closing, lenders are required to obtain a verbal verification of employment for all salaried applicants within 10 business days (prior to the note date). Lenders will confirm with a third party source the existence of an applicant's business no more than 30 calendar days prior to the note date for self-employed applicants. Acceptable third party sources include, but are not limited to, a regulatory agency, the phone directory, the internet directory assistance or the applicable licensing bureau. A verbal verification of the existence of the business will require the lender to document the name and address of the business and the date the information was verified and name and title of who obtained the verification. Documentation to support this step will be retained in the lender's permanent loan file.

5. Use of Documents Handled by Third Parties

Lenders may not accept or use documents relating to the credit, employment or income of borrowers that have been handled by, or transmitted from or through the equipment of interested third parties such as: real estate agents, builders, or sellers.

6. Validation of Household Income

Lenders must require each adult member of the household (regardless of income source) to complete and sign IRS Form 4506-T (or comparable IRS form) for the previous two tax years at the time of loan application. IRS Form 4506-T is an efficient method for lenders to receive and validate a household member's income tax information electronically.

Transcripts available through submission of IRS Form 4506-T include the 1040 U.S. Individual Income Tax Return, W-2 Wage & Tax Statement, 1099 Dividends/Interest, Miscellaneous Income, Government Payments, Cancellation of Debt, etc. along with other tax series forms. Lenders must determine what transcripts are necessary to validate the household income of applicants.

Guaranteed loans cannot be made to household's that exceed the applicable adjusted annual income limits. The transcripts provide an excellent quality control check for lender's to ensure all income and asset earnings reported to the IRS from all adult household members has been disclosed.

IRS transcripts will assist lenders to validate applicant and adult household income and assets for many common circumstances that may include but are not limited to:

- Accuracy of an applicant's income and tax documentation.
- Accuracy of an applicant's Social Security number.
- Combat mortgage fraud.
- Single loan applicants that previously filed a joint tax return.
- Applicant's that have changed jobs/current line of work.
- Recent promotions.
- Compensation structure changes (base to commission, salary versus hourly).
- Bonus or overtime compensation that is being received now, but has not in the past.
- Undisclosed net family assets earning interest.
- Undisclosed self-employment or part-time employment.
- Applicant or household members that do not earn enough income to require the filing of a federal tax return.

If the IRS transcripts reveal additional income or asset sources that were not previously disclosed, the lender must follow up and verify these income sources. Any discrepancies noted in the IRS returned transcripts must be documented in the lender's permanent loan case file.

Documentation. Lenders must have the information returned from the IRS prior to submission of a request for a conditional commitment for loan note guarantee. This could include a "no record" result when a member of the household did not file a tax return for the year(s) requested.

Rejected files from the IRS are often a result of incomplete, illegible forms, or miss matched information when ordering the tax transcript. Lenders are reminded the form must be fully completed and accurate to avoid rejection.

When the lender is unsuccessful in obtaining the transcripts themselves, the Agency permits the following alternative method to validating household income in limited situations. This method is typically utilized when the automated return message from IRS is due to "limitations". This type of message usually indicates the tax payer's tax return transcript has been flagged by IRS due to possible identity theft.

1. Lender must retain evidence IRS could not fulfill their online request in the permanent loan file.

2. The applicant may order their own transcripts and deliver them to the lender.

3. All schedules must be requested by the applicant for the previous two tax years. If the applicant has not filed the previous tax year, request the two years previous to the most recent tax filing year and support the most recent tax filing year with verification of previous year earnings, together with current income verifications as noted in 7 CFR 3555, § 3555.152 and HB-1-3555 Chapter 9 at Paragraph 9.3.C.

IRS transcripts and further supportive documentation regarding discrepancies must be submitted to the Agency as part of a complete loan file for all manually underwritten loans and GUS loans that receive a "Refer" or "Refer with Caution" underwriting recommendation as further outlined in Chapter 15 of this Handbook. GUS loans that receive an "Accept" underwriting recommendation may retain the transcripts in the lender's permanent loan case file.

9.4 CALCULATING INCOME FROM ASSETS [7 CFR 3555.10(d)]

Assets may influence the calculation of annual income when qualifying the household for eligibility of the program. Assets may also influence the underwriting determination when qualifying the loan. This paragraph outlines the types of assets that will be considered in the annual income calculation, those that can be excluded from the annual income calculation and the documentation requirements to support each type.

For the purpose of computing annual income, the assets of all household members are considered. This paragraph explains the difference between market value and cash value, outlines two methods of calculating the assets' contributions to annual income, and describes the procedures the lender must use to account for assets disposed of for less than fair market value.

Many types of assets generate income that must be included in the calculation of annual income. Applicants must provide information about assets at the time of loan application. The lender may collect this information in any format. Agency forms can be used to verify assets, however, equivalent forms or other types of documentation may be used if they provide all of the essential information that is required by the Agency's forms contained in Appendix 2. As an option, the lender may utilize Attachments to this Chapter to verify income and expenses of the applicant's household.

A. Non-Retirement Assets that Must be Considered

- Cash on hand and funds in savings or checking accounts. Obtain the average two month balance of accounts of the two most recent consecutive monthly bank statements reflecting the previous month's balance. Lenders must review documentation for evidence of any additional household income. Large deposits may indicate additional income as well as the incurrence of recent debt by the applicant to obtain cash investment on the property being purchased. Review unusual deposits that are not consistent with previous history to determine the source and reoccurrence of funds. Refer to Paragraph 9.3 for documentation of assets;

- Earnest money deposit on the sales contract can be considered an asset if the deposit is not already reflected in a liquid asset account. If the funds have cleared the applicant's account, place the amount as an "Other Credit" in Section VII of the mortgage loan application. For GUS transactions, lenders should only enter the earnest money one time on either the "Asset and Liabilities" section or at the "Transaction Details" page;

- Stocks, bonds, savings certificates, certificates of deposit, money market funds, and other investment accounts. The monthly or quarterly statement provided by the stockbroker or financial institution managing the portfolio may be used to verify the value of these securities. Government issued bonds such as savings bonds are counted at original purchase price, unless eligibility for redemption and redemption value are confirmed. Equity in real property or other capital investments, other than the subject dwelling or site of the loan request. Documentation to support the value of the property or investment and evidence of income received from investments must be obtained. Refer to Section C of this paragraph for guidance on the calculation of contributive annual income from the equity of an investment property. Refer to Paragraph 8.2 of Chapter 8 for the income calculation and documentation standards for applicants who retain a rental property;

- Sales proceeds of real property sold. Obtain a final HUD-1 or equivalent closing statement to indicate cash sales proceeds realized by the applicant. Proceeds from the sale of property should be included in the applicant's liquid assets. Lenders who utilize GUS will enter information regarding the real property sold or pending on the "REO Property Information" section. For properties with a disposition of "Pending Sale," the calculation of "Net Equity" will automatically populate on the "Assets and Liabilities" applicant page. For properties with a disposition of "Sold" on the "REO Property Information" section, the lender must manually enter the "Net Equity" on the "Asset and Liabilities" application page;

- Amounts in trust funds that are available to the household. Obtain a copy of the Trust Agreement or other trustee statement confirming the amount of trust, frequency of payment (if any) and duration of account;

- Income from assets disposed of for less than fair market value during the two years preceding the determination of annual income. Provide evidence of the items sold and the fair market value. The value of assets disposed of for less than fair market value shall not be considered if they were disposed of as a result of foreclosure, bankruptcy, or a divorce or separation settlement. Refer to Section E of this Paragraph for guidance on the calculation of contributive annual income for assets disposed of for less than fair market value;

- Lump-sum receipts, such as inheritances, capital gains, lottery winnings. Obtain documentation to support the value;

- Cash on hand may be considered an asset. Obtain a written explanation from the applicant as to how the funds were accumulated and the amount of time taken to do so. The lender must consider the applicant's current income stream and time frame taken to accumulate cash on hand as being legitimate. Applicant's that report cash on hand, but also retain depository accounts must be carefully analyzed by the lender; and

- Personal property held as an investment, such as jewelry, stamps, coins, baseball card collections or cars. Provide evidence of the worth of the personal property items.

B. Assets that are not Considered

- Amounts in retirement and pension plans, individual retirement accounts (IRAs), 401(k) plans, and Keogh accounts. Agency staff should note that unlike the Section 502 Direct Loan program, retirement savings are not included in the calculation of assets when determining annual income. Retirement savings that are accessible to the applicant can however be considered a compensating factor for the underwriting decision at the net value for consideration of penalties for early withdrawal. Calculate the asset amount as 60 percent of the vested account balance to allow for withdrawal penalties when utilizing as a compensating factor. Obtain the most recent statement and conditions under which funds may be withdrawn or borrowed. Retirement accounts that restrict withdrawals only in connection with the applicant's employment separation, retirement or death should not be considered as cash reserves;

- Cash value of life insurance policies;

- The value of necessary items of personal property, such as furniture and automobiles;

- Assets that are part of any business, trade, or farming operation in which any member of the household is actively engaged;

- The value of an irrevocable trust fund, or the value of any trust over which no member of the household has control;

- Interests in American Indian restricted land; and

- Any assets on hand that will be used to purchase the property or pay for closing costs.

C. Market and Cash Value

The market value of an asset is simply its dollar value on the open market. For example, the market value of $2,000 in a savings account is $2,000 and the market value of real estate is its appraised value. The cash value of an asset is the market value, less reasonable expenses to convert the asset to cash. The cash value of stock worth $5,000 would be $5,000 less any broker's fee. For example, Mr. Smith has a $10,000 Certificate of Deposit (CD). The account's market value is $10,000. But, in order to withdraw funds from the account, Mr. Smith must pay a withdrawal penalty of $200.00. Therefore the cash value of the CD is $9,800.

The market value is typically the figure most readily available. However, using the cash value to calculate asset income will provide a more realistic estimate of the value of a household's assets.

D. Methods of Calculation

There are two ways to calculate the contribution that household assets make toward annual income. The method used depends on whether the cash value of the asset is greater or less than $5,000.

1. Cash Value of $5,000 or Less

If the cash value of the household's assets is $5,000 or less, the amount of asset income included in the annual income calculation is the actual income the household derives from these assets.

2. Cash Value Over $5,000

If the cash value of the household's total assets is more than $5,000, the amount of asset income included in the annual income calculation is the greater of: (1) the actual income to be derived from the assets; or (2) an imputed income from assets that is calculated by multiplying the total cash value of assets by a local- passbook savings rate as determined and documented by the lender.

For example, Charles and Patty Brown, both ages 40, have applied for a guaranteed loan. The Brown family has the following assets:

- A certificate of deposit of $2,000. It earned 6.8 percent or $136 of interest last year. The estimated cash value after paying penalties is $1,750, after subtracting applicable federal income tax or withdrawal penalties.

- A savings account with $4,000 earning 4 percent annually. The family will put $1,000 from this account toward closing costs. The net value of the savings account is $3,000.

- A two-month average balance of $300 in a non-interest-bearing checking account.

The cash value of the Brown's assets is $5,050 ($1,750 + $3,000 + $300). Since this is greater than $5,000, the lender must use the greater of the actual income or the imputed income to include in the annual income calculation. In this case, the actual income is $256 [$136 from the certificate of deposit ($2,000 x 0.068) + $120 from the interest bearing savings account ($3,000 x 0.04)]. This amount is greater than the imputed income of $202 which is the cash value of the Brown's assets imputed ($5,050 x 0.04).

E. Assets Disposed of for Less than Fair Market Value

Applicants who dispose of assets for less than fair market value have, in essence, voluntarily reduced their ability to afford housing. Therefore, imputed income from assets disposed of for less than fair market value during the two years preceding loan closing must be included in the annual income calculation. The amount to be included in the annual income calculation is the imputed income from the difference between the market value of the asset and the amount that was actually received, if any, in the disposal of the asset.

Assets disposed of for less than fair market value as a result of foreclosure, bankruptcy, divorce, separation, or if the income calculation is being conducted in connection with an annual income review for interest assistance when eligible under the SFHGLP, are not included in this calculation. See Appendix 6 for more information on interest assistance.

9.5 ADJUSTED ANNUAL INCOME [7 CFR 3555.10(c)]

Adjusted annual income is compared with the moderate-income limit for the family's size to determine eligibility for a loan guarantee. Adjusted income is calculated by subtracting any of five deductions below that apply to the household from annual income calculated in Paragraph 9.3 and 9.4 of this Chapter. Not all households are eligible for all deductions. These deductions, household eligibility and documentation requirements are outlined in Paragraph 9.4 and summarized below. The Calculations Worksheet in the case study in Attachment 9-B of this Chapter illustrates the use of these deductions.

A. Dependent Deduction

A deduction from annual income of $480 is made for each household member who qualifies as a dependent and will make the home their principal residence. Dependents are members of the family who are not the head of the household or spouse, and who are ages 17 or younger, a person with a disability, children of divorced parents even if the child lives with the family all or part of the time, or a full-time student.

If it is unclear or if parents share custody of children, a determination as a qualifying dependent deduction for a child who lives in the home part of the time can be made, by the lender, through guidance provided in Internal Revenue Service (IRS) Publication No. 501. IRS considers the custodial parent, the parent authorized to claim the dependent on a Federal Income tax return. A divorce decree, custody agreement and/or Federal income tax returns are documentation evidence the applicant is authorized to claim the dependent.

Documentation from the school indicating that the individual is enrolled on a full-time basis is required for students who are 18 years of age or older. A foster child, an unborn child, a child who has not yet joined the family or a live-in aide may never be counted as a dependent.

B. Child Care Expenses

Reasonable unreimbursed child care expenses for the care of children age 12 and under are deducted from annual income if the care enables a family member to work, actively seek employment, or go to school and if no other adult household member is available to care for the children. If the child care enables a household member to work, the expenses deducted cannot exceed the income earned by that household member. If the child care provider is a household member, the cost of the children's care cannot be deducted.

To qualify for the deduction, the applicant must:

- Identify the children who are receiving child care and the family member who can work, seek employment or go to school (academic or vocational) as a result of the care;

- Demonstrate that there is no adult household member available to care for the children;

- Demonstrate that the child care hours parallel the hours the family member works or goes to school;

- Identify the child care provider, the hours of child care provided, and the costs; and

- If the child care provided enables a family member to go to school, identify the educational institution. The family member need not be a full-time student but the child care hours must parallel the hours the family member goes to school.

Acceptable formats for documenting child care are outlined in Paragraph 9.4 of this Chapter. Child support is a court ordered debt that must be considered as a monthly liability for debt ratio calculations, but does not qualify as a child care expense. Annual child care expenses are not considered a liability in the repayment ratio calculation.

C. Elderly Household Deduction

A single $400 deduction is subtracted from annual income for any elderly household. To be considered an elderly household, the head of household, spouse, or sole member of a family, who is party to the note, must be 62 years of age or older, or a person with a disability.

D. Deduction for the Care of Household Members with Disabilities

Reasonable expenses for the care of a person with disabilities in excess of 3 percent of annual income may be deducted from annual income if the expenses:

- Enable the individual with disabilities or another family member to work;
- Are not reimbursable from insurance or any other source; and
- Do not exceed the amount of earned income included in annual income by the person who is able to work as a result of the care provided.

To qualify for this deduction, applicants must identify the person with a disability. The lender must obtain verification of the individual's disability from the state review board in the state where the applicant resides, the Social Security administration, or a physician or other medical professional. *Form RD 1944-4*, or similar form or documentation acceptable to the industry may be used to request this information.

Typical disability expenses include attendant care to assist an individual with disabilities with activities of daily living directly related to permitting the individual or another family member to work, or special apparatus, such as wheelchairs, ramps, adaptations to vehicles or work place equipment, if directly related to permitting the person with disabilities or another family member to work.

E. Deduction for Medical Expenses (for Elderly Families Only)

Medical expenses may be deducted from annual income for elderly households if the expenses will not be reimbursed by insurance or another source, and when combined with any disability assistance expenses, are in excess of three percent of annual income. The definition of an elderly family can be found at 7 CFR 3555.10.

Typical medical expenses include:

- Services of physicians or other health care providers;
- Services in hospitals or other health care facilities;
- Medical insurance premiums or Medicare premiums;
- Prescription and non-prescription medicine;
- Dental expenses;
- Eyeglasses and eye examinations;
- Medical or health products or apparatus (e.g., hearing aids, wheel chairs, etc.);
- Live-in or periodic medical care (e.g., visiting nurses or care attendants); and
- Periodic payments on accumulated medical bills.

If the elderly household qualifies for the medical expense deduction, expenses of the entire family are considered. For example, if a household included the head (grandmother, age 64), her son (age 37), and her granddaughter (age 6), the medical expenses of all three family members would be considered.

One of the most challenging aspects of determining allowable medical expenses is estimating a household's medical expenses for the coming year. While some anticipated expenses can be documented easily, for example, Medicare or other health insurance premiums and ongoing prescriptions, others need to be estimated. The lender should use historical information about medical bills to estimate future expenses. However, the estimates should be realistic. For example, if the household has a significant medical bill, the lender would count only that portion of the bill that is likely to be paid during the coming year. The lender must document all information used in making the calculation.

9.6 AGENCY REVIEW OF ELIGIBLE HOUSEHOLD INCOME

Agency staff is directed to recalculate the lender's determination of eligible income, as a quality control step, if the lender's adjusted annual income calculation is within 10 percent of the applicable published income limit. The Agency review is applicable to manually underwritten loans. This review will ensure eligible household income calculations are correctly computed and include all applicable income. The recalculation will validate only eligible SFHGLP applicants obtain funding for the SFHGLP. Agency staff will utilize Attachment 9-F to this Chapter to record the Agency's calculation. Attachment 9-F will be imaged with essential documents in the Agency's Imaging Repository.

9.7 DOCUMENTING REPAYMENT INCOME

Repayment income is the amount of the household's income that is available to repay the mortgage loan debt. To compute repayment income, the lender should count only the income of persons who will be parties to the note.

In order for the Agency to confirm that the household is eligible for assistance under the SFHGLP, the lender's file must thoroughly document all relevant information used to make the determination. The lender will certify when making a request for commitment that all supporting documentation is available and that Agency guidelines have been met. For manually underwritten loans, the loan application package forwarded to Rural Development will include copies of income verification documents. Documentation to support the lender's calculations of the repayment income and adjusted annual income, which determines if the household is eligible for a SFHGLP, will be included in all requests for conditional commitment. Attachment 9-A of this Chapter provides for a written analysis of elements utilized in determining household eligibility. The calculation of annual and adjusted household income must be retained as part of the lender's permanent loan file.

9.8 AGENCY REVIEW OF REPAYMENT INCOME

When Agency staff receives an application, they must review the lender's determination of the applicant's eligibility. Agency staff is directed to recalculate the lender's determination of repayment income for manually underwritten loans, during the review process, if the lender's repayment ratios are within 10 percent of the published debt ratio limit found at 7 CFR 3555.151(h). Repayment ratios greater than 26.0 percent principal, interest, taxes and insurance (PITI) and/or greater than 37.0 percent total debt ratio (TD) require Agency staff to recalculate repayment income. This action will strengthen the oversight procedures used by field staff to verify compliance with regulatory requirements. Agency staff will utilize Attachment 9-F to this Chapter to record the Agency's calculation. Attachment 9-F will be imaged with essential documents in the Agency's Imaging.

SECTION 2: REPAYMENT INCOME
[7 CFR 3555.10(b)]

9.9 OVERVIEW

Lenders use repayment income to determine whether applicant(s) have sufficient income to repay the mortgage in addition to other recurring debts. Repayment income often differs from the calculation of annual income and adjusted annual income used to determine if the household is eligible for the SFHGLP. To compute repayment income, the lender must count only the stable and dependable income of persons who will be parties to the note. Co-signers are **not** permitted in a SFHGLP transaction and are not an acceptable source when considering repayment income. The approved lender must use sound underwriting judgment in making this determination. This section provides guidance about the Agency's standards for determining whether income is adequate, dependable, and stable.

9.10 STABLE AND DEPENDABLE INCOME

The anticipated amount of income, and likelihood of its continuance, must be established to determine the applicant's capacity to repay the loan. The determination of stable and dependable income remains the lender's responsibility. GUS does not evaluate the stability and dependability of repayment income in the overall risk evaluation. The lender must determine the history and stability of earnings prior to entering repayment income into GUS. Repayment income often differs from the annual income and adjusted income calculations that determine program eligibility.

Income from any source that cannot be verified, is not stable, or will not continue, must not be used in calculating the applicant's repayment income. Stable monthly income is the applicant's verified gross monthly income from all acceptable and verifiable sources that can reasonably be expected to continue for at least the next three years. For each income source used to qualify the applicant(s), the lender must determine both the source and the amount of the income are stable. The determination of stable and dependable income remains the lender's responsibility.

There is no minimum length of time an applicant must have held a position to consider employment income as dependable. Many low and moderate-income applicants change jobs frequently due to the nature of the employment available. Applicants in this situation should not be penalized for frequent changes in jobs within the same line of work if, despite the changes, income continuity has been maintained and the income amount has remained at a consistent level. However, the lender must verify the applicant's employment for the most recent two full years and verify that the applicant's income has been stable. If an applicant indicates he or she was in school or in the military during any of this time, the applicant must provide evidence supporting this such as college transcripts or discharge papers. If the applicant has recently re-entered the workforce after an absence to care for a family member or minor child, extended medical illness, or other circumstance reasonable to the lender, the applicant must provide evidence. The applicant should not have any gaps in employment of more than a month within the two year period prior to making the loan application. It remains the lender's responsibility to analyze the gaps in employment as it relates to the probability of continued income. The lender may make allowances for seasonal employment, as is typical in the building or agriculture trades. In most instances, a two-year history of receiving income is required in order for the income to be considered stable and used for qualifying. The lender should focus on the applicant's occupation, tenure, past employment history and probability of consistent receipt.

Applicants that have not been employed for 12 months with their current employer or have experienced a significant earnings increase are considered high risk. Lenders must ensure the applicant will have the required stable and dependable income to carry the mortgage debt. Caution must be utilized when the applicant's employment includes a probationary period. The lender may consider reasonable allowances for applicants with less than 12 months job time with their current employer under the following circumstances: (1) the applicant has recently changed jobs but remains in the same line of work, (2) the applicant frequently changes jobs but demonstrates income continuity, (3) the applicant is a recent graduate, as evidenced by college transcripts, or a recent member of the military, as evidenced by discharge papers, entering the civilian workforce, (4) the applicant has recently re-entered the workforce after an absence to care for a family member or minor child, extended medical illness, or other circumstance reasonable to the lender as further outlined in this Paragraph; and (5) an applicant will begin a new job with a firm offer letter from the employer indicating a start date within 60 days of loan closing (lenders must verify the applicant will have sufficient income, or cash reserves, to support mortgage payments and other obligations during the time between loan closing and the start of employment), this type of allowance is commonly represented by an applicant entering a teaching position with a contract from the school district.

Many income sources such as commission, bonus, overtime, tips and income from a second job require two years of receipt of income and two years of income documentation. Notwithstanding the requirements below, in some extraordinary instances less than two years of income receipt for income sources such as commission, bonus, overtime, tips and income from a second job may be acceptable with a documented thorough analysis of the applicant's income and a determination that the income is stable and likely to continue for the next three years. If less than two years documentation is utilized for qualifying the applicant, the lender must document in their underwriting analysis the basis for determining the income utilized when qualifying the loan as stable and dependable.

Other non-employed or not self-employment income sources such as child support, alimony, public assistance payments, social security (including social security received by adults on behalf of minors or by minors intended for their own support – as long as the minor is a member of the household), retirement, etc. can be considered stable to the extent that they are likely to be consistently made by the payer and can reasonably be expected to continue for at least the next three years. Many factors should contribute the determination and likelihood of consistent payments from other income sources such as:

- Are payment received pursuant to a written agreement, court decree or law?
- How long have payments been received?
- Are payments regular?
- What procedures are available to compel payment of other income?
- Have full or partial payments been made?
- What are the ages of each child for which child support payments are made (if applicable)?
- What is the eligibility criteria governing continued receipt of income, such as age of dependents or accumulation of assets?

Generally, income from self-employment is considered stable and dependable if the applicant has been self-employed for two or more years, supported by documented income tax returns. Projected or hypothetical income from any source is typically not acceptable for repayment purposes.

The lender's permanent case file must retain supporting documentation confirming the stable and dependable income utilized to qualify the loan. The following will assist lenders to evaluate the stability and continuance of income... This list does not encompass all eligible income types the lender may consider.

A. Salaries, Wages and Other Forms of Repayment Income

The income of each party to the note must be analyzed to determine whether it can reasonably be expected to continue. If the applicant intends to retire within the next 12 months, the repayment income will be the amount of retirement benefits, social security payments, and other retirement income.

Employed income: Stable income may be income from primary, secondary employment, including base earnings plus consistent and documented secondary income such as bonuses, commissions, overtime, additional part-time employment or seasonal employment. All income sources must be documented to determine that the applicant's income is stable and likely to continue at the level used to qualify the applicant for the mortgage loan request.

Newly employed: An applicant who has less than a two-year employment and income history can be considered when the lender obtains supportive documentation the applicant was either attending school or training program immediately prior to their current employment history. For those applicants about to start a new job, if the applicant has a firm offer letter from the new employer indicating the job that will begin within 60 days of loan closing, see Paragraph 9.10 A.15 of this Chapter regarding additional documentation for qualifying an applicant with this type of income.

Re-entering the Workforce: Applicants who re-enter the workforce after an absence to care for a family member or minor child, extended medical illness, or other circumstances reasonable to the lender and have less than a two-year employment and income history, this type of income source may be considered as repayment income if the applicant has been at the current employer for a minimum of six months and there is evidence of a previous employment history.

Significant increases or decreases in income level: When an applicant has experienced a significant decrease in income, the previous higher income level cannot be averaged for repayment purposes unless there is documentation of a one-time occurrence (e.g. injury) that prevented the applicant from working or earning full income for a period of time and proof that the applicant is back to the income amount that they previously earned. Focus on the most recent earnings and income that it is likely to be received at the level used for qualifying.

When an applicant has experienced a significant increase in income and the lender proposes to qualify the applicant at the higher amount, sufficient documentation to confirm the increased income is stable and likely to continue at the level used for qualifying must be part of the lender's written analysis of income.

Calculation of Monthly Repayment Income From Primary Employment: The following table will assist lenders in calculating base earnings from primary employment paid on an hourly, weekly, every two weeks, semi-monthly or monthly basis to qualify the applicant. The guide will not be applicable in all situations. The lender remains responsible for determining the amount of income used to qualify the applicant is stable. A written analysis of the income used to qualify the applicant must be retained in the mortgage loan file. Documentation must support the lender's income calculation.

Calculation of Monthly Repayment Income – Base Earnings	
Frequency	**Calculation of Repayment Income**
Hourly	Multiply the hourly pay rate by the average number of hours worked per week; multiply by 52 weeks; divide by 12 months.
Weekly	Multiply the weekly income by 52 weeks; divide by 12 months.
Every two weeks	Multiply the two weeks income by 26 pay periods; divide by 12 months.
Twice per month	Multiply the semi-monthly income by 24 pay periods; divide by 12 months.
Monthly	Use the monthly income from the paystub. Multiply by 12 months.
Applicants who are paid less than 12 months per year	Annual salaries may be received over a time period of less than 12 months. Determine how often; how long the applicant is paid. Utilize the monthly income based upon calculations above. Example - divide an annual salary paid 10 months of the year by 12 to arrive at the average monthly income.

Additional Income: Procedures for treating other acceptable income sources in addition to primary employment are described below. The lender must determine that the amount of additional income used to qualify the applicant is likely to continue at the level used for loan qualifying. The monthly income documented in the mortgage file must support the lender's income calculation. A written analysis of the additional income used to qualify the applicant must be retained in the lender's mortgage file.

1. Overtime and Bonus Income

Both overtime and bonus income may be used to qualify the applicant if the income source has a two year consecutive history of paying overtime and bonuses and the income will likely continue for the next three years. Income earned for less than one year with the current employer should not be considered for repayment income without significant compensating factors (e.g. the applicant has recently changed from a salary to commission position with the same employer, or remains in the same line of work with a verified history of receipt of these income types).

When the lender verifies this type of income, the employer must indicate that the overtime and bonus income is likely to continue. If either type of income shows a continual decline, the lender must provide a sound rationale for the amount included. If bonus income varies significantly from year to year, a period of more than two years may be used in calculating the average income.

Calculation of Overtime and Bonus Income: If the amount of the bonus and/or overtime is consistent in the most recent two years, the amount utilized for repayment income will be the total of the most recent two years divided by 24 months. Business expenses will be deducted prior to the calculation. If the applicant has experienced a decrease in overtime or bonus income the lender must determine the amount of income, if any, which can be justified as stable and document their explanation for the decrease. The calculation of repayment income - when less than a 24 month average is utilized - will be based upon the time frame the lender can support with documentation the income is stable and likely to continue at the level used for qualifying (e.g. the previous 12 months represents the level and stability of income to be received in the future – the lender would divide income received for this period by 12).

2. Commission Income

The applicant must have a two year consecutive history of receiving commission income and the commission income must likely to continue for the next three years in order to consider the income as stable and dependable for repayment purposes. Commission income should be averaged over the previous two years utilizing the current employer.

The applicant should provide the last two years tax returns or W-2 forms along with a recent year to date paystub. Non-reimbursed business expenses, if any, should be subtracted from gross income when supported by IRS Form 2106. An individual who claims commission income for less than two years, or shows a decrease from one year to the next, requires significant compensating factors if the commission income is to be included as repayment income. Typically, this example would be an extraordinary instance.

Commissions earned less than one year should not be considered repayment income absent significant compensating factors. Exceptions may be made in those situations on a case by case basis where the applicant's compensation was changed from a salary to commission within a similar position with the same employer. An applicant may also qualify when that portion of earnings not attributable to commissions would still be sufficient to qualify the applicant for the mortgage.

Calculation of Commission Income: If the lender determines the amount of commission income is consistent, divide the total of the most recent two-years (minus business expenses when applicable) by 24 months. A written analysis of the income used to qualify the applicant must be retained in the mortgage file.

3. Part-Time, Second Job, Seasonal Income and Unemployment

Income from a second job or part-time job may be counted for repayment income if the applicant has worked this position uninterrupted for the past two years and will continue to do so. This type of income must be likely to continue for the next three years in order to consider the income for repayment. Second or part-time job income refers to jobs taken in addition to the normal, regular employment to supplement the applicant's income. If an applicant's regular employment is less than a typical 40-hour work week, the stability of that income should be evaluated as any other regular, ongoing primary employment. This would include as an example, a registered nurse that has been working 24 hours per week for the last year.

Seasonal employment (e.g., umpiring baseball games in summer or working at a department store during the Christmas shopping season) is considered uninterrupted and may be counted if the applicant has worked the same type of job for the past two years. Income from a part-time position that has been received for less than two years may be counted if the lender is able to determine through employer verification that the income's continuance is likely at the level of receipt verified in the past. Income from part-time positions not meeting these requirements may be considered as a compensating factor, as described in Chapter 11 of this Handbook.

Unemployment compensation associated with seasonal employment may be considered repayment income if the applicant has a two-year history of receipt and the unemployment compensation is likely to continue for the next three years.

To utilize income from secondary employment (second or additional job), seasonal income or unemployment to qualify the applicant, the income must be reported on the applicant's individual federal income tax return for the most recent two year period.

4. Tax Exempt Income

The standard debt-to-income ratios are based on an assumption the income is taxable. If a particular source of income is not subject to Federal taxes, for example, certain types of disability payments or military allowances, the amount of continued tax savings attributable to the nontaxable income source may be added to the applicant's repayment income. Income that has been verified to be tax exempt may be "grossed up" by 25 percent, in other words, multiplied by 125 percent to "gross up" such income. No other adjustments for tax exempt income are authorized. Tax exempt income sources should not be grossed up when calculating annual income.

5. Military Income

In addition to base pay, military personnel may be entitled to additional forms of pay. Income from variable housing allowances, clothing allowances, flight or hazard pay, rations, and proficiency pay is acceptable provided it is verified as continuous and regular and likely to continue. An additional consideration may be the tax-exempt nature of some of these payments.

If the applicant is a member of a reserve component of the United States Armed Forces, the lender may consider the reserve duty income for qualifying.

6. Retirement and Social Security Income

Retirement and Social Security income requires verification from the source (former employer or Social Security Administration), such as a copy of the current award letter or Federal tax returns. If any benefits expire within the first three years of the proposed loan, the income source may only be considered as a compensating factor in lieu of repayment income. The Social Security Administration benefit verification letter or equivalent document would specifically state that benefits will expire; otherwise lenders should treat Social Security benefits as likely to continue.

7. Alimony, Child Support or Maintenance Income

Income in this category may be counted if such payments are likely to be consistently received for the first three years of the mortgage. The applicant must provide a copy of the divorce decree, legal separation agreement, or voluntary payment agreement, and evidence that payments have been received during the last twelve months. Payment periods of less than twelve months may be acceptable if the lender can document the payer's ability and willingness to make timely payments. Acceptable evidence of payments received includes the most recent 12 months of cancelled checks, or deposit slips, or Federal tax returns, and court records.

When lenders are considering if this type of income is stable, consider the extent that payment is likely to be consistently made by the payor and can reasonably be expected to continue for at least the next three years based on documentation.

8. Interest and Dividends

Interest and dividend income may be counted for repayment income provided that documentation (tax returns or account statements) supports a two-year history of receipt.

This income must be averaged over the two years. Any funds derived from these sources, and required for closing, must be subtracted before the projected interest or dividend income is calculated. Documentation of sufficient assets remaining after closing to support continuance of the dividends and interest income at the level used for qualification for the next three years is required.

9. Employer Differential Payments/Housing Allowances

If the employer subsidizes the mortgage payments through direct payments, this is a housing allowance. The amount of the payments should be considered gross income to calculate repayment ratios. It may not be used to directly offset the mortgage payment even if the employer pays the servicing lender directly. The lender must obtain documentation to demonstrate that the payments are pursuant to an established, ongoing and documented employer program to utilize this type of income for qualifying. The employer must not be an interested party to the transaction and the payment must continue for the next three years.

10. VA Benefits

Direct compensation from the U.S. Department of Veterans Affairs (VA), (e.g., regular payments for a service-related disability), can be counted if the VA verifies it. A VA education benefit, used to offset education expenses, is not an acceptable source of income. Any amount provided for living expenses may be counted as repayment income. Any student financial aid received for tuition, fees, books, equipment, materials, and transportation will not be considered in the repayment income calculation.

11. Government Assistance Programs

Income received under a welfare program, unemployment income, worker's compensation, or similar government assistance programs can be used for repayment income as expanded upon in this Chapter. It must be documented by the paying agency; the income has been received for the most recent two years and can be expected to continue for three years. If this income is not expected to last three years, it may be considered as a compensating factor. Unemployment income requires a two-year documentation of its receipt and reasonable assurance of its continuance. This may be appropriate for individuals employed on a seasonal basis, such as farm workers or resort area employees. Applicants with a sole source of unemployment benefits as their earnings are ineligible for a guaranteed loan.

Documentation from the applicable agency that indicates the amount, frequency and the length of time the benefit payments will be received is required.

12. Rental Income

Rental income received for a property owned and retained by the applicant may be acceptable in limited circumstances, subject to proper documentation as noted in Chapter 8 of this Handbook. A separate schedule of real estate is not required provided that all properties are shown on the Uniform Residential Loan Application (URLA). The following is required to verify rental income:

- ***Long-term current leases***. Net rental income, received for 24 months or more, may be considered stable and dependable income for repayment purposes. Evidence of long term leases will be documented with the most recent two years of tax returns (including Schedule E of IRS Form 1040) and a copy of the written lease agreement executed by the homeowner and lessee. Net rental income is considered the two-year average of total rental real estate income reported on IRS Form 1040 Scheduled E. A two-year average of depreciation and depletion may be added back to the net income or loss shown on Schedule E less any monetary obligation associated with the property not captured on Schedule E (i.e. monthly principal payment). Positive net rental income is considered as gross income for repayment purposes. Negative net rental income must be treated as a recurring liability and not as a deduction from repayment income. The lender must make certain the applicant still owns the property listed by comparing the Schedule E with the real estate owned section of the residential loan application.

  Data entry in GUS for long-term current leases**.** Requests submitted utilizing GUS that include the retention of a rental property require specific fields to be completed to assure accurate data is submitted. Complete the following steps in GUS:

  - Complete the “Real Estate Owned" (REO) page in GUS to ensure rents are used to offset the existing mortgage obligation when applicable.

  - GUS auto-calculates net rental income by employing at 25% vacancy factor. GUS uses 75% of the lender entered amount for gross rental income and subtracts the lender entered amounts for mortgage payments, insurance, maintenance and taxes.

  - Lenders may override the auto-calculation on this page when the most recent two years of tax returns evidence a more precise amount of income receipt.

- On the "Assets and Liabilities" page of GUS, lenders should omit the mortgage obligation for the rental property shown on this page to avoid double counting the debt since it is also reported on the REO page.

Non-GUS manually submitted files for long-term current leases. Lenders will utilize the two-year average as reported on the Schedule E to determine repayment income. Depreciation and depletion can be added back into the net rental income. Mortgage payments (if applicable), insurance maintenance and tax obligations will be subtracted from the calculation.

- ***Newly signed leases.*** A newly signed lease has no historical basis to conclude that the income is likely to continue. Rental income that has been received for less than 24 months will not be considered stable and dependable income for repayment purposes. Applicants who wish to purchase a new principal residence and retain or rent a residence must qualify with all mortgage liability payments. Income from newly signed leases cannot be used in repayment debt ratio calculations. The exclusion of rental income will ensure the applicant has sufficient monthly income to meet all mortgage and liability payments.

Data entry in GUS for newly signed leases. The "REO" page in GUS must be completed properly to ensure rents are not used to offset any existing mortgage liability. The following steps to assure accurate data in GUS are required:

- On the REO page, lenders must leave the "Gross Rental Income" field blank when completing the "Mortgage Payments" (if applicable) and "Insurance, Maintenance, and Taxes" data fields.

- The mortgage obligation (if applicable) associated with the retained dwelling must be omitted on the "Assets and Liabilities" page in GUS. Omission of the mortgage obligation on the "Assets and Liabilities" page is necessary to avoid duplication/double counting of the debt since it is also reported on the "REO" page.

Non-GUS manually submitted files for newly signed leases. The existing mortgage obligation (including insurance, maintenance and taxes) associated with the retained dwelling must be counted as a long-term liability in the repayment ratio calculation. Rents received cannot be used to offset the mortgage obligation.

13. Automobile Allowance and Expense Account Payments

The applicant must have a two-year consecutive history of receiving an automobile allowance and the automobile allowance must be likely to continue for the next three years in order to consider the income for repayment purposes.

The amount by which an applicant's automobile allowance or expense account payments exceed actual expenditures may be considered as income. The applicant must provide IRS Form 2106, "Employee Business Expenses," for the previous two years to establish the amount of income that may be added to gross income, along with verification from the employer that these payments will continue.

The monthly debt amount must be treated as a recurring debt. If the applicant uses the standard per-mile rate in calculating automobile expenses, as opposed to the "actual cost" method, the portion the IRS considers depreciation may be added back to repayment income. Additionally, the applicant's monthly car payment must be treated as a recurring debt and must not be offset by the car allowance.

14. Trust Income

Income from trusts may be counted for repayment income if guaranteed, if constant payment will continue for at least the first three years of the mortgage term, and if it is adequately documented. Documentation requirements include a copy of the Trust Agreement or other trustee's statement confirming amount, frequency of distribution, and duration of payments.

15. Projected Income

Projected or hypothetical income is not acceptable for repayment purposes. However, exceptions are permitted for income from cost-of-living adjustments, performance raises, bonuses, etc. which is both verified by the employer in writing and scheduled to begin within 60 days of loan closing. For those applicants about to start a new job, if the applicant has a firm offer letter from the new employer indicating the job that will begin within 60 days of loan closing, the income is acceptable for qualifying, and repayment, purposes. The lender must also verify that the applicant will have sufficient income or cash reserves to support the mortgage payments and any other obligations during the interim between loan closing and the start of employment. This may be appropriate for situations such as a teacher whose contract begins with the new school year, or a physician beginning residency after the loan is scheduled to close. However, if the loan will close more than 60 days before the employment begins, the income cannot be counted for repayment purposes. Lenders should utilize full documentation on this type of income. In the absence of a payroll statement to support income earned for new jobs, a copy of the contract with the employer that validates the amount of income to be earned should be obtained.

16. Mortgage Credit Certificates

If a government entity subsidizes the mortgage payments, either through direct payments or through tax rebates, these payments can be considered as acceptable income if verified in writing. The subsidy must be used directly to offset the mortgage payment before calculating the qualifying ratios. See Paragraph 9.11 A of this Chapter for additional information on this subject.

17. Tip Income

The applicant must have a two year consecutive history of receiving income from tips in order to consider the income for qualifying. For tip income that fluctuates, the lender must evaluate the income trend and use the amount that is likely to continue for the next three years.

18. Section 8 Homeownership Assistance Payments

Section 8 homeownership payments paid directly to the applicant or directly towards offsetting the mortgage payment may be considered qualifying income if the payments are likely to continue for the next three years. If the subsidy is paid directly to the applicant it may be “grossed up” by 25% to compensate for its non taxable status.

If the subsidy does not pass through the hands of the applicant it should be treated as an “offset” to the monthly PITI (i.e. reduce the monthly PITI payment by the amount of homeownership assistance provided prior to dividing by monthly repayment income to determine the debt-to-income ratio).

GUS may be utilized by lenders when the payment is paid directly to the applicant. If the payment is not paid directly to the applicant, the lender will be required to manually underwrite the mortgage file.

See Paragraph 9.11 C of this Chapter for additional information on this subject.

19. Unreimbursed Employee Expenses

Unreimbursed employee expenses are reported on IRS Form 2106, "Employee Business Expenses." The sum of columns A and B on Line 8 represents the total amount spent out of pocket. The amount of unreimbursed employee expenses must be deducted from repayment income.

B. Employment by Family-Owned Businesses

Applicants employed, by businesses, owned by family members are required to provide additional income documentation. Such applicants must provide the normal verification of employment and pay stubs, as well as evidence that he or she is not an owner of the business. This may include copies of the applicant's signed personal tax returns, current paystub or payroll ledger signed by the business accountant or payroll administrator, or a signed copy of the corporate tax return showing ownership percentages.

C. Self-Employed Applicants

An applicant with a 25 percent or greater ownership interest in a business is considered self-employed for the purpose of calculating repayment income. The business may be a sole proprietorship, a partnership (limited or general) or a corporation.

A self-employed applicant introduces an additional layer of risk to a mortgage loan request due to the uncertain nature of future income. GUS will not take this additional risk into consideration in the overall risk evaluation. The lender remains responsible to determine the income source utilized, in qualifying, is a stable, consistent source that will continue to be received at the level utilized for repayment income purposes.

1. Minimum Length of Self-Employment

Income from self-employment is considered stable and dependable if the applicant has been self-employed for two or more years. Because of the high incidence of failure during the first few years of a new business, income from individuals self-employed for between one and two years can only be counted if the individual has at least two years previous successful employment (or a combination of one year of employment and formal education or training) in a related occupation or profession at the same or greater level in the same or similar occupation. If the applicant cannot demonstrate self-employment earnings for the previous two years, the lender's underwriter must review the applicant's reasonable probability of earnings based on a market feasibility study or business plan and pro forma financial statements for the business. The lender must also consider the applicant's experience in the business prior to considering the income for qualifying purposes. If the underwriter is unable to support the income with the documentation required, the income should not be utilized for repayment income purposes. The income from applicants self-employed for less than one year cannot be counted as repayment income.

When additional income the applicant draws from the applicant's corporation, partnership or S-corporation is utilized for repayment income, additional documentation is required to verify the applicant has a legal right to the additional income. Lenders can obtain a corporate resolution or other comparable document that establishes that right. Also confirm the applicant's percentage of ownership of the business entity from a review of business tax returns, letter from the accountant for the business or similar documents. The analysis must support that the business is clearly capable of providing the applicant with the additional income used to qualify.

A written analysis of income utilized to qualify the applicant must be retained in the lender's mortgage file. As part of the analysis, any increase or decrease in business income must be documented and justified to support a determination that the income used to qualify the applicant is stable and likely to continue for the next three years. It may be necessary to obtain additional years' tax returns when the applicant's self-employment income fluctuates to determine the stability of income. If the applicant's income is not utilized to qualify the applicant for repayment, the individual federal tax return is required to determine if there is a business loss that may have an impact on the stable monthly income utilized for qualifying. If a business loss is reported, additional documentation may be necessary to evaluate the impact of a business loss on the income used for qualifying the applicant for repayment. For the purposes of computing annual income to qualify the household, business losses will be treated as zero in the calculation. Business losses when calculating repayment income will be deducted from repayment income prior to calculating debt ratios.

2. *Documentation*

The following documentation for self-employed individuals is required to establish capacity to repay the loan:

- Signed and dated individual tax returns, plus all applicable schedules, for the most recent two years. If the applicant has been self-employed for less than two years, the individual federal tax returns must reflect at least one full year of self-employment income. Lender's must use extreme discretion with applicant's who have been self-employed for less than two years;

- A year to date profit-and-loss (P&L) statement and balance sheet (not required to be audited);

- Signed copies of the Federal business income tax returns for the last two years, with all applicable schedules, if the business is a corporation, an "S" corporation, a partnership, or a limited liability corporation.

3. Analyzing Self-Employment Income

The lender must establish the applicant's earnings trend over the previous two years, but may average the income for repayment purposes over three years if all three years' tax returns are provided. If the applicant provides quarterly tax returns, the analysis can include income through the period covered by the tax filings. If the applicant is not subject to quarterly tax filings or does not file quarterly returns Form IRS 1040 ES, "Estimated Tax Payment Voucher," the income shown on the P&L may be included in the analysis provided the income stream based on the P&L is consistent with the previous years' earnings. If the P&L statements submitted for the current year show an income stream considerably greater than what is supported by the previous years' tax returns, the analysis of income must be predicated solely on the income verified through the tax returns.

Lenders must carefully analyze the individual business's financial strength, the source of its income, and the general economic outlook for similar businesses in that area to determine if the business can be expected to continue to generate sufficient income for the applicant's needs. Annual earnings that are stable or increasing are acceptable. Conversely, income for an applicant whose business shows a significant decline in income over the period analyzed may not be considered adequate, dependable, and stable.

There are five basic types of business structures (sole proprietorship, corporations, "S" corporations, partnerships, and limited liability corporations), each of which will require slightly different forms of analysis. Attachment 9-E contains detailed information about analyzing tax returns for self-employed applicants.

4. Calculation of Self-Employed Income

The lender's calculation of a self-employed applicant's average monthly income must be based on a review of the applicant's complete individual federal tax returns (Form 1040) including W-2's and K-1's (if applicable). Additionally the applicant's complete business tax returns (Forms 1120, 1120S and 1065), when applicable must be analyzed. A written analysis of the applicant's self-employed income on Fannie Mae Form 1084, "Cash Flow Analysis," and Fannie Mae Form 1088, "Comparative Income Analysis," (or a comparable form) is encouraged to document a trend analysis of the applicant's business. Non-cash items such as depreciation and depletion may be added back to adjusted gross income for the purpose of determining qualifying income.

The following allowable IRS deductions may be added to net profit (item #31 on Schedule C, or item #36 on Schedule F):

- Depletion (item #12 on Schedule C)
- Depreciation (item #13 on Schedule C or item #16 on Schedule F)

Net Profit + Depletion + Depreciation = Repayment Income

5. How to Treat Business Debts

Traditionally, the primary business structure that many of our self-employed applicants engage in is a sole proprietorship. The success of this type of endeavor depends largely on the individual owner, and business income or loss is reported in the individual owner's personal tax return.

Also, although the individual owner has personal liability for all debts of the business in a sole proprietorship, business related debts are often paid with business funds, rather than personal income.

If a debt such as a car loan is paid through the business, the debt does not need to be included in debt ratio calculations as long as documentation is provided that the debt is being paid by the business. Documentation that the debt payments are made by the business may include 12 months of cancelled business checks.

D. Income from Assets

Only actual income derived from assets of parties to the note should be considered when computing repayment income.

9.11 ENHANCING REPAYMENT ABILITY

A. Mortgage Credit Certificates

Mortgage Credit Certificates (MCCs) may be considered in determining an applicant's repayment ability. The Tax Reform Act of 1984 authorizes MCCs to provide housing assistance through a tax credit to families with low and moderate incomes. The MCC enhances the applicant's repayment ability as it enables the applicant to take an income tax credit which can be used toward repayment of the mortgage loan. When the lender is participating in an MCC program the amount of the tax credit is considered as an additional resource available for repayment of the loan when the credit is taken on a monthly basis from withholding. This type of subsidy may be used to directly offset the mortgage payment before calculating the qualifying ratios. The agency issuing the MCC determines the amount of the tax credit. The amount of tax credit is limited to the applicant's maximum tax liability. No portion of the MCC is included in the annual income calculation. When the lender utilizes the MCC as a direct reduction in housing expense to qualify the applicant in the ratio analysis, the lender must provide the following documentation when applying an MCC:

- A copy of the MCC. The MCC must show the rate of credit allowed;
- The applicant's newly filed IRS W-4 "Employee's Withholding Allowance Certificate" form to reflect that the applicant is taking the tax credit on a pay-period basis; and
- Lender certification that the applicant completed and processed all necessary documents in order to receive the credit.

B. Temporary Interest Rate Buydown

Builders, sellers, lenders or another interested third-party can choose to prepay a portion of the interest an applicant will pay over the life of the loan in order to make the monthly mortgage payment more affordable to the purchaser during the early years of the loan. The lender's file must document the calculations for a buydown.

1. Overview

A funded buydown account is a prepaid arrangement designed to improve an applicant's repayment ability. The most familiar temporary interest rate buydown is the 2-1-0 buydown. It is a temporary reduction in the interest rate paid by the applicant, resulting in a reduction below note rate of two percent during the first year, a reduction below note rate of one percent the second year of the loan, after which the interest rate reverts to the full note rate for the remainder of the life of the loan.

To cover the shortfall between the reduced payments made by the applicant and the regular payments received by the lender, cash is withdrawn from a special escrow account set up for that purpose. The total payment received by the lender, consisting of the payment made by the applicant plus the withdrawal from the escrow account is the same as it would be in the absence of the buydown. The table below illustrates the mortgage payment for a 2-1-0 temporary interest rate buydown.

2-1-0 Buydown Payments by Applicants and Payments From Escrow $100,000 loan; 30 Year Fixed 7% Mortgage			
Year	Payment Received by Lender	Payment by Applicant	Payment From Escrow
1	$665.31	$536.83	$128.48
2	$665.31	$599.56	$ 65.75
3 – 30	$665.31	$665.31	$ 00.00
Total Escrow			$2331.00

An applicant whose mortgage is subject to an interest rate buydown should have a high likelihood of remaining in the home without experiencing a default; therefore, lenders should document compensating factors when using buydown plans to qualify an applicant.

2. Buydown Requirements

The following requirements must be met in order for the Agency to guarantee a loan with a funded buydown of the interest rate:

- The mortgage loan must be underwritten at the full note rate.
- The interest rate cannot be bought down more than two percentage points below the note rate and must not result in more than a one percent annual increase in the interest rate.
- Funds to pay for the entire buydown must be placed in an escrow account with a financial institution supervised by a Federal or state agency. Payments are to be made directly to the lender or its servicing agent monthly.
- The escrow account must be fully funded for the buydown period.

- A copy of the escrow agreement must accompany the loan application; however, the Agency may condition for the executed buydown agreement at closing.

- The applicant cannot fund the buydown with personal funds or funds borrowed from another source to establish the escrow account for the buydown.

- The buydown must not be paid for with loan funds. Temporary buydown funds may come from the seller, lender or other third party.

- If the qualifying ratios at the full note rate exceed those established in Chapter 11 of this Handbook, the lender must establish and document that the eventual increase in mortgage payments will not adversely affect the applicant. The underwriter must document that in year three the applicant will be able to pay the market rate of the loan by meeting one of the following criteria:

  - The applicant shows a potential for increased income due to job training or education in the applicant's profession or by a history of advancement in the applicant's career with increases in earnings that would offset the scheduled payment increases; or

  - The applicant has demonstrated an ability to manage financial obligations indicating that a greater portion of income can be devoted to housing expense. This may also include applicants whose long-term debt, if any, will not extend beyond the term of the buydown agreement.

  - The applicant has substantial assets available to cushion the effect of the increased payments.

C. Section 8 Homeownership Vouchers

Section 8 Homeownership Vouchers may be used for qualifying applicants. This income is not included in Annual Income. For repayment income purposes, the monthly subsidy from the Section 8 Homeownership Vouchers may be treated in either of the ways described below.

1. Repayment income

The subsidy may be paid directly to the applicant and added to the applicant's monthly repayment income in determining the homebuyer's qualifying ratios. The amount of this non-taxable subsidy may be "grossed up" by 25 percent as it is non-taxable income. The amount of the subsidy plus 25 percent may be added to the applicant's income from employment and/or other sources when calculating repayment income.

2. Offset to Principal, Interest, Taxes and Insurance (PITI)

Lenders may treat the monthly homeownership assistance payment as an "offset" to the monthly PITI, i.e. reduce the payment by the amount of the homeownership assistance payment before dividing by the monthly income to determine the debt-to-income ratios. However, in order to use this procedure for qualifying the applicant, the homeownership assistance funds must not pass through the hands of the homebuyer, i.e. the homeownership assistance payment must be paid directly to the servicing lender or placed into an account that only the servicing lender may access. If the homeownership assistance payment is made directly to the applicant, that amount may only be considered as repayment income in qualifying the applicant as described in the above "Repayment Income" paragraph.

9.12 DOCUMENTING REPAYMENT INCOME

The Agency does not re-underwrite the lender's decisions, yet the lender should submit written documentation regarding its determination of repayment income with the application. The underwriting criteria must be based on the Agency's established guidelines and all information pertaining to the underwriter's decision must be retained in the loan file so that the Agency can review the quality of the underwriting decision during the monitoring process.

The following sources are never counted when considering repayment income:

- Income sources from household members who are not a party to the promissory note.
- Student financial aid received for tuition, fees, books, equipment, materials and transportation.
- Amounts received that are specifically for, or in reimbursement of the cost of medical expenses for any family member.

- Temporary, nonrecurring, or sporadic income (including gifts).
- Lump sum additions to family assets such as inheritances, capital gains, insurance payments and personal or property settlements.
- Payments for the care of foster children or adults.
- Supplemental Nutrition Assistance Program (formerly the Food Stamp Program).

9.13 OPTIONAL DOCUMENTATION OF INCOME FORMS

Attachment 9-G of this Chapter provides optional verification forms for the lender's use in verifying non-employed income or possible deductions as follows:

- Verification of Pensions and Annuities
- Verification of Student Income and Expenses
- Verification of Medical Expenses
- Verification of Social Security Benefits
- Verification of Public Assistance
- Verification of Child/Dependent Care
- Verification of Unemployment Benefits
- Verification of Business Expenses
- Verification of Support Payments

Also available is an optional form to record an oral verification of employment.

- Record of Oral Verification of Employment

ATTACHMENT 9-A

WORKSHEET FOR DOCUMENTING ELIGIBLE HOUSEHOLD AND REPAYMENT INCOME

Lender Instructions: *Determine eligible household income for the Single Family Housing Guaranteed Loan Program (SFHGLP) by documenting all sources/types of income for all household members. Qualify the loan by documenting all sources/type of income that is stable and dependable utilized to repay the loan.*

GENERAL INFORMATION

Applicant(s):	Lender:	Date:

Identify all Household Members		Full-time Student Y/N?	Disabled Y/N?	Receives Income Y/N?	Source of Income

ANNUAL INCOME CALCULATION (*Consider anticipated income for the next 12 months for **all** adult household members as describ*ed in Chapter 9 this Handbook. Website for instructions/administrative notices: http://www.rurdev.usda.gov/RegulationsAndGuidance.html

1. Applicant (*Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.).* **Calculate and record how the calculation of each income source/type was determined in the space below.**	$
2. Co-Applicant (*Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.).* **Calculate and record how the calculation of each income source/type was determined in the space below.**	$
3. Additional Income to Primary Income *(Automobile Allowance, Mortgage Differential, Military, Secondary Employment, Seasonal Employment, Unemployment.)* **Calculate and record how the calculation of each income source/type was determined in the space below.**	$
4. Additional Adult Household Member (s) who are not a Party to the Note (*Primary Employment from Wages, Salary, Self-Employed, Additional income to Primary Employment, Other Income*). **Calculate and record how the calculation of each income source/type was determined in the space below.**	$
5. Income from Assets (*Income from household assets as described in §3555.151 of 7 CFR 3555).* **Calculate and record how the calculation of each income source/type was determined in the space below.**	$
6. **Annual Household Income** (*Total 1through 5)*	$

Applicant(s):

ADJUSTED INCOME CALCULATION (*Consider qualifying deductions as described in §3555.151 of 7 CFR 3555)*

7. Dependent Deduction *($480 for each child under age 18, or full-time student attending school or disabled family member over the age of 18*) - #____________ x $480	$
8. Annual Child Care Expenses (*Reasonable expenses for children 12 and under*). **Calculate and record the calculation of the deduction in the space below.**	$
9. Elderly or Disabled Household *(1 household deduction of $400 if 62 years of age or older, or disabled and a party to the note)*	$
10. Disability (*Unreimbursed expenses in excess of 3% of annual income. See Chapter 9 of this Handbook for eligibility.* **Calculate and record the calculation of the deduction in the space below.**	$
11. Medical Expenses (*Elderly or disabled households only. Unreimbursed medical expenses in excess of 3% of annual income. See §3555.151 of 7 CFR 3555 for further information).* **Calculate and record the calculation of the deduction in the space below.**	$
12. **Total Household Deductions** (*Enter total 7 through 11*)	**$**

13. **Adjusted Annual Income** (Item 6 minus item 12*)* *Income cannot exceed Moderate Income Limit to be eligible for SFHGLP* *Moderate Income Limit:* $______________________ *State:* __________________________ *County:* ______________________________	**$**

Applicant(s):

MONTHLY REPAYMENT INCOME CALCULATION (*Consider stable and dependable income of parties to the note as described in §3555.152(a) of 7 CFR 3555).*

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.

	Borrower	**Co-Borrower**	**Total**
Base Income	$__________________________ ***Calculation of Base Income:***	$__________________________ ***Calculation of Base Income:***	$_________
Other Income	$__________________________ ***Calculation of Other Income:***	$__________________________ ***Calculation of Other Income:***	$_________ _
Total Income	$__________________________	$__________________________	$_________

15. **Monthly Repayment Income** (*Enter total of 14*). $

Date: _____________________ Prepared by: ______________________________ Lender: ____________________________
Name/Title

ATTACHMENT 9-B

EXAMPLE CASE STUDY:
WORKSHEET FOR DOCUMENTING ELIGIBLE HOUSEHOLD AND REPAYMENT INCOME

Example Case Study – Documenting Eligible Household and Repayment Income

Household members:

Name	***Relationship***	***Comments***	***Household Income, Assets and Expenses***
David Example	Head of Household	Employed, party to note	$1,250/week wages; Savings account balance $2,000, annual interest income $140; Checking account balance (2 month average) $300, noninterest bearing account; Certificate of Deposit, cash value $4,000, interest income $400 annually
Betsy Example	Spouse	Employed, party to note	$15.50/hr wages – working 20 hours week; $100/month child support from her ex-husband (Kathy's father)
Cynthia Example	David's mother	Disabled, moved in when husband died	$800/month Social Security benefits and $600 in a noninterest bearing checking account
Janet Smith	Daughter	Full-time college student, employed	$600/month wages
Kathy Smith	Daughter	Full-time junior high school student, employed	$4.00/hour 8 hours/week wages
Chris Doe	Foster child	Full-time elementary student	County pays household $800/month to care for foster child.

<u>Eligible Household Income</u>: Calculate annual and adjusted income to determine eligibility of the household for the SGHGLP.
For Annual Income Calculation – Consider income of all household members:

- Count David's wages
- Count Betsy's wages
- Count child support (Betsy)
- Count only the first $480 of Janet's wages (Household member is greater than 18 years of age and an adult
- Do not count Kathy's wages (Household member is a minor and less than 18 years of age)
- Count Cynthia's Social Security
- Count actual income from assets from all members of the household
- Do not count income payments for care of foster child

Consider assets of all household members for the annual income calculation. Therefore Cynthia's checking account balance is considered. The checking account balance is considered, however since it is noninterest bearing, there is no income. In addition, for annual income, the calculation of imputed income from assets must be made if assets exceed $5,000. In this example, the imputed income is less than the actual income received.

Adjusted Income Calculation:

Dependent Deduction

- Three dependent deductions are permitted for Kathy (a minor), Janet (an adult full-time student, who is not the head of household or spouse), and Cynthia (an adult individual with disabilities, who is not the head of household or spouse)
- A dependent deduction is not given for a foster child.
- Total household members are 5, excluding the foster child.
- A deduction of $1,440 in this example may be deducted ($480 for each member under 18 years of age; 18 years of age or older and disabled; a full-time student aged 18 or older).

Child Care Deduction

- Child care expenses are permitted for the care of a foster child, but must not exceed the amount earned by the family member enabled to work. Betsy earns $15.50/hour working 20 hours per week and pays $50/week for child care.
- Child care expenses are not permitted if another adult household member is available to care for the child. Janet is not available because she is a full-time student and Cynthia cannot care for the child because of her disability.
- The full amount of the child care may be deducted.

Elderly or Disabled Household Deduction

Even though an elderly person is a part of the household, this is not an elderly household because neither the head nor spouse is 62 years of age or older or an individual with disabilities. If this were an elderly household a deduction of $400 would be allowed. No deduction can be made in this example.

Medical Expense Deduction

Family medical expenses cannot be deducted since this is not an elderly or disabled household as further defined in this Chapter.

Disability Assistance Expenses

No disability assistance expenses were claimed. To be allowed a deduction, the expenses would have to be necessary to enable a family member to work.

Repayment Income: Calculate the income utilized to repay the loan. Consider only income from parties to the note that is documented to be stable and dependable.

David and Betsy are parties to the note. David has worked the last two years earning $1,250 per week or $65,000 annually. Betsy has made $15.50/hour and worked 20 hours per week for the past five years consistently. Betsy receives child support for Kathy, paid through the court at $100 a month, or $1,200 annually. She has received support consistently for the past three years. Kathy is 14. David and Betsy have cared for foster children for the past three years. Chris Doe is 6 years of age. The county pays $800.00 per month, or $9,600 annually to the household to care for the foster child. Foster care is not a source of income that can be utilized for repayment income.

- David: $65,000 historical employment income divided by 12 = **$5,416.67**
- Betsy: $16,120 historical employment income divided by 12 = **$1,343.33**
- Betsy: $1,200 historical child support income divided by 12 = **$100.00** [3 year continuance since Kathy is 14]
- Total stable and dependable income in accordance with §3555.152(a) of 7 CFR 3555 = **$6,860.00**

WORKSHEET FOR DOCUMENTING ELIGIBLE HOUSEHOLD AND REPAYMENT INCOME

Lender Instructions: *Determine eligible household income for the Single Family Housing Guaranteed Loan Program (SFHGLP) by documenting all sources/types of income for all household members. Qualify the loan by documenting all sources/type of income that is stable and dependable utilized to repay the loan.*

GENERAL INFORMATION		
Applicant(s): David and Betsy Example	Lender: ABC Lender	Date: XX/XX/XXXX

Identify all Household Members	Age	Full-time Student Y/N?	Disabled Y/N?	Receives Income Y/N?	Source of Income
David Example	**40**	**N**	**N**	**Y**	**XYZ Employment, interest on Assets**
Betsy Example	**40**	**N**	**N**	**Y**	**123 Employment, child support**
Cynthia Example	**67**	**N**	**Y**	**Y**	**Social Security, interest**
Janet Smith	**19**	**Y**	**N**	**Y**	**ABC Employment**
Kathy Smith	**14**	**Y**	**N**	**Y**	**PT Employment**
Chris Doe	**8**	**Y**	**N**	**Y**	**Foster care income**
	ANNUAL INCOME CALCULATION (*Consider anticipated income for the next 12 months for **all** adult household members as described in §3555.151 of 7 CFR 3555.* Website for instructions/administrative notices: http://www.rurdev.usda.gov/RegulationsAndGuidance.html				

1. Applicant (*Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.).* **Calculate and record how the calculation of each income source/type was determined in the space below.** **David - $1,250/wk x 52 = $65,000**	$65,000.00
2. Co-Applicant (*Wages, salary, self-employed, commission, overtime, bonus, tips, alimony, child support, pension/retirement, social security, disability, trust income, etc.).* **Calculate and record how the calculation of each income source/type was determined in the space below.** **Betsy - $15.50/hr x 20 hrs/wk x 52 = $16,120** **Betsy – child support - $100 x 12 = $1,200**	$17,320.00
3. Additional Income to Primary Income *(Automobile Allowance, Mortgage Differential, Military, Secondary Employment, Seasonal Employment, Unemployment.)* **Calculate and record how the calculation of each income source/type was determined in the space below.**	$
4. Additional Adult Household Member (s) who are not a Party to the Note (*Primary Employment from Wages, Salary, Self-Employed, Additional income to Primary Employment, Other Income*). . **Calculate and record how the calculation of each income source/type was determined in the space below.** **Cynthia- $800/month x 12 = $9,600; Janet = first $480 must be counted as full-time student over 18 years of age**	$10,080.00
5. Income from Assets (*Income from household assets as described in §3555.151 of 7 CFR 3555).* **Calculate and record how the calculation of each income source/type was determined in the space below.** **Savings Account(David) = $140; Certificate of Deposit = $400**	$540.00
6. **Annual Household Income** (*Total 1through 5)*	$92,940.00

Applicant(s): David and Betsy Example

ADJUSTED INCOME CALCULATION (*Consider qualifying deductions as described in §3555.151 of 7 CFR 3555)*

7. Dependent Deduction (*$480 for each child under age 18, or full-time student attending school or disabled family member over the age of 18*) - #____(3)_____ x $480	$1,440.00
8. Annual Child Care Expenses (*Reasonable expenses for children 12 and under*). **Calculate and record the calculation of the deduction in the space below.** **$50/week x 52 weeks/year = $2,600**	$2,600.00
9. Elderly or Disabled Household *(1 household deduction of $400 if 62 years of age or older, or disabled and a party to the note)*	$
10. Disability (*Unreimbursed expenses in excess of 3% of annual income. See §3555.151 of 7 CFR 3555 for eligibility.* **Calculate and record the calculation of the deduction in the space below.**	$
11. Medical Expenses (*Elderly or disabled households only. Unreimbursed medical expenses in excess of 3% of annual income. See §3555.151 of 7 CFR 3555 for further information).* **Calculate and record the calculation of the deduction in the space below.**	$
12. **Total Household Deductions** (*Enter total 7 through 11*)	$4,040.00

13. **Adjusted Annual Income** (Item 6 minus item 12*)* *Income cannot exceed Moderate Income Limit to be eligible for SFHGLP* *Moderate Income Limit: $______98,650_______________ State: ______Oklahoma_____________ County: ___Washington___________________*	$88,900.00

Applicant(s): David and Betsy Example

MONTHLY REPAYMENT INCOME CALCULATION (*Consider stable and dependable income of parties to the note as described in §3555.152(a) of 7 CFR 3555.)*

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.

	Borrower	**Co-Borrower**	**Total**
Base Income	$ 5,416.67 ***Calculation of Base Income:*** David: $65,000 historical employment income divided by 12 = **$5,416.67**	$ 1,343.33 ***Calculation of Base Income:*** Betsy: $16,120 historical employment income divided by 12 = **$1,343.33**	$ 6,760.00
Other Income	$____ ***Calculation of Other Income:***	$ 100.00 ***Calculation of Other Income:*** Betsy: $1,200 historical child support income divided by 12 = **$100.00** [3 year continuance since Kathy is 14]	$ 100.00
Total Income	$ 6,216.67	$ 1,443.33	$ 6,860.00

15. **Monthly Repayment Income** (*Enter total of 14*). $6,860.000

Date: ___XX/XX/XXXX_ Prepared by: _[Name/Title] ____________Lender: _[Lender] ____________________

Name/Title

ATTACHMENT 9-C

ANNUAL INCOME

I. SOURCES OF INCOME WHICH BY FEDERAL STATUTE ARE EXCLUDED FROM ANNUAL INCOME

The following sources, subject to exemption by Federal statute, are never considered when calculating annual income.

Any revenue which a Federal statute exempts shall not be considered income or used as a basis for determining eligibility for an Agency loan, payment assistance, or denying or reducing Federal financial assistance or benefits to which the recipient would otherwise be entitled. Additional financial assistance, which is considered exempt income under Federal statutes, includes:

1. The imminent danger duty-pay to a service person applicant or spouse away from home and exposed to hostile fire. Amounts of imminent danger pay for military personnel stationed in the Combat Zone are excluded from annual income effective August 2, 1990. Any military pay received by persons serving in the Combat Zone received on or after January 17, 1991, is excluded from annual income. The Combat Zone, as defined by the Presidential Executive Order 12744 dated January 21, 1991, consists of the Persian Gulf, the Red Sea, the Gulf of Oman, that portion of the Arabian Sea that lies north of 10 degrees north latitude and west of 68 degrees east longitude, the Gulf of Aden, the total land areas of Iraq, Kuwait, Saudi Arabia, Oman, Bahrain, Qatar, and the United Arab Emirates. Immediately upon notification by the family, or based on information from a knowledgeable source that a member of the household was serving, in

the Combat Zone, the Loan Approval Official shall re-determine the household income retroactive to January 17, 1991, and adjust the applicant's payment assistance accordingly.

2. Payments to volunteers under the Domestic Volunteer Service Act of 1973, including, but not limited to:

   a. National Volunteer Antipoverty Programs, which include Volunteers in Service to America (VISTA), Peace Corps, Service Learning Programs, and Special Volunteer Programs.

   b. National Older American Volunteer Programs for persons age 60 and over who include Retired Senior Volunteer Programs, Foster Grandparent Program, Older American Community Services Program, and National Volunteer Programs to Assist Small Business and Promote Volunteer Service to Persons with Business Experience, Service Corps of Retired Executives (SCORE), and Active Corps of Executives (ACE).

3. Payments received after January 1, 1989, from the Agent Orange Settlement Fund or any other fund established pursuant to the settlement in the "In Re Agent Orange" product liability litigation, M.D.L. No. 381 (E.D.N.Y.).

4. Payments received under the "Alaska Native Claims Settlement Act" or the "Maine Indian Claims Settlement Act."

5. Income derived from certain sub-marginal land of the United States that is held in trust for certain American Indian tribes.

6. Payments or allowances made under the Department of Health and Human Services Low-Income Home Energy Assistance Program.

7. Payments received from the Job Training Partnership Act.

8. Income derived from the disposition of funds of the Grand River Band of Ottawa Indians.

9. The first $2,000 of per capita shares received from judgment funds awarded by the Indian Claims Commission or the Court of Claims, or from funds held in trust for an American Indian tribe by the Secretary of Interior.

10. Payments received from programs funded under Title V of the Older Americans Act of 1965.

11. Any other income which is exempted under Federal statute.

ATTACHMENT 9-D – Julian Calendar

Day of Mo.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Day of Mo.	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
1	1	32	60	91	121	152	182	213	244	274	305	335	1	366	397	425	456	486	517	547	578	609	639	670	700
2	2	33	61	92	122	153	183	214	245	275	306	336	2	367	398	426	457	487	518	548	579	610	640	671	701
3	3	34	62	93	123	154	184	215	246	276	307	337	3	368	399	427	458	488	519	549	580	611	641	672	702
4	4	35	63	94	124	155	185	216	247	277	308	338	4	369	400	428	459	489	520	550	581	612	642	673	703
5	5	36	64	95	125	156	186	217	248	278	309	339	5	370	401	429	460	490	521	551	582	613	643	674	704
6	6	37	65	96	126	157	187	218	249	279	310	340	6	371	402	430	461	491	522	552	583	614	644	675	705
7	7	38	66	97	127	158	188	219	250	280	311	341	7	372	403	431	462	492	523	553	584	615	645	676	706
8	8	39	67	98	128	159	189	220	251	281	312	342	8	373	404	432	463	493	524	554	585	616	646	677	707
9	9	40	68	99	129	160	190	221	252	282	313	343	9	374	405	433	464	494	525	555	586	617	647	678	708
10	10	41	69	100	130	161	191	222	253	283	314	344	10	375	406	434	465	495	526	556	587	618	648	679	709
11	11	42	70	101	131	162	192	223	254	284	315	345	11	376	407	435	466	496	527	557	588	619	649	680	710
12	12	43	71	102	132	163	193	224	255	285	316	346	12	377	408	436	467	497	528	558	589	620	650	681	711
13	13	44	72	103	133	164	194	225	256	286	317	347	13	378	409	437	468	498	529	559	590	621	651	682	712
14	14	45	73	104	134	165	195	226	257	287	318	348	14	379	410	438	469	499	530	560	591	622	652	683	713
15	15	46	74	105	135	166	196	227	258	288	319	349	15	380	411	439	470	500	531	561	592	623	653	684	714
16	16	47	75	106	136	167	197	228	259	289	320	350	16	381	412	440	471	501	532	562	593	624	654	685	715
17	17	48	76	107	137	168	198	229	260	290	321	351	17	382	413	441	472	502	533	563	594	625	655	686	716
18	18	49	77	108	138	169	199	230	261	291	322	352	18	383	414	442	473	503	534	564	595	626	656	687	717
19	19	50	78	109	139	170	200	231	262	292	323	353	19	384	415	443	474	504	535	565	596	627	657	688	718
20	20	51	79	110	140	171	201	232	263	293	324	354	20	385	416	444	475	505	536	566	597	628	658	689	719
21	21	52	80	111	141	172	202	233	264	294	325	355	21	386	417	445	476	506	537	567	598	629	659	690	720
22	22	53	81	112	142	173	203	234	265	295	326	356	22	387	418	446	477	507	538	568	599	630	660	691	721
23	23	54	82	113	143	174	204	235	266	296	327	357	23	388	419	447	478	508	539	569	600	631	661	692	722
24	24	55	83	114	144	175	205	236	267	297	328	358	24	389	420	448	479	509	540	570	601	632	662	693	723
25	25	56	84	115	145	176	206	237	268	298	329	359	25	390	421	449	480	510	541	571	602	633	663	694	724
26	26	57	85	116	146	177	207	238	269	299	330	360	26	391	422	450	481	511	542	572	603	634	664	695	725
27	27	58	86	117	147	178	208	239	270	300	331	361	27	392	423	451	482	512	543	573	604	635	665	696	726
28	28	59	87	118	148	179	209	240	271	301	332	362	28	393	424	452	483	513	544	574	605	636	666	697	727
29	29		88	119	149	180	210	241	272	302	333	363	29	394		453	484	514	545	575	606	637	667	698	728
30	30		89	120	150	181	211	242	273	303	334	364	30	395		454	485	515	546	576	607	638	668	699	729
31	31		90		151		212	243		304		365	31	396		455		516		577	608		669		730

The calendar is used to determine the number of days between two dates. For example – how many days are between March 3 and October 15? Calendar days accrued for March 3 is 62. Calendar days accrued for October 15 is 288. Therefore 288-62 = 266 days. The calendar may also be used for determining the days for YTD income. If the paystubs or employment verification indicates $45,000 as of October 15 (288 days) divide $45,000 by 288 to arrive at the average income per day of $156.25 and multiply by 365 to equal annual earnings of $57,031.25. Lenders must compare this figure to historical earnings and determine if this calculation method is accurate and represents projected 12 month earnings.

ATTACHMENT 9-E

INFORMATION FOR ANALYZING TAX RETURNS FOR SELF-EMPLOYED APPLICANTS

The self-employed applicant must submit current documentation of the business's income and expenses, including any applicable Federal tax returns that were filed with the IRS for the most recent two years in addition to year-to-date profit and loss and balance statements. Lenders are encouraged to use Fannie Mae Form 1084, "Cash Flow Analysis," and Fannie Mae Form 1088 "Comparative Income Analysis" to document a trend analysis for the applicant's business. Lenders may use the Fannie Mae forms or any documentation that provides the same information. Regardless of the analysis method used, and the documentation prepared by the lender, the loan file must contain clear and sufficient support for the lender's decision regarding the viability of the business and loan approval.

A. Individual Tax Returns (IRS Form 1040)

The amount shown on the IRS Form 1040 as "adjusted gross income" must be either increased or decreased based on the lender's analysis of the individual tax returns and any related tax schedules. Particular attention must be paid to:

- **Wages, salaries, tips**. If an amount is shown here, this may indicate the individual is a salaried employee of a corporation or has other sources of income. It may also indicate the spouse is employed, in which case the income must be subtracted from the adjusted gross income in the analysis.

- **Business income or loss (from Schedule C)**. The sole proprietorship income calculated on Schedule C is business income. Depreciation or depletion may be added back to adjusted gross income.

- **Rents, royalties, partnerships, etc. (from Schedule E)**. Any income received from rental properties or royalties may be used as income after adding back any depreciation shown on Schedule E.

- **Capital gain or loss (from Schedule D)**. This is generally a one-time transaction and should not be considered in determining repayment income. However, if the business has a constant turnover of assets resulting in gains or losses, the capital gain or loss may be considered in determining the income provided the applicant has at least three years' tax returns evidencing capital gains. An example would include an individual who purchases old houses, remodels them, and sells them for a profit.

- **Interest and dividend income (from Schedule B)**. This income, both taxable and tax-exempt, may be added back to the adjusted gross income only if it has been received for the past two years and is expected to continue. (If the interest-bearing asset will be liquidated as a source of the cash investment, the lender must adjust accordingly).

- **Farm income or loss (from Schedule F)**. Any depreciation shown on Schedule F may be added back to the adjusted gross income.

- IRA distributions, pensions and annuities, and social security benefits. The non-taxable portion of these items may be added back to the adjusted gross income if the income is expected to continue for the first three years of the mortgage.

- Adjustments to income. Certain adjustments to income shown on the IRS Form 1040 may be added back to the adjusted gross income. Among these are IRA and Keogh retirement deductions, penalties on early withdrawal of savings, health insurance deductions, and alimony payments.

- Employee business expenses. These are actual cash expenses that must be deducted from the applicant's adjusted gross income.

B. U.S. Corporate Income Tax Returns (IRS Form 1120)

Corporations are state chartered businesses owned by their stockholders. Compensation to its officers, generally in proportion to the percentage of ownership, is shown on the corporate tax returns and will appear on individual tax returns. If the applicant's percentage of ownership is not shown, it must be separately obtained from the corporation's accountant with evidence the applicant has the right to those funds. Once the adjusted business income is determined, it is to be multiplied by the applicant's percentage of ownership in the business.

In analyzing the corporate tax returns, lenders must adjust for the following:

- **Depreciation and depletion**. The corporation's depreciation and depletion must be added back to after-tax income.

- **Taxable income**. This is the corporation's net income before federal taxes. It must be reduced by the tax liability.

- **Fiscal year versus calendar year**. If the corporation operates on a fiscal year that is different from the calendar year, an adjustment must be made by the lender to relate corporate income to the individual tax return.

- **Cash withdrawals**. The applicant's withdrawal of cash from the corporation may have a severe negative impact on the corporation's ability to continue operating.

C. "S" Corporation Tax Returns

An "S" corporation is generally a small, start-up business, with gains and losses passed onto stockholders in proportion to each stockholder's percentage of business ownership. The income for the owners comes from W-2 wages and is taxed at the individual rate.

The "compensation of officers" line on the IRS Form 1120S is transferred to the applicant's IRS Form 1040. Both depreciation and depletion may be added back to income in proportion to the applicant's share of income. However, income must also be deducted proportionately by the total obligations payable by the corporation in less than one year. The applicant's withdrawal of cash from the corporation may have a severe negative impact on the corporation's ability to continue operating which must be considered in the analysis.

D. Partnership Tax Returns

A partnership is formed when two or more individuals form a business and share in profits, losses, and responsibility for running the company. Each partnership pays taxes on his or her proportionate share of the partnership income.

Both general and limited partnerships report income on the IRS Form 1065 "U.S. Return of Partnership Income;" it must be reviewed by the lender to assess the viability of the business. The partner's share of income is carried over to Schedule E of IRS Form 1040. Both depreciation and depletion may be added back to income in proportion to the applicant's share of income. However, income must also be deducted proportionately by the total obligations payable by the partnership in less than one year. The applicant's withdrawal of cash from the partnership may have a severe negative impact on the partnership's ability to continue operating that must be considered in the analysis.

E. LLC Corporation Tax Returns

A limited liability corporation (LLC) can be formed by one or more individuals. Only Massachusetts and the District of Columbia require two or more individuals. Owners in a LLC are referred to as members. A member of a LLC normally has, at risk, only his or her share of capital paid into the business. Members are not personally liable for the debts of the LLC. There are three ways in which an LLC is taxed:

- Single-owner LLC - LLC owners are taxed on business profits each year on their individual income tax returns. The IRS treats the LLC as a sole proprietorship. Profits are reported on Schedule C of an individual 1040 tax return.

- LLCs – The IRS treats the LLC as a partnership. The LLC prepares and files IRS Form 1065, Partnership Information Return each year. LLC profits are allocated to each of the owners according to the profit-sharing arrangement set up in the LLC operating agreement. Each owner is given a Schedule K-1, which shows each owner's share of LLC income. The owner then reports and pays taxes on this income on the owner's 1040 income tax return.

- Check-the-Box Corporate Tax Treatment – Under these rules, any eligible business can elect to be taxed as a corporation by filing IRS Form 8832 "Entity Classification Election" and checking the corporate income tax treatment box on the form. After making this election, profits kept in the business are taxed at the separate income tax rates that apply to corporations.

WORKSHEET FOR DOCUMENTING ELIGIBLE HOUSEHOLD AND REPAYMENT INCOME

Attachment 9-F

[Internal Use Only]

Agency Instructions: Recalculate income in the circumstances noted below. Retain this worksheet as part of the permanent SFHGLP file, when applicable. If the reviewer agrees with the lender income worksheet calculation, check the box indicating agreement with the lender's calculation; otherwise complete the recalculation of income in the space provided.

Eligible Household Income: *Recalculate the lender's determination of eligible income if the lender's adjusted annual income calculation is within 10 percent of the applicable published income limit for manually underwritten loans. The published income limits may be found at Appendix of the 7 CFR Handbook , or at the public website: http://eligibility.sc.egov.usda.gov/eligibility/*

Repayment Income: *Recalculate the lender's determination of repayment income for manually underwritten loans if the lender's repayment ratios are within 10 percent of the published debt ratio limit found at §7 CFR 3555.152. (i.e. greater than 26.0% principal, interest, taxes and insurance (PITI) OR greater than 37.0% total debt ratio (TD)).*

Definition- Manually Underwritten Loan Files*: 1) Loans submitted by lenders who have not utilized the automated underwriting system, GUS. 2) Loans submitted to GUS, that has received an underwriting recommendation of "Refer" or "Refer With Caution." GUS loans receiving a quality control lender message of 31063 are not considered manually underwritten loans.*

GENERAL INFORMATION		
Applicant(s):	GLS Borrower ID:	Lender:

AGENCY WRITTEN ANALYSIS DOCUMENTING ELIGIBLE HOUSEHOLD INCOME (*Consider anticipated income for the next 12 months for **all** adult household members as described in §3555.151. Consider qualifying deductions as described in §3555.151 of 7 CFR 3555.*) Website for instructions/administrative notices: http://www.rurdev.usda.gov/RegulationsAndGuidance.html.

Calculate and record how the calculation of each income source/type and deduction was determined in the space below.

☐ I have reviewed the lender's calculation and compared it to income verifications. I agree with the lender's calculation of eligible household income.	$

By: ____

Date: __________________________

____
(Title)

Applicant(s):	GLS Borrower ID:	Lender:

AGENCY WRITTEN ANALYSIS MONTHLY REPAYMENT INCOME (*Consider the stable and dependable income of parties to the note as described in §3555.152(a) of 7 CFR 3555).* Website for instructions/administrative notices: http://www.rurdev.usda.gov/RegulationsAndGuidance.html.

Calculate and record how the calculation of each income source/type and deduction was determined in the space below.

☐ I have reviewed the lender's calculation and compared it to income verifications. I agree with the lender's calculation of stable, dependable repayment income.	$

By: ______________________________

Date: ______________________ ______________________________
(Title)

ATTACHMENT 9- G

OPTIONAL VERIFICATION OF INCOME FORMS

VERIFICATION OF PENSIONS AND ANNUITIES

REQUEST FOR INFORMATION

APPLICANT IDENTIFICATION

Name ___________________________________ Social Security Number____________________

REQUESTED INFORMATION

A. INCOME FROM ANNUITIES

1. $ _____________ Current monthly gross amount received. Will the applicant continue to receive this monthly amount for the next twelve months? ___ Yes ___ No If, no please explain.

2. Describe any deductions from the gross amount that are taken.

B. VERIFICATION OF ASSETS

1. $______________ Current market value of assets held in the retirement or pension plan.
2. Can the applicant withdraw amounts from the retirement account without retiring or terminating employment? _____ Yes ______ No. If yes, explain the terms of the withdrawal, including any penalties.

3. Can the applicant borrow against amounts in the retirement account? ___ Yes ____ No
   If yes, explain the terms (maximum amount, interest rate, repayment term, purposes, etc.)

LENDER CERTIFICATION: Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name:__________________________________ Title:____

____ Telephone Number:_____________________

(Signature)

WARNING: Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)

VERIFICATION OF STUDENT INCOME AND EXPENSES

REQUEST FOR INFORMATION

APPLICANT IDENTIFICATION

Name ___________________________________ Social Security Number____________________

REQUESTED INFORMATION

1. Describe any financial assistance the above-reference student receives.

Amount	**Source**	**Purpose for Which Funds May Be Used**

2. Describe any expenses the above-referenced student has for:

$___________Tuition

$___________Housing

$___________Books

$___________Supplies and Equipment

$___________Transportation

$___________Misc. Personal Expenses

$___________Total

LENDER CERTIFICATION: Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name:____________________________ Title:____

_________________________________ Telephone Number:____________________________

(Signature)

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VERIFICATION OF MEDICAL EXPENSES

REQUEST FOR INFORMATION

APPLICANT IDENTIFICATION

Name ___________________________________ Social Security Number____________________

REQUESTED INFORMATION

1. Please list the purpose of any accumulated medical bills, identify to whom the amount is owed, and provide the amount to be paid during the coming 12 months.

Amount	**Owed To**	**Medical Expenses for**

2. Medical Insurance Premiums

$______________ Amount Paid Payment Period: __ per month, ___ per year

Medical Insurance Premiums

$______________ Amount Paid Payment period: __ per month, ___ per year

3. List other anticipated medical expenses

LENDER CERTIFICATION: Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name:__________________________________ Title:____

____ Telephone Number:_____________________________

(Signature)

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VERIFICATION OF SOCIAL SECURITY BENEFITS

REQUEST FOR INFORMATION

APPLICANT IDENTIFICATION

Name __________________________________ Social Security Number__________________

REQUESTED INFORMATION

Social Security Data

_________________ Date of Birth

_________________ Gross Monthly Social Security Benefit Amount, Type of Benefit

_________________ Gross Monthly Supplemental Security Income Payment Amount (including State Supplement) Type of Benefit

_________________ Amount of Monthly Deductions for Medicare Paid by the Applicant

LENDER CERTIFICATION: Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name:_________________________________ Title:____

_______________________________________ Telephone Number:____________________________

(Signature)

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VERIFICATION OF PUBLIC ASSISTANCE

REQUEST FOR INFORMATION

APPLICANT IDENTIFICATION

Name ________________________________ Social Security Number_________________

REQUESTED INFORMATION

Number in Family: __________	Rate Per Month
Aid to Families with Dependent Children	$____________
General Assistance	$____________
Does this amount include Court Awarded Support Payments	☐ Yes ☐ No
Amount Specifically Designated for Shelter and Utilities	$_____________
Other Assistance - Type: ____________________________________	$_____________
Total Monthly Grant	$_____________
Other Income - Source: _____________________________________	$_____________
*Maximum Allowance for Rent and Utilities	$_____________
Amount of Public Assistance given during the past 12 months	$_____________

LENDER CERTIFICATION: Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name:________________________________ Title:______________________________________

_____________________________________ Telephone Number:____________________

(Signature)

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VERIFICATION OF CHILD/DEPENDENT CARE

REQUEST FOR INFORMATION

APPLICANT IDENTIFICATION

Name ________________________________ Social Security Number_________________

REQUESTED INFORMATION

Name of Person or Agency Providing Care: ____

Address: ____
____
____

Name(s) of person or Persons Cared for: ____
____
____

Specify Hours __________ and Days __________ of Care.

Average Amount Paid for Care: $_______________ ☐ Week ☐ Month

Estimated Amount to be Paid in coming 12 months (including full-time summer care of school children, if applicable): $_______________

Will any amount of this expense be reimbursed by an outside source: ☐ Yes ☐ No

LENDER CERTIFICATION: Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name:________________________________ Title:_______________________________________

_____________________________________ Telephone Number:____________________

(Signature)

WARNING: Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)

VERIFICATION OF UNEMPLOYMENT BENEFITS

REQUEST FOR INFORMATION

APPLICANT IDENTIFICATION

Name ________________________________ Social Security Number__________________

REQUESTED INFORMATION

1.	Are benefits being paid now?	☐ Yes ☐ No
2.	If yes, what is Gross Weekly payment?	$________________
3.	Date of Initial Payment	_________________
4.	Duration of Benefits	_________________ weeks
	Is claimant eligible for future benefits?	☐ Yes ☐ No
5.	If yes, How many weeks?	_________________
6.	If no, what is termination date of benefits?	__________________

LENDER CERTIFICATION: Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name:________________________________ Title:___________________________________

______________________________________ Telephone Number:____________________

(Signature)

WARNING: Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)

VERIFICATION OF BUSINESS EXPENSES
REQUEST FOR INFORMATION

APPLICANT IDENTIFICATION
Name _________________________________ Social Security Number__________________

REQUESTED INFORMATION

Based on business transacted during __________________ 20____, to __________________ 20____

1. Gross Income		$________________
2. Expenses:		
(a) Interest on Loans	$________________	
b) Cost of Goods/Materials	$________________	
(c) Rent	$________________	
(d) Utilities	$________________	
(e) Wages/Salaries	$________________	
(f) Employee Contributions	$________________	
(g) Federal Withholding Tax	$________________	
(h) State Withholding Tax	$________________	
(i) FICA	$________________	
(j) Sales Tax	$________________	
(k) Other	$________________	
(l) Straight Line Depreciation	$________________	
Total Expenses	$________________	
3. Net Income		$________________

LENDER CERTIFICATION: Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name:________________________________ Title:____

_______________________________________ Telephone Number:_____________________

(Signature)

WARNING: Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)

VERIFICATION OF SUPPORT PAYMENTS

REQUEST FOR INFORMATION

APPLICANT IDENTIFICATION

Name ________________________________ Social Security Number__________________

REQUESTED INFORMATION

Name of Person Paying Support: ____

Address: ____

____

____

For ( ) Former Spouse

( ) Children

Children Names are:

____

____

____

____

Amount of Support $________________ ☐ Week, ☐ Month, ☐ Year

LENDER CERTIFICATION: Verifier must print their name, address and telephone number and certify to the accuracy of information recorded by executing below.

Name:________________________________ Title:___________________________________

______________________________________ Telephone Number:____________________

(Signature)

WARNING: Knowingly and willingly making a false or fraudulent statement to any department of the United States Government is a felony punishable by fine and imprisonment (Title 18, Section 1001, U.S. Code)

RECORD OF ORAL VERIFICATION OF EMPLOYMENT

APPLICANT INFORMATION ☐ **Applicant** ☐ **Co-Applicant**
Name of Applicant/Co-Applicant: ____________________

EMPLOYMENT INFORMATION VERIFIED ☐ **Present** ☐ **Previous Employment**

Company: ____________________

Name and Title of Person Contacted: ____________________

Telephone Number: ____________________ Date: ____________________

Source of Telephone Number: ____________________

Date of Employment: ____________________ Position: ____________________

Probability of Continued Employment: ____________________

Salary: ____________________

Probability of continued bonus and/or overtime is likely to continue: ____________________

ADDITIONAL INFORMATION VERIFIED

____________________ ____________________
Signature of Person Receiving Verification Date and Time

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