



New Lender Training – Part 2

Single Family Housing Guaranteed Loan Program

AGENDA

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- 2 Loan Purposes and Terms
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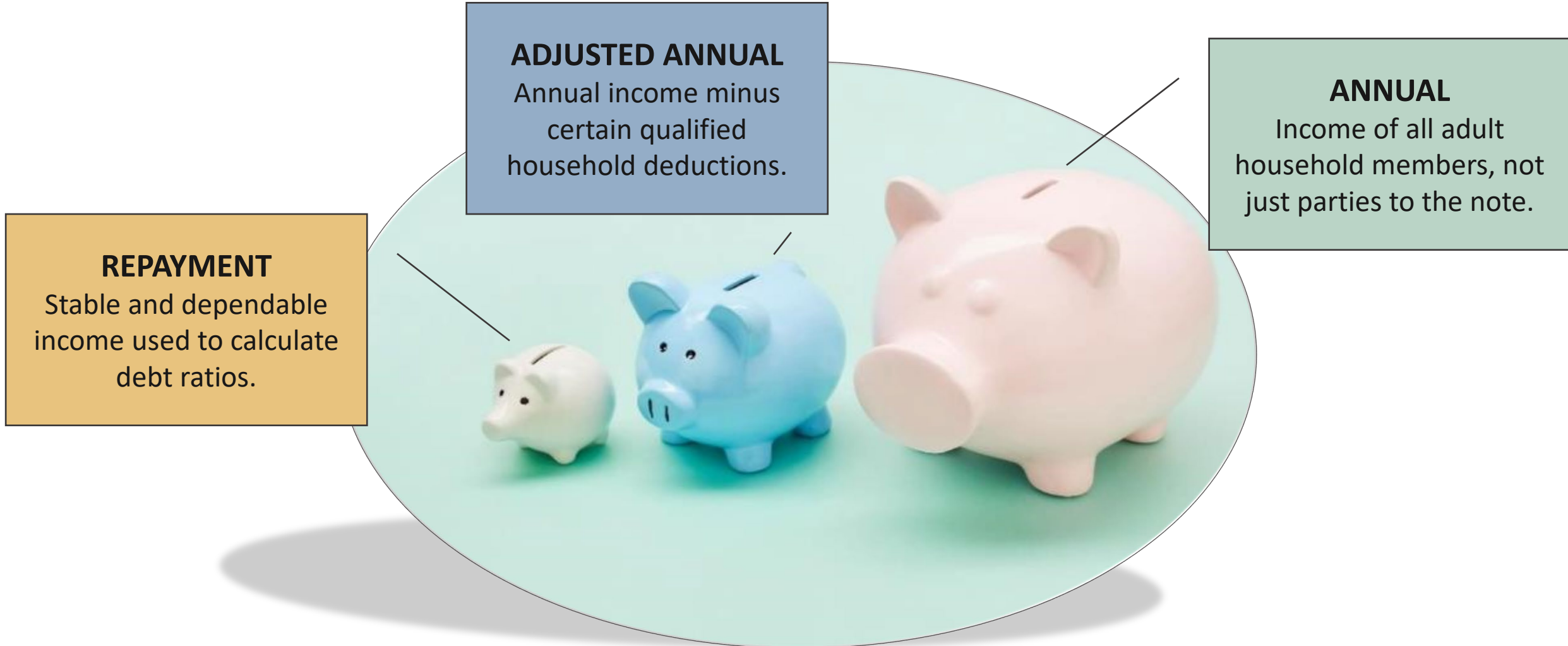




Annual, Adjusted Annual, and Repayment Income



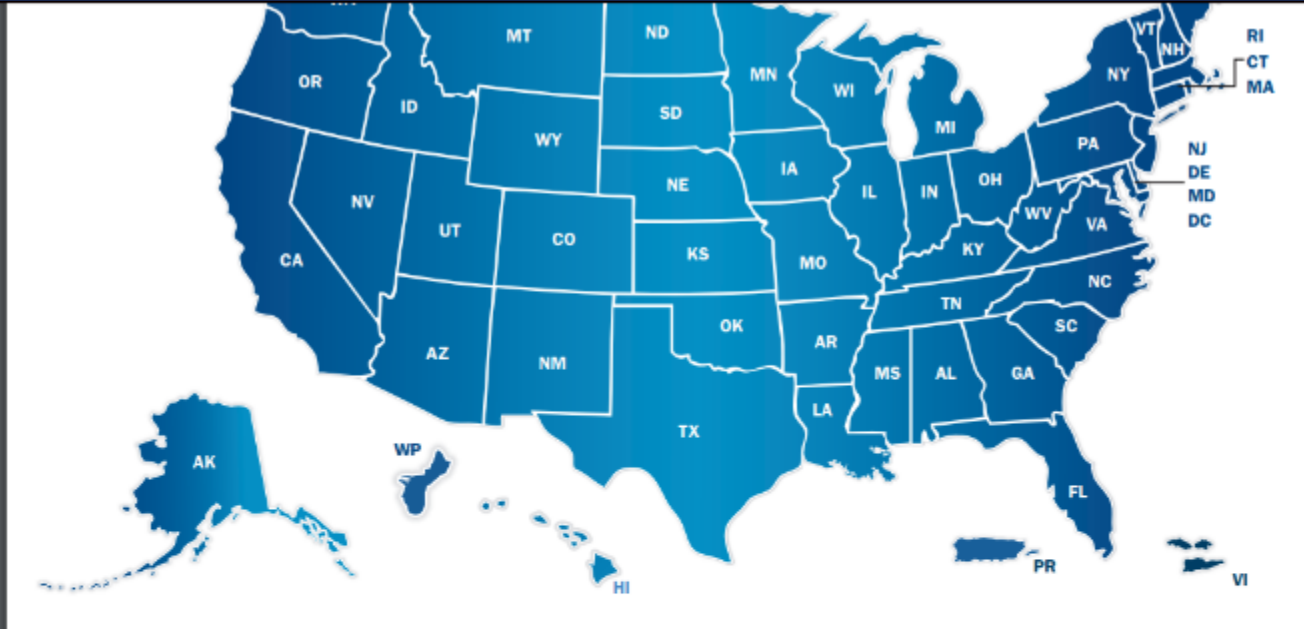
Types of Income



Income Limits

USDA Eligibility Site

<https://eligibility.sc.egov.usda.gov/eligibility/welcomeAction.do>



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HM - 1 - 3555, Appendix 5

GUARANTEED HOUSING PROGRAM INCOME LIMITS

STATE/ALABAMA	PROGRAM	1 PERSON	2 PERSON	3 PERSON	4 PERSON	5 PERSON	6 PERSON	7 PERSON	8 PERSON*
Anniston-Oxford-Jacksonville, AL MSA	VERY LOW INCOME	34400	34400	34400	34400	45450	45450	45450	45450
	LOW INCOME	55050	55050	55050	55050	72650	72650	72650	72650
	MOD. INC-GUAR. LOAN	103500	103500	103500	103500	136600	136600	136600	136600
Auburn-Opelika, AL MSA	VERY LOW INCOME	43600	43600	43600	43600	57600	57600	57600	57600
	LOW INCOME	69750	69750	69750	69750	92050	92050	92050	92050
	MOD. INC-GUAR. LOAN	103500	103500	103500	103500	136600	136600	136600	136600
Birmingham-Hoover, AL MSA	VERY LOW INCOME	42400	42400	42400	42400	56000	56000	56000	56000
	LOW INCOME	67850	67850	67850	67850	89550	89550	89550	89550
	MOD. INC-GUAR. LOAN	103500	103500	103500	103500	136600	136600	136600	136600
Chilton County, AL HUD Metro FMR Area	VERY LOW INCOME	42400	42400	42400	42400	56000	56000	56000	56000
	LOW INCOME	67850	67850	67850	67850	89550	89550	89550	89550
	MOD. INC-GUAR. LOAN	103500	103500	103500	103500	136600	136600	136600	136600

UPDATE

Check out the updated
Income Limits!



SCAN ME



Annual Income



ANNUAL Income



Whose income is included?

All adult household members

(including benefits received on behalf of minors)

Adult Full-Time Students

(not the applicant, co-applicant, or spouse of an applicant)

- Include first \$480 of earned income

Applicant's Spouse

- Include unless living apart for at least 3 months *(for reasons other than military or work assignment)*, or court proceedings for divorce or legal separation have been commenced.

Currently Unemployed Adults

- Include previous earnings IF seeking new employment.



ANNUAL Income



What income is included?

Anticipated income for next 12 months.

(This list is NOT inclusive. Refer to HB-1-3555, Chapter 9, Attachment 9-A for additional guidance.)

Employee Pay

- GROSS amount of base wages and salaries, OT pay, commissions, fee, tips, bonuses, housing allowances, & other compensations for personal services.

Self-Employed Income & Rental Income

- Self employed = 25% or greater ownership interest in a business.
- Use \$0 if there is a business or rental loss.

Court Ordered Payments

- Child support, alimony, & guardianship.

Retirement & Pension

- Include recurring payments.

Government Benefits & Long Term Disability

Asset Income

- Income from cumulative household non-retirement assets of \$50,000 or greater.



ANNUAL Income



What income is NOT included?

(This list is NOT inclusive. Refer to HB-1-3555, Chapter 9, Attachment 9-A for additional guidance.)

Foster Income

Live In Aides

Lump Sum or Sporadic Payments

Medical Reimbursement

Mortgage Credit Certificate (MCC)

Section 8 Housing Vouchers

SNAP Benefits

Student Loans/GI Bill

Unreimbursed Employee Expenses



Adjusted Annual Income

ADJUSTED ANNUAL Income



What are the allowable deductions?

(This list is NOT inclusive. Refer to HB-1-3555, Chapter 9, Attachment 9-A for additional guidance.)

Dependent Deduction

- \$480 per eligible dependent (at time of application).
- May include when there is shared custody.

Verified Childcare Expenses

- For children 12 & under.
- Anticipated amount for next 12 months.
- *Deduction is ineligible for applicants that have not yet placed their child into care or have no evidence to support payments.*

Unreimbursed Medical Expenses

- For elderly or disabled households only.
- Amount that exceed 3% of annual income.

Disability Expenses

- Amount that exceeds 3% of annual income.

Elderly Deduction

- Applicant or co-applicant is 62 or older.
- 1 \$400 deduction per household.

ADJUSTED ANNUAL Income



How deductions affect eligibility.

Income limit for county home is located in = \$110,650

Gross Annual Income	\$117,000
<u>3 children x \$480</u>	<u>- \$1,440</u>
Subtotal	\$115,560

<i>Childcare Expenses</i>	
<u>\$500/month x 12</u>	<u>- \$6,000</u>
Adjusted Income =	\$109,560



Repayment Income



REPAYMENT Income



Whose income is included?

Include stable and dependable income of parties to the note only.

Must be documented.

Must be evidence to support the historical receipt of earnings.

Must continue for at least 3 years into the mortgage.

Use caution when there is a sharp (20% or greater) variance in income.

Consider employment gaps.

Non-taxable income: May gross up by 25%. (not required to gross up)

REPAYMENT Income



What is the required history?

(This list is NOT inclusive. Refer to HB-1-3555, Chapter 9, Attachment 9-A for additional guidance.)

1 Year History:

- Base Wages, Bonus, Commission, Employee Fringe Benefits, Military, Overtime, Secondary Employment, Tips, & Voluntary Child Support

2 Year History:

- Auto Allowance, Capital Gains, Depreciation/Depletion, Dividends, Expense Allowance, Interest, Rental Income, Schedule K-1, Seasonal, Self-Employment, Unemployment

6 Months:

- Court Ordered Child Support, Separate Maintenance/Alimony, Trust Income, & Worker's Comp

REPAYMENT Income



What income is NOT included?

(This list is NOT inclusive. Refer to HB-1-3555, Chapter 9, Attachment 9-A for additional guidance.)

Foster Care

- Payments for the care of foster children or adults.

Lump Sum Payments

- Such as inheritances, insurance payments, and personal or property settlements.

Reimbursement of Medical Expenses

- Amounts received specifically for, or in reimbursement of the cost of medical expenses for any family member.

SNAP Benefits

Student Financial Aid

- Any aid received by household members for tuition, fees, books, equipment, materials, and transportation.

Unreliable Income

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



Calculating Income from Assets



ASSET Income



When do you calculate asset income?

Include income from cumulative household *non-retirement* assets of **\$50,000** or greater.

Assets with Actual Earnings

- Use the stated rate of interest.

Assets with NO Actual Earnings

- Use a current passbook savings rate.

Prior to Calculating Income from Assets

- Deduct any funds utilized for down payment, closing costs, pre-pays, etc. in the home purchase transaction.
- If total is now less than \$50,000, asset income is not required to be included.

Asset Inflation

Accuracy matters!

Invalid GUS underwriting recommendations

Inaccurate annual income calculation

Potential fraud



Calculating Income from Assets - Example



Checking account (non-interest bearing): **\$17,000**

Savings account (.25% interest): **\$24,000**

Certificate of Deposit (3% interest): **\$15,000**

Total Assets: **\$56,000** less **\$5,000** from checking used to purchase the home

*Remaining Assets = **\$51,000***

Calculating Interest on Assets - Example



Checking: $\$17,000 - \$5,000 = \$12,000 \times .25\% = \30

Savings: $\$25,000 \times .25\% = \62.50

CD: $\$15,000 \times 3\% = \450

Asset Calculation: $30 + 62.50 + 450 = \$542.50$

Include ***\$542.50*** in annual income calculation

Assets...Which do I use?



December Ending Balance: \$4,354.53

January Current Balance: \$4,534.32

← Use this amount

REMINDER: Transaction Histories are not a substitute for Bank Statements in order to verify assets.

Recurring and Non-Recurring Deposits

Investigate all recurring deposits not attributed to wages or earnings.

There is no tolerance or percentage of the amount of a recurring deposit that is not required to be investigated.

Investigate individual (non-recurring) deposits greater than \$1,000 on the account statements that are not attributed to wages or earnings.

If the lender has questions as to the source of any deposit, recurring or not, then it should be investigated.





Income Verification & Documentation Requirements

Income Verification Requirements

Streamlined Documentation



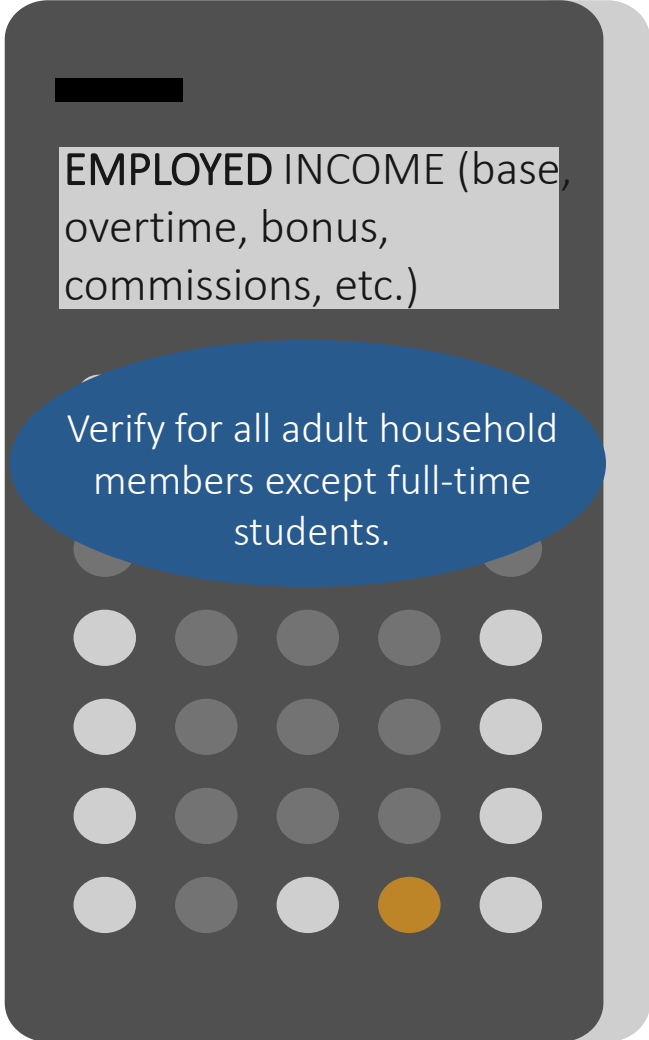
1 recent paystub with YTD figure



Written VOE
(may be electronically generated)



Verbal VOE (must be obtained within 10 business days of closing)



EMPLOYED INCOME (base, overtime, bonus, commissions, etc.)

Verify for all adult household members except full-time students.

Full Documentation



Paystubs covering the most recent four weeks of earnings



W-2's for the most recent two tax years



Verbal VOE (must be obtained within 10 business days of closing)

Income Verification Requirements



**SELF-EMPLOYED
INCOME**

2-years of filed and signed personal and business tax returns with all schedules plus a recent profit and loss statement (not required to be audited)

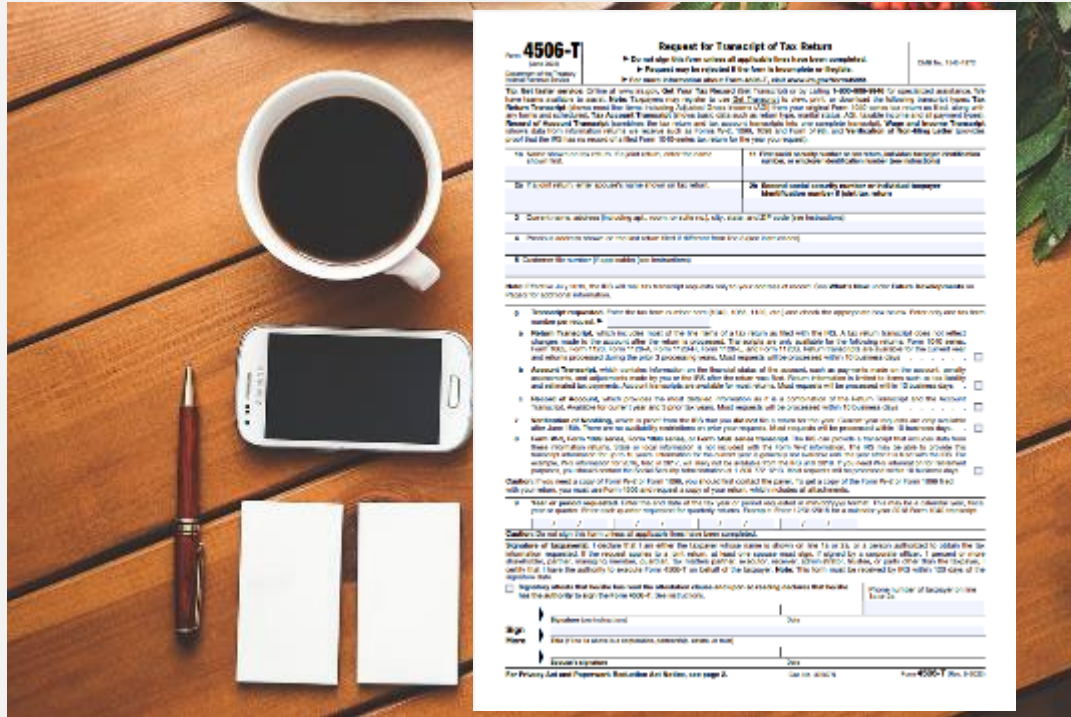
OR

IRS transcripts with all schedules plus a recent profit and loss statement (not required to be audited)

Trend analysis for the applicant's business (Recommend use of Fannie Mae Form 1084, "Cash Flow Analysis" and Fannie Mae Form 1088, "Comparative Income Analysis")

Confirmation the business is operational within 30 days of loan closing

IRS Transcripts



Who are they required for?

All adult household members (*except full-time students*).

Purpose

- Provide a quality control measure to ensure all income and asset earnings reported to the IRS have been disclosed to the lender.

Documentation Requirements

- Lenders must obtain and review the transcripts prior to loan closing and retain them in their permanent loan file.
- Tax transcripts not received prior to closing will not delay the loan closing, but are still required to be obtained and retained in the lender's permanent loan file.

Undisclosed Income

- Previously unknown/undisclosed income or asset sources that are identified by the transcripts will require additional review by the lender and may render a loan file ineligible.



INCOME Review

HB-1-3555, Chapter 9, Attachment 9-A

Double check your income calculations, avoid processing delays!

Refer to applicable column for income type.

GUS does not determine stable and dependable income. The underwriter does.

Incorrect data entries will render the underwriting recommendation as invalid.

Income and Documentation Matrix		
Income guidance: 7 CFR 3555, Sections 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 an accurate and dependable analysis of income per 7 CFR 3555.152. Exclusions may apply under 7 CFR 3555.152(b)(5) and Attachment 9-D.		
Considerations for Income Calculations		
<ul style="list-style-type: none"> Lenders must verify the income for each adult household member for the previous 2 years. Annual and adjusted annual income calculations must include all eligible income sources from all adult household members, not just parties to the loan note. Annual income is calculated for the ensuing 12 months, based on income verifications, documentation, and household composition. Include only the first \$480 of earned income from adult full-time students who are not the applicants, or a spouse of an applicants in annual and adjusted annual income. Income from assets that meet the criteria of Section 9.4 must be included in annual and adjusted annual income. Repayment income calculations include the income sources of the applicants who will be parties to the note that meet the minimum required history identified in this matrix <u>and</u> have been determined to be stable and dependable income by the approved lender. Income used in repayment income calculations must be confirmed to continue a minimum of three years into the mortgage. If the income is tax exempt, it may be grossed up 25 percent for repayment income. "Documentation Source Options" lists eligible documentation. Every item listed is not required unless otherwise stated. Lenders must obtain and maintain documentation in the loan file supporting the lender's income calculations. 		
Income Type	Annual Income	Repayment Income
Adoption Assistance or Subsidy	If the income will be received in the ensuing 12 months, include the first \$480 of adoption income or subsidy assistance for each grantee.	<p>Required History: None, the income must be received at the time of submission to the Agency.</p> <p>Lenders must document:</p> <ul style="list-style-type: none"> The applicants are currently receiving the income; and The amount of the income received each month. <p>Benefits that do not include expiration dates on the documentation will be presumed to continue.</p>
Documentation Source Options:		
<ul style="list-style-type: none"> Benefit/Award letter to document the amount and duration of payments. Online payment schedule from the Agency, bank statements, etc. Federal income tax returns or IRS tax transcripts with all schedules. 		



INCOME Calculations

Attachment 9-B, Underwriting Transmittal Summary, or Similar Form

REMINDER: Income worksheet was removed from the 3555-21 but calculations are still required.

Lender must document and retain income calculations for all adult household members.

Do not submit to USDA for GUS “Accept” loans but retain in case file.

Applicant: _____ Co Applicant: _____

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/types of income that is stable and dependable, utilized to repay the loan.

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

ANNUAL INCOME CALCULATION (Consider anticipated income for the next 12 months for all adult household members as described in 7 CFR 3555.152(b) and HB-1-3555, Chapter 9. Website for instructions: <https://www.rd.usda.gov/resources/directives>)

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, etc.). 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, etc.). 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 HB-1-3555, Chapter 9). Calculate and record how the calculation of each income source/type was determined in the space below.	
6. Annual Household Income (Total 1 through 5)	

Show Me the Math!



Annual Income based on Hrly Rate at 40hr/wk + YTD OT Avg



Annual Income: $\$32.50 \times 40 \text{ hrs} = \$1,300$
 $\times 52 = \$67,600$
 YTD OT $7500/5.4 \text{ mos} = \$1,388.88 \times 12 =$
 $\$16,666.67 + \text{hrly } \$67,600 = \$84,266.67$

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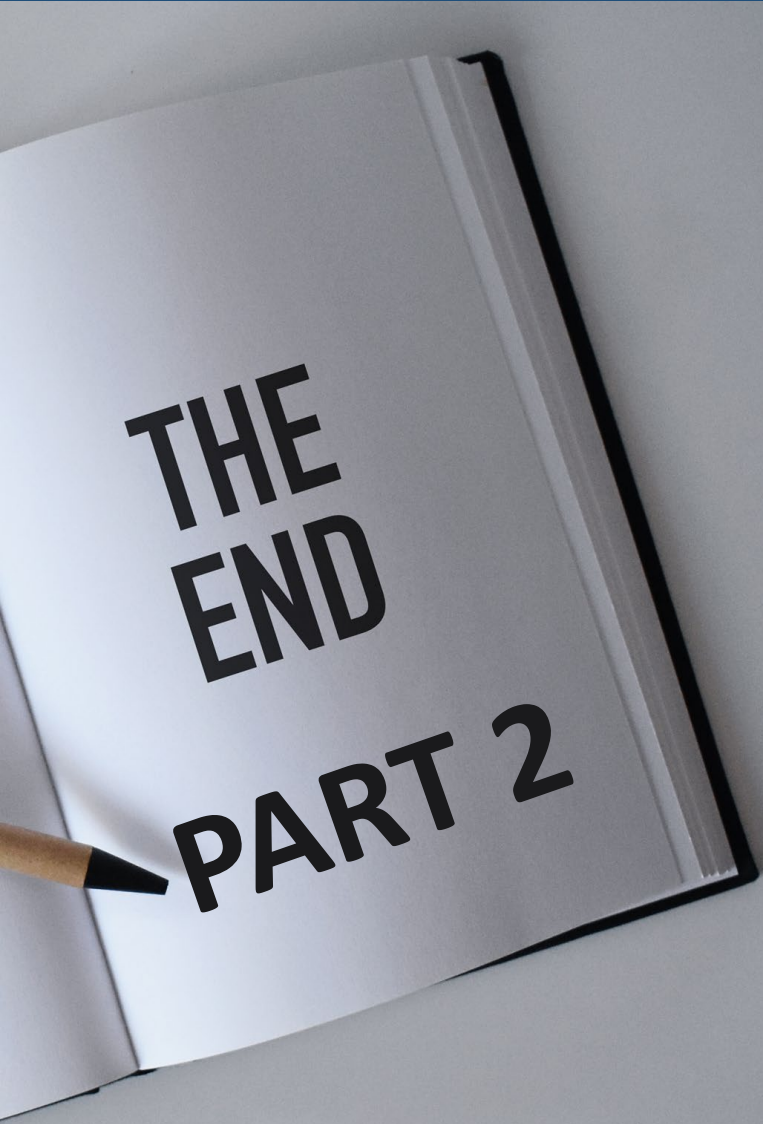
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Thank you for completing Part 2.



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