Repayment Income

Single Family Housing Guaranteed Loan Program (SFHGLP)
Repayment Income

The Key to Successful Homeownership
§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.
(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.
(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.
Handbook Chapter 9 Section 2: Repayment Income

- 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.
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.
- Establish the likelihood of its continuance for at least 3 years into the mortgage.
- 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.

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• Caution should be utilized for any applicant that has a documented decrease in earnings. A documented decrease in earnings is defined as a 20 percent or greater variance in income from the previous 12 months. Lenders must determine if the decrease has/will continue or if there is evidence to support the earnings have stabilized. Examples include but are not limited to loss of job but new employment secured with lower wages, new profession/line of work, loss of contract/clients, economic cycle impact such as real estate, finance/lending, manufacturing, construction, etc.
Agency staff will recalculate the lender’s determination of repayment income, as a quality control step, when the repayment ratios are within 10 percent of the published debt ratio threshold of 3555.151(h). Repayment ratios greater than 26 percent for principal, interest, taxes, and insurance (PITI) and/or greater than 37 percent total debt (TD) require the Agency recalculation. The Agency review is only required for manually underwritten loans. If the Agency’s calculation does not agree with the repayment income calculation of the lender, the file could potentially be ineligible. The Agency will contact the approved lender to review the results and determine the appropriate calculation. This action will strengthen the oversight procedures to verify compliance with regulatory requirements. Agency staff will complete Attachment 9-F, Worksheet for Documenting Eligible Household and Repayment Income, as directed to record their calculation and will be uploaded to the Agency’s Imaging Repository.
### Income and Documentation Matrix

This matrix covers every income/asset type, employment scenario, etc. USDA requires approved lenders to use sound judgment to make accurate and dependable analysis of income per 12 CFR 3155.112(b).

"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

<table>
<thead>
<tr>
<th>Type</th>
<th>Required History</th>
<th>Documentation Source Options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adoption Assistance or Subsidy</td>
<td>If this income will be received in the ensuing 13 months, include the first $480 of adoption income or subsidy assistance for each practice.</td>
<td>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</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>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</td>
</tr>
</tbody>
</table>

#### Required History

- A year
- One year

### Retention of Documentation

- Review Attachment 9-A
- Refer to “Repayment” Column
- Retain All Documentation in the Permanent Case File
### Household Member Information

- **Number of People in Household**
  - 2

- **Number of residents under 18 years old, Disabled or Full Time Students 18 years or age**
  - 0

- **Are there any disabled persons living in the household? (P)**
  - Yes

### Monthly Gross Income For All Household Members

#### Primary Borrower (P)
- **Salary**
  - $4000.00
- **Commission**
  - $0.00
- **Other**
  - $0.00

#### Other Household Member (P)
- **Salary**
  - $0.00
- **Commission**
  - $0.00
- **Other**
  - $0.00

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**Note:**
- **Lender Instructions:** Determine eligible household income for the Single Family Housing Guaranteed Loan Program (SFHGLP) by documenting all sources of income for all household members. Qualify the loan by documenting all sources of income that is fixed and dependable, if applicable to the loan.
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
• 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
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.
• 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.
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
B. 1 year

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

Penelope is the legal payee for Chloe’s benefit to meet her needs.
The GUS evaluates the stability and dependability of repayment income in the overall risk evaluation.

A. TRUE    B. FALSE
B. FALSE

The lender must determine the history and stability of earnings prior to entering repayment income into GUS.
• Bernadette receives monthly SSI of $1,400.
• The lender may gross the SSI up by 25% for repayment income.

A. TRUE    B. FALSE
A. TRUE

Tax exempt income sources may be grossed up 25%.
No additional adjustments are allowed.
• 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
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
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.
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
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.
• 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
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.
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
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!
Lender Toolkit
Navigate through these resources and tools like an expert!

Take the “Program Overview Training”

Available on the USDA LINC:

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

PART 3555—GUARANTEED RURAL HOUSING PROGRAM

Contents

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
Chapter 13 - Special Property Types
<table>
<thead>
<tr>
<th>Topic</th>
<th>Contact</th>
</tr>
</thead>
<tbody>
<tr>
<td>Single Family Housing Guaranteed Loan Program (SFHGLP) Contacts &amp; Resources</td>
<td>USDA Rural Development (USDA.gov)</td>
</tr>
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<td>FL, IN, OH, PA, PR, TN, VA, WA, WI</td>
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</table>

**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!
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  SFH GUARANTEED LENDER

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

Loan Status
We are currently reviewing new loan applications and conditions received on or before 06/19/2020

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...