Annual Income

Single Family Housing Guaranteed Loan Program

Revised December 2018

Training Objectives

• Where is the topic located?
  * 7 CFR Part 3555 and HB-1-3555
• Learning Checks
• Resources

Always refer to the current version of published guidance!
7 CFR Part 3555

3555.152 Calculation of income and assets.
(a) Repayment income.
(b) Annual income.
(c) Adjusted annual income.
(d) Net family assets.

7 CFR Part 3555: 3555.152(b)

(b) Annual income. Annual income is the income of all household members, regardless of whether they will be parties to the promissory note.

(1) Applicants must provide the income, expense and household information necessary to enable the lender to make income determinations.

(2) Lenders must verify employment and income information provided by the applicant for all household members. Lenders will verify the income for each adult household member for the previous 2 years. Written or oral verifications provided by third-party sources or documents prepared by third-party sources are acceptable. Lenders must project the expected annual income for the next 12 months from the verified sources.

(3) The lender remains responsible for the quality and accuracy of all information used to establish a household’s eligibility.

(4) Household income from all sources including, but not limited to, income from temporarily absent household members, allowances for tax-exempt income and net family assets as defined in paragraph (d) of this section are to be considered in the calculation of annual income.
7 CFR Part 3555: 3555.152(b)

(5) The following sources of income will not be considered in the calculation of annual income:

(i) Earned income of persons under the age of 18 unless they are an applicant or a spouse of a member of the household;

(ii) Payments received for the care of foster children or foster adults and incomes received by foster children or foster adults who live in the household;

(iii) Amounts granted for, or in reimbursement of, the cost of medical expenses;

(iv) Earnings of each full-time student 18 years of age or older, except the head of household or spouse, that are in excess of any amount determined pursuant to HUD’s definition of annual income at 24 CFR 5.609(c);

(v) Temporary, nonrecurring, or sporadic income (including gifts);

(vi) 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;

(vii) Any earned income tax credit;

(viii) Adoption assistance in excess of any amount determined pursuant to HUD’s definition of annual income at 24 CFR 5.609(c);

(ix) Amounts received by the family in the form of refunds or rebates under State or local law for property taxes paid on the dwelling;

(x) Amounts paid by a 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.
7 CFR Part 3555: 3555.152(b)

The following sources of income will not be considered in the calculation of annual income:

(x) The full amount of any student financial aid;

(xi) Any other revenue exempted by a Federal statute, a list of which is available from any Rural Development office;

(xii) Income received by live-in aides, regardless of whether the live-in aide is paid by the family or a social service program;

(xi) Employer-provided fringe benefit packages unless reported as taxable income; and

(x) Amounts received through the Supplemental Nutrition Assistance Program.

HB 9: 9.3 Annual Income

A. Income that is never counted
B. Calculation of Income
C. Income of Temporarily Absent Household Members
D. Assets
<table>
<thead>
<tr>
<th>Income Type</th>
<th>Annual</th>
<th>Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption Assistance or Subsidy</td>
<td>If the income will be received in the ensuing 12 months, include the first $4,800 of adoption income or subsidy assistance for each grantee.</td>
<td>History: 2 years; Continuance: 3 years; Benefits that do not include expiration dates on the documentation will be presumed to continue.</td>
</tr>
<tr>
<td>Automobile Allowance</td>
<td>Include amounts documented on the pay statements as taxable gross earnings that will be received in the ensuing 12 months.</td>
<td>History: 2 years; Continuance: Income will be presumed to continue unless there is documented evidence the income will cease. The amount of allowance that exceeds the expenditure may be included for repayment. If there is a monthly debt associated with the income (such as a car or equipment payment), this debt must continue to be included in the debt ratio calculation.</td>
</tr>
</tbody>
</table>
EVERY INCOME TYPE CANNOT BE LISTED

KEEP CALM AND KEEP IT SIMPLE

• Can the source be documented?
• Review the current earnings to determine the amount of income to be received for the ensuing 12 months
• Evidence of discontinuance within the ensuing 12 months, do not include

HB-1-3555: Attachment 9-A

<table>
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<tr>
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<tr>
<td>Adoption Assistance or Subsidy</td>
<td></td>
<td></td>
</tr>
<tr>
<td>If the income will be received in the ensuing 12 months, include the first $409 of adoption income or subsidy assistance for each grantee.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Continuance: 3 years</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Benefits that do not include expiration dates on the documentation will be presumed to continue</td>
<td></td>
<td></td>
</tr>
</tbody>
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<table>
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<tr>
<th>Documentation Source Options:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Benefits Award letter to document the amount and duration of payments</td>
</tr>
<tr>
<td>2 years of Federal income tax returns or IRS tax transcripts with all schedules</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Automobile Allowance</th>
<th>Income guidance: 1 CFR 3555, Section 3555.153(a) and (b)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Include amounts documented on the pay stubs or as taxable gross earnings that will be received in the ensuing 12 months.</td>
<td></td>
</tr>
<tr>
<td>Continuance: Income will be presumed to continue unless there is documented evidence the income will cease.</td>
<td></td>
</tr>
<tr>
<td>The amount of allowance that exceeds the expenditure may be included for repayment.</td>
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<td>If there is a monthly debt associated with the income (such as a car or equipment payments), this debt must continue to be included in the debt ratio calculation.</td>
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</table>
### ATTACHMENT 9-A

#### Income and Documentation Matrix

**Income guidance:** 7 CFR 3555, Section 3555.152(a) and (b)

<table>
<thead>
<tr>
<th>Income Type</th>
<th>Documentation</th>
<th>Expiration Date</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption Assistance or Subsidy</td>
<td><em>Benefits/awards letter to document the amount and duration of payments</em></td>
<td>History: 2 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continuance: 3 years</td>
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<tr>
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<td>Benefits that do not include expiration dates on the document will be presumed to continue.</td>
</tr>
<tr>
<td>Automobile Allowance</td>
<td>Include amounts documented on the pay statement or trouble from earnings that will be received in the ensuing 12 months.</td>
<td>History: 2 years</td>
</tr>
<tr>
<td></td>
<td></td>
<td>Continuance: Income will be presumed to continue unless there is documented evidence the income will cease.</td>
</tr>
<tr>
<td></td>
<td></td>
<td>The amount of allowance that exceeds the expenditure may be included for equipment. If there is a monthly debt associated with the income (such as a car or equipment payment), this debt must continue to be included in the debt ratio calculation.</td>
</tr>
</tbody>
</table>
Annual income

- Sally receives a monthly $1,300 housing allowance
- Her new contract is valid for the next two years
- The housing allowance is included in annual income

A. TRUE    B. FALSE

Annual income

ANSWER: 3555.152(b), HB 9

A. TRUE

- The housing allowance is part of her salary package
Annual income

Sam has inherited $30,000 from his uncle. The inheritance must be included in the annual income.

A. TRUE B. FALSE

ANSWER: 3555.152(b)(5)(vi), HB 9

B. FALSE

• The inheritance is a lump sum addition, and therefore not included
• Capital gains, worker’s compensation, settlements, etc. are also not included in annual income
• Lender must consider income earned from this asset as indicated in 3555.152(d) and HB 9
Annual income

- Applicant household includes 19 year old, full time student
- The 19 year old has part time job at Starbucks
- Current annual earnings: $12,500
- Which amount must be included in annual income

A. $480  
B. $12,500

Annual income

**ANSWER: 3555.152(b)(5)(i), HB 9**

A. $480

- Income that is never counted: Earnings of a full-time student 18 years of age, or older, in excess of $480 unless the student is a spouse or head of household
- The student also qualifies as a dependent per 3555.152(c)(1)= $480 annual income deduction
- The final amount in annual income will be $0
Supplemental Nutrition Assistance Program (SNAP) benefits are included in annual income.

A. TRUE        B. FALSE

**Annual income**

**ANSWER: 355.152(5)(x), 9**

B. FALSE

- SNAP and other revenue exempt by a Federal statute, are not included in annual income
Annual income
The annual income calculation is based on ____ earnings.

A. Net    B. Gross

ANSWER: 3555.152(b), HB 9

B. Gross

The gross amount before payroll deductions:
• Base wages/salaries, overtime pay, commissions, fees, tips, housing allowances and other compensation for personal services of all adult members of the household.
Annual income

Foster care payments for children and/or adults must be included in annual income.

A. TRUE    B. FALSE

Annual income

ANSWER: 3555.152(b)(5)(ii), HB 9

B. FALSE

• Payments received for foster children/adults are not included in annual income
Annual income

• Applicant due to receive wage increase
• Increase will occur before loan approval by USDA (issuance of conditional commitment)
• The increase must be included in annual income

A. TRUE  B. FALSE

Annual income

ANSWER: 3555.152(b)(2), HB 9

A. TRUE

• Annual income is based on upcoming 12 months
• Wage increases prior to commitment must be included
**Annual income**

- Applicant receives social security benefits for their minor child
- The social security benefit must be included in the annual income

A. TRUE  B. FALSE

**Answer:** 3555.152(b)(4), HB 9

A. TRUE

- The full amount of periodic payments received from Social Security including payments received by adults on behalf of a minor must be included
Annual income

- Joe has annual income of $125,000
- He has a business loss of $45,000
- Joe’s adjusted annual income with consideration of the business loss is:

  A. $80,000  
  B. $125,000

Annual income

ANSWER: 3555.152(b), HB 9

B. $125,000

- Business losses are treated as zero for annual income
Annual income

- Missy is a Pampered Chef sales professional, annual income is $85,000
- Tax returns reflect eligible deductions for mortgage interest/taxes/insurance of $13,500
- Missy’s annual income with consideration of these deductions is:
  
  A. $85,000   B. $71,500

Annual income

ANSWER: 3555.152(b), HB 9

A. $85,000

- Home based operation related expenses such as mortgage interest/taxes/insurance are not deducted from annual income
Annual income
Lender retains the following income documentation:

- Applicant: Written VOE plus recent paystub with YTD figure
- Household member: Recent paystub with YTD figure
- The file is properly documented

A. TRUE B. FALSE

Annual income

**ANSWER: 3555.152(b)(2), HB 9**

- Household members must be documented at the same level as an applicant
- Applicable IRS 4506-T requirements must also be met: HB 9

B. FALSE
Annual income

- Jennifer was awarded in court $600 monthly child support in January 2014
- Payments were received for 6 months and ceased after June 2014
- The child support must be counted in annual income

A. TRUE    B. FALSE

Annual income

ANSWER: 3555.152(b)(2), HB 9

B. FALSE

- Documentation of non-payment and legal actions to collect= the amount is not included in annual income
Annual income

• Checking: $2,500
• What amount of income must be added to annual income:

A. $15.50          B. $0

Annual income

ANSWER: 3555.152(b)(4), HB 9

B. $0

• Assets are below $50,000
• Refer to 3555.152(d) and Asset training module
Annual income

- Checking: $1,500, non-interest, local passbook savings rate is .25%
- Savings: $15,000, earns .50% annually
- Certificate of Deposit: $65,000, earns 2% annually
- What amount of income must be added to annual income:

  A. $1,378.75  
  B. $0

ANSWER: 3555.152(b)(4), HB 9

A. $1,378.75

- Assets are $50,000 or greater
- $1,500 x .25% (passbook rate)= $3.75
- $15,000 x .50% = $75.00
- $65,000 x 2% = $1,300
- $3.75 + $75.00 + $1,300 = $1,378.75
Annual income

- Karen has worked at TechGen for 4 years
- Recently she received a $1,500 bonus
- No history of bonus in previous years, VOE states no continuance
- Bonus must be included in annual income

A. TRUE    B. FALSE

Annual income

**ANSWER: 3555.152(b)(5)(v), HB 9**

- No consistent history = sporadic income
- VOE confirms no continuance

B. FALSE
Annual income

- Stan and Fran are married.
- Fran moved out two months ago and filed for divorce.
- Stan is applying for a guaranteed loan.
- Fran’s income must be included in annual income

A. TRUE  B. FALSE

Annual income

ANSWER: 3555.152(b)(4), HB 9

B. FALSE

- Separated less than 3 months, but
- Legal action for divorce has been filed
Annual income
• Pat and Carol are married
• Pat is deployed for two years
• Carol is applying for a guaranteed loan as a sole applicant
• Pat’s income must be included in annual income

A. TRUE  B. FALSE

Annual income
ANSWER: 3555.152(b)(4), HB 9

A. TRUE

• Separated due to work and/or military assignment
• Pat continues to be part of the household
Steve and Jody are engaged. Steve is the only loan applicant.

They are both on the current rental lease, share the address and have a joint bank account.

Their combined incomes are over the adjusted annual income limit.

The solution is to have Jody live elsewhere until after the wedding. There is no evidence of a separate residence at this time.

Jody’s income can be excluded from the annual income

A. TRUE B. FALSE

Steve and Jody are currently living together and share a lease and bank account.

There is no evidence they have been living apart for 3 months.
WAY TO GO!

Regulations
GovDelivery Sign up

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