

Repayment Income

Single Family Housing Guaranteed Loan Program
(SFHGLP)

09/2020



REPAYMENT INCOME

The Key to Successful Homeownership



7 CFR 3555.152(a)

§3555.152 Calculation of income and assets.

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

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

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



7 CFR 3555.152(a)

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

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



7 CFR 3555.152(a)

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

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



Stable and
Dependable Income
=
Repayment Income

Annual Income
≠
Repayment
Income

HB-1-3555, 9.7 & 9.8

9.7 OVERVIEW

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

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

9.8 STABLE AND DEPENDABLE INCOME

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

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

Review Attachment 9-A
Pages 1 – 25

Refer to “Repayment”
Column

Retain All Documentation
in the Permanent Case
File

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

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

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

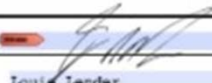
Form RD 3555-21 (Page 5)

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

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

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

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

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

GUS "Income and Expenses" Page

Income and Expenses

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

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

Other Income

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

Insert More Other Income

Approved Lender



Underwriter

USDA



Underwriter

Helpful Tips



GUS does not determine stable and dependable income.



Underwriters must analyze employment and income history for stability.



Incorrect data entries will render the underwriting recommendation as invalid.

LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555



QUESTION

Topic

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

TRUE/FALSE or other answer options will be displayed



ANSWER

Topic

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

X. Correct Response

- Additional guidance for clarification may be provided



Ready?

LET'S GET
STARTED!



QUESTION

Repayment Income

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

A. TRUE B. FALSE



ANSWER

Repayment Income

3555.152(a), HB 9

B. TRUE

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



QUESTION

Repayment Income

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

A. TRUE B. FALSE



ANSWER

Repayment Income

3555.152(a)(3), HB 9

B. FALSE

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



QUESTION

Repayment Income

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

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



ANSWER

Repayment Income

3555.152(a)(3), HB 9

B. 1 year

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



QUESTION

Repayment Income

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

A. TRUE B. FALSE



ANSWER

Repayment Income

3555.152(a), HB 9

B. FALSE

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



QUESTION

Repayment Income

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

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



ANSWER

Repayment Income

3555.152(a)

C. 12 months

The applicant must have a 12-month employment history.



QUESTION

Repayment Income

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

A. TRUE B. FALSE



ANSWER

Repayment Income

3555.152(a), HB 9

A. TRUE

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



QUESTION

Repayment Income

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

A. TRUE B. FALSE



ANSWER

Repayment Income

3555.152(a)(1), HB 9

B. FALSE

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



QUESTION

Repayment Income

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

A. TRUE B. FALSE



ANSWER

Repayment Income

3555.152(a), HB 9

A. TRUE

Tax exempt income sources may be grossed up 25%.

No additional adjustments are allowed.



QUESTION

Repayment Income

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

A. TRUE B. FALSE



ANSWER

Repayment Income

3555.152(a)(1), HB 9

B. FALSE

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



QUESTION

Repayment Income

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

A. YES

B. NO



ANSWER

Repayment Income

3555.152(a)(1), HB 9

A. YES

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



QUESTION

Repayment Income

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

A. TRUE

B. FALSE



ANSWER

Repayment Income

3555.152(a)(1), HB 9

A. TRUE

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



QUESTION

Repayment Income

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

A. TRUE B. FALSE



ANSWER

Repayment Income

3555.152(a)(1), HB 9

B. FALSE

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



QUESTION

Repayment Income

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

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



ANSWER

Repayment Income

3555.152(a)

A. 2 Years

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



Way to Go!

LEARNING CHECK
COMPLETED!



Navigate through these resources and tools like an expert!

Take the “Program Overview Training”

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

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

Subpart D—Underwriting the Applicant

§3555.151 Eligibility requirements.

§3555.152 Calculation of income and assets.

§§3555.153-3555.199 [Reserved]

§3555.200 OMB control number.

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

HB-1-3555 SFH GUARANTEED LOAN PROGRAM TECHNICAL HANDBOOK

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

Table of Contents

Chapter 1 - Overview

Chapter 2 - Record Retention

Chapter 3 - Lender Approval

Chapter 4 - Lender Responsibilities

Chapter 5 - Origination and Underwriting Overview

Chapter 6 - Loan Purposes

Chapter 7 - Loan Terms and Conditions

Chapter 8 - Applicant Characteristics

Chapter 9 - Income Analysis

Chapter 10 - Credit Analysis

Chapter 11 - Ratio Analysis

Chapter 12 - Property and Appraisal Requirements

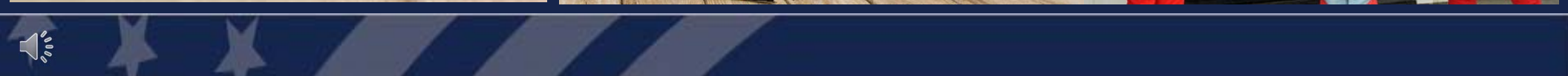
Can't find your answer in the regulation or handbook?

Contact the PAC team!

Want additional live program training?

Contact the LPA team!

TOPIC	CONTACT
File-Specific Questions Information to include in email: <ul style="list-style-type: none"> Identify the state the application is located; if applicable; Provide applicant's name and USDA borrower ID, if applicable; GUS loan number, if applicable Include contact information; and Indicate if you would like a call back (otherwise you will receive an email reply) 	Production Team One: SFHGLPONE@usda.gov AK, AL, AZ, CA, CO, GU, HI, IA, ID, KS, MT, NM, NV, OR, SD, TX, UT, WA, WI, WP, WY Production Team Two: SFHGLPTWO@usda.gov AR, KY, LA, MN, MO, MS, ND, NE, NJ, NY, OK Production Team Three: SFHGLPTHREE@usda.gov CT, DE, GA, IL, MA, MD, ME, MI, NC, NH, RI, SC, VT, WV Production Team Four: SFHGLPFOUR@usda.gov FL, IN, OH, PA, PR, TN, VA, VI
Lender Approval	sfhqld.compliance@usda.gov
Lender Recertification	
Program Training	sfhqld.lenderpartner@usda.gov
Program Marketing & Outreach	
General Loan Scenario Questions	sfhqld_program@usda.gov
Loan Policy/Regulation/Handbook	
Loan Servicing	sfhglpservicing@usda.gov
Technical Issues: e-Authentication	eAuthHelpDesk@ftc.usda.gov 800-457-3642, option 1 (USDA e-Authentication Issues)
Technical Issues: GUS	RD.HD@STL.USDA.GOV 800-457-3642, option 2 (USDA Applications); then option 2 (Rural Development)
Loss Claims	guarantee.svc@stl.usda.gov
Monthly & Quarterly Status Reporting	rd.nfaoc.hsb@stl.usda.gov
GUS User Agreements	
TOOLS & RESOURCES	
Regulation and Handbook: https://www.rd.usda.gov/resources/directives Lender Webpage—Turn times, contact information, and helpful links: https://www.rd.usda.gov/page/sfh-guaranteed-lender USDA LINC—Training modules, user guides, and more useful resources: https://www.rd.usda.gov/programs-services/lenders/usda-linc-training-resource-library GovDelivery—Receive notifications regarding origination, servicing, and GUS updates: https://public.govdelivery.com/accounts/USDARD/subscriber/new	





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