



7 CFR Part 3555: 3555.152 (d)

- (d) Net family assets. For the purpose of computing annual income, the net family assets of all household members must be included in the calculation of annual income. Lenders must document and verify assets of all household members.
 - (1) Net family assets include, but are not limited to, the actual or imputed income from:
 - (i) Equity in real property or other capital investments, other than the dwelling or site;
 - (ii) Cash on hand and funds in savings or checking accounts;
 - (iii) Amounts in trust accounts that are available to the household;
- (iv) Stocks, bonds, and other forms of capital investments that is accessible to the applicant without retiring or terminating employment;
 - (v) Lump sum receipts such as lottery winnings, capital gains, and inheritances;
 - (vi) Personal property held as an investment; and
- (vii) Any value, in excess of the consideration received, for any business or household assets disposed of for less than fair market value during the 2 years preceding the income determination. The value of assets disposed of for less than fair market value shall not be considered if they were disposed of as a result of foreclosure, bankruptcy, or a divorce or separation settlement.

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- (2) Net family assets for the purpose of calculating annual income do not include:
- (i) Interest in American Indian restricted land;
- (ii) Cash on hand which will be used to reduce the amount of the loan;
- (iii) The value of necessary items of personal property;
- (iv) Assets that are part of the business, trade, or farming operation of any member of the household who is actively engaged in such operation;
- (v) Amounts in voluntary retirement plans such as individual retirement accounts (IRAs), 401(k) plans, and Keogh accounts (except at the time interest assistance is initially granted);
- (vi) The value of an irrevocable trust fund or any other trust over which no member of the household has control;
 - (vii) Cash value of life insurance policies; and
 - (viii) Other amounts deemed by the Agency not to constitute net family assets.

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7 CFR Part 3555: 3555.152 (d)

When is an asset calculation required?

9.4 CALCULATING INCOME FROM ASSETS [7 CFR 3555.152(d)]

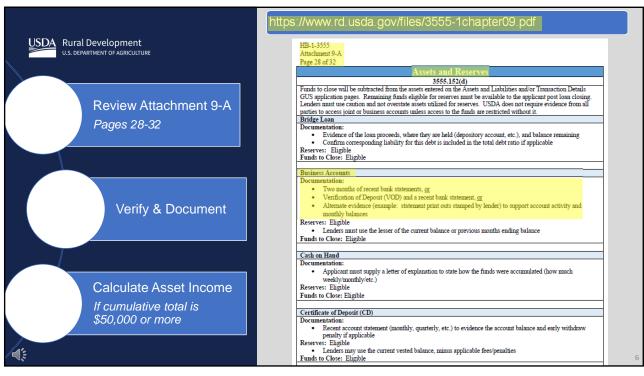
Household members with cumulative net family assets (non-retirement) of \$50,000 or greater, must have those assets reviewed for annual income purposes as indicated in 3555.152(d). Lenders must review asset information provided by applicant(s) and household members at the time of loan application. Net family assets with actual earnings will use the stated rate of interest to calculate annual income. Net family assets that do not earn interest will use a current passbook savings rate (verified through the lender's personal banking rates, online website, etc.) to calculate annual income.

Refer to the Asset section in Attachment 9-A for individual asset types and options for documentation/verification.



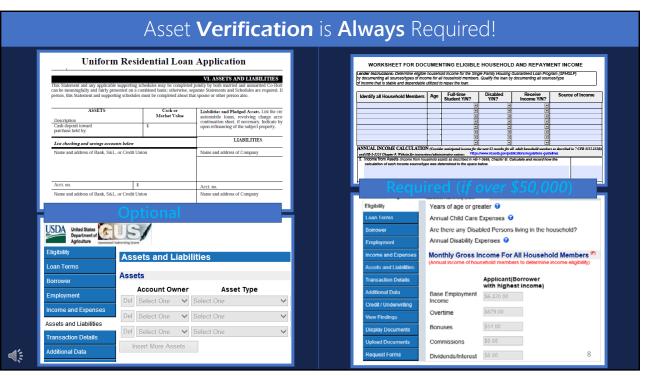
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Things to keep in mind: Income from eligible assets may be required to be included in annual income. Assets are considered a compensating factor which do impact underwriting recommendations in the GUS. Lenders will determine if assets are to be included in the underwriting analysis.

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Asset Inflation

- Invalid GUS underwriting recommendations
- Invalid compensating factors
- Inaccurate annual income calculation
- Potential fraud



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Example: Calculating Income from Assets

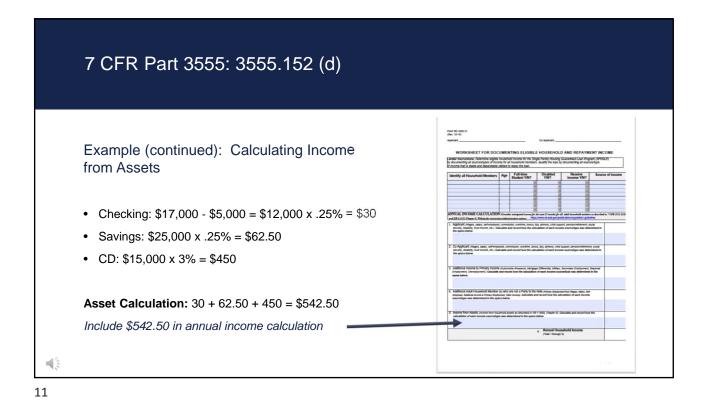
- Checking account (non-interest bearing): \$17,000
- Savings account (.25% interest): \$24,000
- Certificate of Deposit (3% interest): \$15,000

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

Remaining Assets = \$51,000







Average Asset vs. Current Balance

January Average Balance: \$4,534.52
February Average Balance: \$354.23
Current Balance: \$1,456
Two-month Balance: \$2,444.38

Current Balance: \$1,456



QUESTION

Topic



• Include a statement/question

TRUE/FALSE or other answer options will be displayed

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ANSWER *Topic*

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

X. Correct Response

• Additional guidance for clarification may be provided

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Assets

Which of the following assets may be required in the annual income calculation?

SELECT ALL THAT APPLY:

- A. Checking account
- B. Net proceeds from sale of current home
- C. Certificate of deposit

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ANSWER Assets

3555.152(d)(1), HB 9

- A. Checking account
- B. Net proceeds from sale of current home
- C. Certificate of deposit

All of the above must be considered when determining the annual income calculation.

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Assets

Which assets are excluded from a conventional credit test?

SELECT ALL THAT APPLY:

- A. Checking account
- B. Antiques and collectibles
- C. Savings account
- D. 401k/Retirement accounts

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ANSWER

Assets

3555.152(d)(2), HB 9

- B. Antiques/Collectibles
- D. Retirement Plan

Exclude personal property such as antiques and collectibles, as well as funds in a voluntary retirement account.

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QUESTION Assets

What is the asset threshold when a calculation is required for annual income?

- A. \$5,000
- B. \$20,000
- C. \$50,000
- D. \$10,000

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ANSWER

Assets

3555.152(d)(1), HB 9.4

C. \$50,000

Net family assets of \$50,000 or more must be reviewed for annual income purposes.

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Lenders must enter all assets into the GUS "Assets and Liabilities" application page and the 1003 loan application.

A. TRUE B. FALSE

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ANSWER Assets

3555.152(d)(1), HB 9

B. FALSE

Assets are not required to be entered in GUS or on the URLA if below the acceptable threshold

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Assets

- Checking: \$1,500, non-interest, local passbook savings rate is .25%
- Savings: \$15,000, earns .50% annually
- Certificate of Deposit: \$65,000, earns 2% annually

What amount of income must be added to annual income?

A. \$1,378.75

B. \$0



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ANSWER

Assets

3555.152(b)(4), HB 9

A. \$1,378.75

- Assets are \$50,000 or greater
 - \$1,500 x .25% (passbook rate)= \$3.75
 - \$15,000 x .50% = \$75.00
 - \$65,000 x 2% = \$1,300
- \$3.75 + \$75.00 + \$1,300 = \$1,378.75

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Assets

Which of the following assets can be **excluded** when calculating annual household income?

SELECT ALL THAT APPLY:

- A. IRA Account
- B. Money Market Savings Account
- C. Trust Fund Controlled by Borrower's Grandfather
- D. \$2,500 Lotto Winnings
- E. 50 Shares of Stock Interest

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ANSWER Assets

3555.152(d)(2), HB 9

- A. IRA Account
- C. Trust Fund Controlled by Borrower's Grandfather
- D. \$2,500 Lotto Winnings

Excluded assets include retirement accounts, trust funds that are not controlled by a household member, and lump sum/one-time payments that are nonrecurring.

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