



**FREQUENTLY ASKED QUESTIONS - STABLE AND DEPENDABLE INCOME**  
**HB-1 3555, Chapter 9 supports 7 CFR 3555, §3555.152**  
**Repayment, Annual, and Adjusted Income.**

<p>The applicant graduated from High School 13 months ago, has 12 months work history at her current job but no other work history or college experience prior. Can this be used in repayment income calculations?</p>	<p>The income of applicants 18 years or older with a minimum 1 year of continuous employment with the probability of continued employment may be used in Repayment income calculations. The lender must review the overall credit and capacity of the applicant to ensure they meet all other applicable requirements related to credit history and debt ratios.</p>
<p>Is a 24 month employment history no longer required?</p>	<p>USDA encourages lenders to review the previous two year employment history for each applicant, however most income types require a minimum of 12 months on the job to be considered for repayment purposes. Some income types, such as retirement, Social Security benefits, etc., are eligible when received for alternate timeframes.</p>
<p>The applicant graduated from college 8 months ago and has been employed as a teacher for the last 7 months. Previously, he was a student for 4 years with no other employment history. Can this be used in repayment income calculations?</p>	<p>Applicants who have less than 1 year of employment history are not considered to have stable or dependable income. Applicants must have a minimum of 1 year of continuous stable and dependable income to qualify for program assistance. Previous enrollment in college/university is no longer considered to be acceptable in lieu of employment history.</p>
<p>The applicant graduated from college last month and has an employment contract with a school district. The employment will begin within 60 days of loan closing and has sufficient reserves to cover all expenses (including the mortgage) until receipt of their first paycheck. Since she was a student with no previous employment history, can this future income be used in repayment income calculations?</p>	<p>Applicants who have less than 1 year of employment history are not considered to have stable or dependable income. Applicants must have a minimum of 1 year of continuous stable and dependable income to qualify for program assistance. Previous enrollment in college/university is no longer considered to be acceptable in lieu of employment history.</p>
<p>The applicant is a teacher and has been on their current job for 48 months. The applicant has an employment contract with a different school district and will begin within 60 days of loan closing. The applicant has sufficient funds in reserves to cover all expenses (including the mortgage) for the next 60 days.</p>	<p>If the applicant has a minimum of 1 year of continuous stable and dependable income, future/projected income may still be considered when the applicant has a firm offer with the employer without a foreseeable or unjustifiable gap in employment.</p>
<p>The applicant is recently retired with employment history of over 2 years. He has a Social Security/Retirement award letter that reflects the amount and date the benefits will begin within 45 - 60 days of loan closing.</p>	<p>There is no minimum history requirement for this type of income. Retirement and/or Social Security benefits are presumed to continue unless the benefits award letter states otherwise.</p>

<p>The applicant has been on their current job for 6 months. Prior to this employment, had a 2 year leave of absence from the workforce.</p>	<p>Applicants must have a minimum 1 year of continuous stable and dependable income to qualify for program assistance. A two-year gap of employment is significant regardless of the previous work history. On the other hand, a person leaving their employment without having another job lined up, resulting in 1 month of unemployment may also be considered to not have employment continuity unless it is carefully documented and justified.</p>
<p>The applicant started a new job six months ago. Prior to that, the applicant had a 2 year employment history, but there was a 30-day job gap between the prior and current employment.</p>	<p>Lenders are responsible for analyzing any gaps in employment. Applicants with short gaps in employment due to maternity, medical leave, relocation or other reasons that the lender deems justifiable may be considered eligible. An employment gap does not automatically render an applicant ineligible.</p>
<p>For income types that are non-taxable (e.g., government benefits) Attachment 9-A allows grossing up this income by 25%. This statement is not included in Social Security Income. Can Social Security be grossed up?</p>	<p>If the Social Security income is non-taxable, it may be grossed-up by 25%.</p>
<p>USDA removed language around allowing self-employment income if the borrower has been self-employed less than 2 years. The new policy requires two consecutive years of signed tax returns. Are we allowed to accept self-employment income of less than two years?</p>	<p>Income from self-employed applicants is generally considered to be stable and dependable when it has been received for two or more years. Income of self-employed applicants of less than 2 years will not be used in repayment income calculations.</p>
<p>The applicant was continuously employed for the previous 3 years on a part-time basis while attending school full-time. They earned \$12 per hour (\$12,480 annually). After graduation they accepted a full-time position where they have been employed for 5 months, earning \$65,000 annually.</p>	<p>The applicant exhibits employment continuity, as they have been employed for over 12 months. The lender must use caution to analyze income continuity, which is the historical level of income received by the applicant that is deemed stable and dependable to repay the mortgage loan.</p>
<p>The applicant has historically reported unreimbursed business expenses on form 2106 for tax years 2017 and prior. Due to the changes in tax laws, UBE are no longer deducted effective tax year 2018. Can the previous 2 years history be used as deductions?</p>	<p>The technical handbook states “A trend will be presumed to continue unless there is documented evidence the expenses/deductions will cease”. If unreimbursed business expenses are no longer claimed due to a change in employment status/employer or the Federal tax code has been modified to remove these deductions, then no action will be required by the lender.</p>
<p><b>USDA cannot provide a response to every potential income scenerio. It remains the approved lender's responsibility to review income history, documentation of receipt, and evidence of income continuance to determine if the applicant meets the requirements of §3555.152.</b></p>	