Adjusted Annual Income

Single Family Housing Guaranteed Loan Program (SFHGLP)

November 2020
Income Limit - $94,000

Annual Income = $94,800
Eligible Deductions = -$960
Adj. Annual Income = $93,840
Types of Income

The income of all adult household members, not just parties to the note.

The household’s annual income minus certain qualified household deductions.

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

HB-1-3555, Chapter 9.5

Dependent Deduction:

- $480 per eligible dependent household members.
  - May include when there is shared custody of children.
  - Unborn children are not considered dependents.
  - Adult full-time students who are not the applicant, co-applicant, or spouse of an applicant.
Adjusted Annual Income

HB-1-3555, Chapter 9.5

**Annual Income** - **Child Care Expenses** - **Adj. Annual Income**

**Child Care Expenses:**
- Care for children age 12 and under.
- Care is necessary to enable a family member to work, seek employment, or attend school.
- Calculate anticipated child care expenses for the ensuing 12 months.
- Applicants that have not placed their child into care or have no evidence to support payments, deposits, or registration fees are ineligible for this deduction.
Adjusted Annual Income

HB-1-3555, Chapter 9.5

Disability Expenses:

- Exceed 3% of the annual income.
- Allow the disabled individual or another household member to work.
- Are non-reimbursable by insurance or other sources.
- Do not exceed the income earned by the person who is working.
- Examples include but are not limited to: daily living assistance, wheelchairs, ramps, adaptation needs, workplace equipment, etc.
Adjusted Annual Income

HB-1-3555, Chapter 9.5

**Elderly Household Deduction:**
- Applicant or Co-Applicant is age 62 or older.
- One $400 annual deduction allowed.
Adjusted Annual Income

HB-1-3555, Chapter 9.5

Medical Expenses:

- Elderly and Disabled Households Only.
- Exceed 3 percent of the annual income for entire family.
- Definition of elderly family is in 3555.10.
- Utilize documentation to estimate anticipated annual.
### Household Member Information

- **Number of People in Household**: 2
- **Number of residents under 18 years old**: 0
- **Disabled Full Time Students 16 or years of age**: 0
- **Are there any disabled persons living in the household?**
  - Yes

### Monthly Gross Income For All Household Members

- **Primary Borrower**
  - **Base**: 4200.02
  - **Commissions**: 0.00
  - **Overtime**: 0.00
- **Other Household Member**
  - **Base**: 0.00
  - **Commissions**: 0.00
  - **Overtime**: 0.00
Adjusted Income Determines if Household is Eligible

Review Attachment 9-A

Retain All Documentation in the Permanent Case File


<table>
<thead>
<tr>
<th>Adjusted Annual Income Deductions</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>3555.152(c)</strong></td>
</tr>
<tr>
<td><strong>Dependent Deduction:</strong> 3555.152(c)(1)</td>
</tr>
<tr>
<td>• $480 deduction per eligible dependent at the time of loan application</td>
</tr>
<tr>
<td>• Applicants with shared custody may include their child(ren)</td>
</tr>
<tr>
<td><strong>Documentation Source Options:</strong></td>
</tr>
<tr>
<td>• Certify to the household member on Form RD 3555-21</td>
</tr>
<tr>
<td>• List all household members and ages on the Income Calculation Worksheet</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Child Care Expenses:</strong> 3555.152(c)(2)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Care for children age 12 and under</td>
</tr>
<tr>
<td>• Care is necessary to enable a family member to work, seek employment, or attend school</td>
</tr>
<tr>
<td>• Calculate anticipated child care expenses for the ensuing 12 months</td>
</tr>
<tr>
<td>• Applicants that have not placed their child into care or have no evidence to support payments, deposits, or registration fees are ineligible for this deduction</td>
</tr>
<tr>
<td><strong>Documentation Source Options:</strong></td>
</tr>
<tr>
<td>• Utilize income tax returns, receipts, or third-party verifications provided by a licensed childcare facility or provider on letterhead that: 1. Identifies the child enrolled, 2. Date of enrollment, 3. Payment due, and 4. Payment history</td>
</tr>
<tr>
<td>• Relatives or non-licensed private individuals who provide care must also provide evidence of payments made (i.e. canceled checks, money order receipts, bank statements, etc.)</td>
</tr>
<tr>
<td>• Child support payments and school tuition (K – 8) are not eligible deductions</td>
</tr>
<tr>
<td>• Attachment 9-B is an available option to document childcare expenses, but may not be used alone when additional documentation is required per this section to verify payment (i.e. relatives and private individuals)</td>
</tr>
<tr>
<td>• Calculations must be included on the Income Calculation Worksheet</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th><strong>Disability Expenses:</strong> 3555.152(c)(3)</th>
</tr>
</thead>
<tbody>
<tr>
<td>• Deduction for eligible expenses that exceed three percent of the annual income</td>
</tr>
<tr>
<td>• Eligible expenses: 1. allow the disabled individual or another household member to work, 2. are non-reimbursable by insurance or other sources, and 3. do not exceed the income earned by the person who is working due to the care provided</td>
</tr>
<tr>
<td>• Examples include but are not limited to: daily living assistance, wheelchairs, ramps, adoption needs, workplace equipment, etc</td>
</tr>
<tr>
<td>• Utilize documentation to estimate anticipated annual expenses</td>
</tr>
<tr>
<td><strong>Documentation Source Options:</strong></td>
</tr>
<tr>
<td>• Third party verifications for caregivers/agencies for the dates, costs, and fees</td>
</tr>
<tr>
<td>• Receipts, amended income tax returns, and other evidence to support the deductions</td>
</tr>
<tr>
<td>• Calculations must be included on the Income Calculation Worksheet</td>
</tr>
</tbody>
</table>
LEARNING CHECKS

7 CFR Part 3555 / HB-1-3555
QUESTION

Adjusted Annual Income

Applicant household members:

• Karen, applicant age 35
• John, applicant age 37
• Michael, age 10; Kimberly, age 7; John Jr, age 3,
• Expecting child #4 in six months
• This is a household of 6.

A. TRUE     B. FALSE
3555.152(c)(1), HB 9

B. FALSE

• They are a household of 5
• Unborn children are not included in the household member count
QUESTION

Adjusted Annual Income

• Greg, applicant, employed
• Mary, applicant, not currently employed
• 2 children, ages 12 and 6
• Child age 12 attends an afterschool program: $150 per month
• Household qualifies for 2 dependent deductions and afterschool program deductions.

A. TRUE  B. FALSE
3555.152(c)(1), HB 9

B. FALSE

• Eligible for 2 dependent deductions.
• The afterschool program is ineligible for deduction unless Mary is working, seeking work or attending education classes.
QUESTION

Adjusted Annual Income

- Janice is divorced and was awarded custody of her two children for a period of three days per week and 2 months each summer.
- Janice may include her two children as part of the household.

A. TRUE    B. FALSE
A. TRUE

- Eligible for 2 dependent deductions.
- Applicants with shared custody may include children as part of the household.
QUESTION

Adjusted Annual Income

- Adjusted annual income limit: $99,500; Household: 5
- Current annual income: $110,000
- Three eligible dependents: $480 x 3 = $1,440
- Full time childcare: $12,500 per year
- The household is eligible.

A. TRUE        B. FALSE
A. TRUE

- $110,000 - $1,440 - $12,500 = $96,060
- $96,060 is below the adjusted annual income limit of $99,500
QUESTION

Adjusted Annual Income

Applicant household members:

- Richard, applicant, age 42, employed full time
- Kathi, applicant, age 39, employed full time
- Trevor, age 11; Simone, age 6
- Live-in aide who has resided with the family full time for the past four years
- This is a household of 5.

A. TRUE    B. FALSE
3555.152(c)(1), HB 9

B. FALSE

• They are a household of 4.
• Live-in aides may not be included as members of the household.
A. TRUE  B. FALSE
ANSWER

Adjusted Annual Income

3555.152(c)(2), HB 9

B. FALSE

• The childcare provider does not have to be licensed.
• Non-licensed individuals and relatives are also eligible to provide care.
QUESTION

Adjusted Annual Income

- Household of 3: 2 adults and 1 disabled dependent age 9
- Both adults work full time
- Dependent requires outside assistance at school
- Total household annual income: $86,500
- Cost of outside assistance: $13,500
- How much of the assistance is an eligible deduction?

A. $13,500  B. $10,905
**ANSWER**

Adjusted Annual Income

3555.152(c)(3), HB 9

**B. $10,905**

- Eligible expenses related to care of disabled household members = amount that exceeds 3% of annual income
- $86,500 annual income x 3% = $2,595
- $13,500 - $2,595 = $10,905 eligible to deduct
QUESTION

Adjusted Annual Income

- Household of 2 adults
- Both are over age 62
- The household qualifies for an $800 deduction (two adult members over age 62 x $400)

A. TRUE        B. FALSE
ANSWER

Adjusted Annual Income

3555.152(c)(4), HB 9

**B. FALSE**

- Only one $400 deduction per elderly family.
- Elderly family: head of household, spouse, or sole member of family that is party to the note is age 62 or older.
QUESTION

Adjusted Annual Income

- Elderly Household.
- Seeking deductions for medical expenses that include: insurance premiums, dental expenses, and eyeglasses.
- These are eligible deductions.

A. TRUE    B. FALSE
3555.152(c)(5), HB 9

A. TRUE

- Eligible for elderly families only.
- May deduct eligible expenses that exceed 3% of annual income.
Way to Go!

LEARNING CHECK COMPLETED!
Lender Toolkit
Have a question on POLICY?
Contact the PAC team!

Need TRAINING?
Contact the LPA team!

Have a question on a SPECIFIC FILE?
Contact the OPD!
Lender Webpage

Monitor posted turn times daily

Don’t forget to sign up for GovDelivery updates

https://www.rd.usda.gov/page/sfh-guaranteed-lender

SFH Guaranteed Lender

Home
About RD
Programs & Services
Newsroom
Resources
Contact Us

COVID-19
An Important notice for servicers with loans insured or guaranteed by the Rural Housing Service CARES Act
Furthemore Fact Sheet for Mortgages and Servicers

Loan Status
We are currently reviewing new loan applications and conditions received on or before 06/15/2020

Subscribe to Notifications
Critical program information such as policy updates, funding status, and automation changes are sent by email through GovDelivery. Sign Up to Receive Critical Updates.

Overview
On February 16, 2020 we integrated the Guaranteed Loan Program into a single integrated national team! For more information, please reference our Integration Information sheet.

USDA Rural Development’s Guaranteed Loan Program assists approved lenders in providing up to 100% financing for eligible borrowers (households that do not exceed 115% of the Median Household Income) purchasing homes in eligible rural areas. Automated underwriting assistance through GUS (Guaranteed Underwriting System) allows for expanded ratios and flexible credit.

We now have Single Close Construction-to-Permanent Financial & single close loan combines the features of a
www.rd.usda.gov
1 (800) 800-670-6553

USDA is an equal opportunity provider, employer, and lender.